

**Rental Housing in a Metropolitan City:  
A Case Study of Delhi**

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## PREFACE

At the instance of the Planning Commission, the National Institute of Urban Affairs undertook in September 1987 a pioneering research project on Rental Housing in Urban Areas. The primary reason for undertaking this project was the virtual lack of information on the organisation and functioning of the rental housing markets in the country. No systematic studies were available on the factors that determined the supply of and demand for rental housing; even less was known about the forces that led to the segmentation of the rental housing market into submarkets. In the view of the Institute the gap in information was substantial particularly in light of the evidence that approximately 47 per cent of the households in urban areas lived in rented houses, and this proportion was much higher in metropolitan and other large cities. Also, there were few, if any, references to rental housing issues in the plan documents which too, considering that such a high proportion of households lived in them, appeared to be a serious omission in the urban housing policies.

It was against this background that this research project was taken up. It laid down three broad objectives to guide the investigations and field work :

- i. To assess the need and demand for rental housing in urban areas;
- ii. to examine the existing supply system of rental housing and identify the major shortcomings of the system; and
- iii. to suggest a policy framework to satisfy the need for rental housing of diverse groups of the population in urban areas.

Three Research Studies have been prepared as a part of this project. **Rental Housing in India : An Overview** (No 31) provides an overview of rental housing in urban areas. It serves as a background to the entire project and gives data derived from the National Sample Survey Organisation and the Censuses of India, on the supply for rental housing in cities of different sizes.

In research study No 36, **Modelling Rental Housing Market : A Conceptual Framework**, an attempt has been made to construct a model that defines the demand for and supply of rental housing in urban areas. **Rental Housing in a Metropolitan City** (No 37) is a case study of Delhi which reviews the size, organisation and functioning of the different sets and subsets of the rental housing market. Data for the Delhi case study have been obtained from the Municipal Corporation of Delhi, the courts regarding the court cases, from property dealers, and through limited surveys of the various colonies.

This research project has been co-ordinated and carried out by Kiran Wadhva, until recently, an Associate Professor at the Institute. Kiran Wadhva conceptualised and designed the study, and carried out the field work with a team of four researchers, S