

Rental Housing Scenario in India: Barriers and Facilitators

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Abstract - In today's world housing is one of the basic requirements for human beings after food and clothes. As a result of a high rate of urbanization in cities, changing demographics, and changing income levels. These factors cause the housing shortage in cities. The housing shortage at the city level has resulted in a lack of affordability and availability. This lack of availability and affordability has pushed the government to find an alternative option to gear up the housing need and shortage, and the rental housing policy has emerged. The unavailability of a clear policy framework can hinder the supply of formal rental housing. Moreover, people are forced to live in informal rental accommodations where essential services are absent. It will study the existing policies and regulations for the rental housing market. It will evaluate its effectiveness and understand the current state of rental housing in India concerning the impacts of challenges landlords and tenants face. This paper examines the role of private entities in addressing the issues faced by the rental housing sector in India.

Key Words: housing shortage, affordability and availability, rental housing, policy framework, formal rental housing, informal rental accommodations, landlords and tenants, private entities

1. INTRODUCTION

Due to rapid urbanization, around 36% of the Indian population lives in city areas, and this urbanization will increase with time. Urbanization will cause a shortage of housing infrastructure in urbanized cities. The housing shortage in the cities can be described as out of six people only one person has a habitable house. India has a large population with diverse housing needs but affordability of housing is still a major problem facing in urban areas. The rising land price in urban areas increases the options of unaffordability in housing. The rental housing stock available in the market is insufficient to address the housing shortage in urban areas. The number of vacant houses in the country increased from 6.3% in 2001 [1] to 7.5% in 2011. To address the housing issue, we need sustainable housing options to meet the population's diversified housing needs. To target the section of society who lives in a city temporarily for

different reasons like education, employment, etc. To address the housing problem, the rental housing option in India is an essential segment of the housing market. It can play an important role in providing affordable housing to persons who prefer to live in rental homes. To regulate the rental housing market in India, we need to strictly regulate the uniform rental laws in every state of India. Regulating the uniform rental laws in India will promote formal rental housing where people will get all basic services at affordable prices. Whereas in the absence of uniform rental laws people are forced to live in informal rental accommodations where there is a lack of basic services. The Rental Housing Policy, 2015 introduced by the government in policy they decide the beneficiary group. In formal rental housing, the tenant has to follow some rules and regulations while using the accommodation. In informal housing, the residents mostly feel insecure and fear of eviction by the landlord. The place is mostly overcrowded, dwellings are constructed in unsafe areas which is hazard-prone in many ways.

After the introductory section, the second part of this paper describes briefly on housing situation in India. The third section focuses on the rental housing scenario and types of rental housing in India; the fourth part focuses on acts and policies related to rental housing in India; the fifth part deals with some legal and regulatory recommendations regarding rental housing; the sixth part deals with a case study of Mumbai in context to rental housing. The conclusion is based on the analysis of all sections in the paper.

2. HOUSING SITUATION IN INDIA

The housing issue in India is rising, and availing affordable housing options for all is crucial. Housing comes under the necessities of food, shelter, and clothing. The different housing challenges [2] that urban areas face nowadays are shortage, overcrowding, ownership of housing, available housing stock, etc. Urban areas need safe, secure, [2] affordable housing for growth and development.

The housing stock has raised from 24.9 crore to 33.1 crore in 2001, and 2011 respectively, serving as a sign of an increase [3] of 33% as stated in the Census of India 2011. [Table 1](#) shows the shortage of urban housing in different economic sections of society.

Table -1: Estimated Urban Housing Shortage_[4] in India 2012-2017

Category	Shortage in Million	Percentage
Economically Weaker Section	10.55	56.18
Low Income Group	7.41	39.44
Middle Income Group	0.82	4.38
Total	18.78	100

3. RENTAL HOUSING SCENARIO IN INDIA

At the city level in India, almost 21.72 million_[1] population live in rental accommodation. The eight states and Union Territories have the highest percentage of rental households with around 16.63_[5].million.

The rental housing shares rise with city size, from 28%, 36%, and 40% in small towns, medium towns, and large cities_[6] respectively. The growing demand for rental housing in India is observed_[6] with 82% and 71% of people in rural and urban areas living without any written contract. **Figure 1** shows the percentage of rental households in every state:

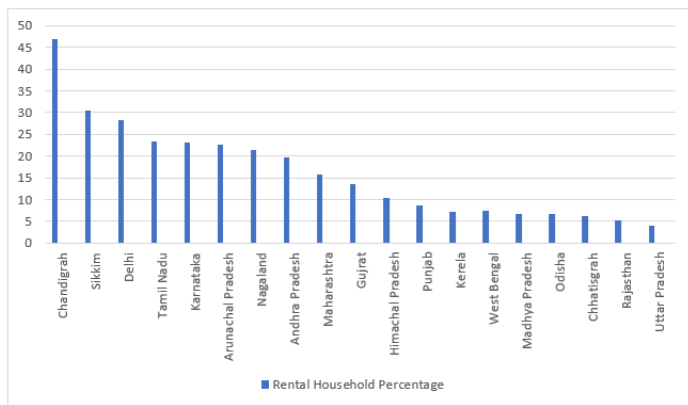


Figure 1: The Percentage of Rental Households in Indian State

4. TYPES OF HOUSING

4.1 Informal/Unorganized Rental Housing

Due to the absence of a supporting environment, there is an abundance of informal and unorganized rental accommodation that lacks quality and essential cleanliness. The housing developed on encroached land or having illegal structures on owned land. The informal accommodations have inferior quality of basic amenities that may cause various diseases. Ghettos and kind of slums and squatters started developing because of robust community development.

4.2 Formal Rental Housing

Formal rental housing is much far better option to live in for a short period. There is proper and organized rental accommodation that has quality and essential needs. The housing developed on government land or may be on private land having legal structures and legal rules for tenants. By this, there is a minimum home-work distance.

Need for Rental Housing in India:

- To gear up for fast urbanization
- Limited availability of land parcels increases housing unaffordability
- Economic and Job Uncertainty
- Change in Lifestyle Preferences
- Less pressure on the housing market

5. ACTS

- As stated in the Rent Control Act 1948 was introduced to monitor rental properties and prevent exploitation by tenants and landlords. There is a provision that an owner cannot evict a tenant without any major cause. Every tenant has the right to get basic service (water supply, sewerage, electricity, gas, septic tank, etc.) in the rented property by the owner.
- As stated in Rent Control Act 1948 Owners have the right to evict tenants, but this must not be of a personal or perhaps professional nature. It is not permissible for the tenant to vacate the rental property without giving a reason. Prior to eviction, the owner must notify the tenant to find a new apartment. The property is solely the entity of the landlord and to improve the quality or modify any part. Such changes or modifications should not affect the tenancy.
- As stated in Model Tenancy Act 2021 aims to equalize the role of landlords and tenants, thereby extinguishing the concept of rent control laws in Favor of tenants and providing transparency for resolving disputes between both parties and creating an agile regulatory environment.
- As stated in the Model Tenancy Act 2021 for residential use landlord can take a security deposit only for two months and in the case of commercial use deposit can be taken up to 6 months. If any dispute occurs between tenant and landlord the responsible authority will resolve a case within 60 days from the date it.
- The tenant's occupancy in the premises let out on rent was_[5] prompted by "Force Majeure" as a situation of war or any natural calamity.
- An acceptable digital structure must be put in place so that submitting documents, creating special identity characters,_[7] and uploading records of

residency contracts becomes easy. Establishing Rent Authorities or insufficient vacuity of finance at the authority can pose.[7] provocation on them.

- The Act states, "premises" to any building structure or portion of a building that is or is intended to be rented for residential OR commercial [5]use - with a few exceptions for hotels, guest houses, Dharamshala, and industrial use.
- As stated in Affordable Rental Housing Complexes Scheme 2021 it aims to promote the vision of a self-reliant ease of living residence near their workplace.
- As stated in the scheme a mix of at least 40 DU and dormitories with [8]_essential services are to be specified in the design.
- As stated in a scheme the size of DU will be up to 30 sqm and 60 sqm having a single bedroom and double_[8] bedroom respectively.
- As stated in the scheme will be implemented through two models [8] as shown in Figure 2:

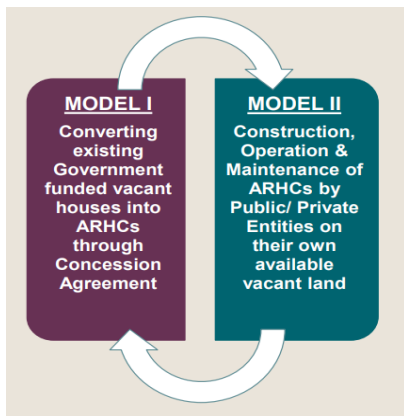


Figure 1: Two models of ARHCs

RENTAL HOUSING TIMELINE

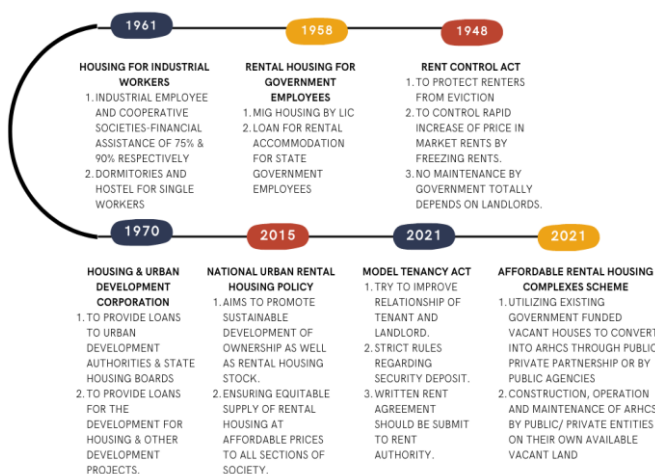


Figure 2: Timeline of Rental Housing in India

Source: Author

6. RENTAL HOUSING – A CASE OF MUMBAI

6.1 About the Scheme

- A project on the ‘Rental housing scheme by MMRDA, Mumbai (Public-Private)’.
- Maharashtra government launched the project “Affordable rental housing scheme”.
- This project was done in collaboration with private-sector participation.
- Under this scheme development of self-sustained rental stock has to develop in the Mumbai Metropolitan Region_[9] (MMR).
- Each dwelling unit is of 160 sq. ft. carpet area with extended FSI/TDR benefits to developers.
- The scheme applied to a selected population, development of around 0.1 million houses a year to meet the existing backlog of around [9] two million houses to meet the demand of EWS/LIG migrants.

Table 1: Proposed Model for the Development of Rental Stocks by the Government of [9] Maharashtra

Types	Granted FSI	Type of Land	Permissible FSI	Use of TDR
Model-1	4.00	Private Land	3.00	Applicable for non-utilize balance FSI
Model-2	4.00	Private Land	4.00 but 1.00 for rental housing	TDR transfer benefit is not to the developer
Model-3	4.00	Government Land	3.00 granted & 1.00 for commercial development	TDR not applicable



Figure 3: Rental Housing Projects at Thane, Mumbai



Figure 4: Rental Housing located close to the main road

6.2 Key concerns and issues

Some of the challenges and issues observed are as follows:

- Rental housing units were planned with least priority and that’s why no importance was given to the layout and building plans. This resulted in congested dwelling units with poor ventilation.
- By rectifying the plans and working on small details in planning floor plans and unit areas restricted to create mass housing of urban poor households.
- As prescribed higher FSI creates much higher density dwelling units. Now, the revised unit size is doubled the previous size.
- After that two dwelling units combine to make one dwelling unit of 320 sq. ft. as stated in the revised scheme for the single-family to reside.
- These rental units were distributed among the government and public organizations for their employees on rent and the remaining stock about 15% will sold by MMRDA as per the [10]eligibility criteria.
- To reduce the burden from existing infrastructure, lower the FSI proposed from 4.00 to 3.00 proposed by the Government of [9] Maharashtra.
- All these proposed changes shift its focus from an ‘Affordable Rental Housing Scheme’ into an ‘Affordable Ownership Housing Scheme’.

7. LEGAL AND REGULATORY RECOMMENDATIONS

Rental housing will work only if different authorities such as the Central Government, State Government, local authorities, and Rent Regulators come together to promote the growth of the Rental Housing Sector in India.

7.1 State Rental Regulation Acts

- This regulation is a solid framework for reforming the rental housing sector in India.
- To avoid tenant exploitation by limiting rents and evicting renters as [6]specified in Rent Control.

- “Balance the interests of landowner and tenant and create an accountable and transparent environment for renting the premises in a disciplined and efficient manner to promote an inclusive and sustainable ecosystem” as stated in the draft of the Model Tenancy [7] Act 2019.
- The Act is a significant initiative to establish an effective legal structure that promotes landlord-tenant peace.

7.2 State Rental Housing Policy

The state government should create a rental housing policy that outlines the state’s rental housing development plan and path. Rental housing policies should take into account all age groups and income levels in society. All three [6].types of rental housing are listed in Table 3 below:

Table 2: Types of Rental Housing

Type of Rental Housing	Section of the society	Incentives
Social Rental Housing	EWS section of society	Needs monetary and non-monetary incentives and support of policy
Need Based Rental Housing	LIG section of society	Needs monetary and limited monetary support and support of policy
Market Based Rental Housing	MIG & HIG section of society	Monetary promotions are not needed, only non-monetary and policy’s support

7.3 Composition of the State Rent Regulator/Authority

- The sector to grow and prosper sustainably, it needs a strong and balanced regulator to drive sector development. Authorities are required to [6] safeguard the legal interests of enterprises and society. Markets support the preservation of citizens’ rights and security, as well as the provision of high-quality goods and services.
- Therefore, each state should establish a state rental regulator/authority immediately to regulate the rental housing sector efficiently and transparently.
- To ensure that complaints are resolved quickly to balance the legal rights of landlords and tenants.
- Regulators must strive to reduce existing informal markets by establishing minimum standards that balance the legal privileges and responsibilities of proprietors and tenants, creating complaint resolution mechanisms, [6]and developing

strategies to ensure vacant homes/closure to a formal and dynamic rental housing market. The property will be used as rental housing and encourages tax or non-tax incentives.

8. SUGGESTIONS

- In India 'Gross Rental yields' are the lowest in the world [6] at 1% - 4%.'
- According to the Global Real Estate Guide, India's rental income ranges from 'very poor' [6] to 'poor'. Rising real estate prices have provided financial returns for investors, while rental income has covered [6] operation and maintenance expenditures.
- Steps should be implemented to increase the financial viability of rental housing initiatives in India to recruit public sector [6] rental housing operators.
- Some incentives that the government should consider to maintain feasibility include an increase in additional FAR/FSI, essential services to the housing society, and mandatory municipal costs for water supply, electricity, property tax, and so on.

8.1 Tax Reforms

- Reforms in rent control acts should be done very precisely.
- To promote rental housing for various sizes and various economic groups.
- To use additional FAR/FSI and mix uses to promote rental housing.
- To promote rental housing we need to strengthen the rental housing agency.
- We should start the mechanism for the maintenance and operation of the sustainable rental housing society.
- We should institutionalize rent-to-own schemes to reduce the housing shortage in big cities.

8.2 Incentives to Promote Public/Private Entities via ARHC scheme

- Project finance at lower rates of interest is possible through the Affordable Housing Fund (AHF).
- A provision of single window approval of 30 days.
- The municipal services will be taxed at the same rate as residential projects.
- In ARHC, profits are protected from income tax.
- In ARHC, profits are protected from GST.
- The required trunk infrastructure amenities will be provided at no cost to the organization by the respective ULBs.
- They can change the 'use permission' for housing on vacant land if necessary.

- In innovation of technology grants are available for projects that use cutting-edge construction technology.

9. CONCLUSION

The above discussion makes it clear that rental housing fulfills a basic human need for shelter in a vast number of households in India. The rental housing sector plays a crucial role in providing affordable housing options and meeting the diverse needs of a growing urban population. The lack of a robust regulatory framework and tenancy laws often leads to disputes creates a lack of security for both landlords and tenants, and discourages potential investment in the leasing sector. The government's efforts to promote affordable housing and introduce reforms to streamline the rental process and laws are a step in the right direction. In addition, increasing urbanization and a growing younger workforce seeking mobility and flexibility are contributing to the demand for rental housing. India will unlock its true potential in the rental housing market, fostering sustainable urban development and providing housing solutions tailored to different socio-economic backgrounds. The success of this effort will depend on all stakes in building an inclusive and resilient rental housing ecosystem that benefits both landlords and tenants and contributes to a fairer and more prosperous society. The facilitators include policymakers, city planners, and stakeholders who need to work together. Legal frameworks such as uniform lease agreements, dispute resolution mechanisms, security deposit regulations, and reforms to tenancy laws will continue to strengthen landlord and tenant confidence. Financial institutions can play a crucial role by offering innovative financing options to investors and developers looking to enter the rental market. By promoting awareness campaigns that highlight the benefits of rental housing and expose the social stigma that accompanies it, perceptions of rental housing can be changed positively. Promoting community engagement and involving local governments in supporting affordable rental housing initiatives will also contribute significantly to the growth of the sector.

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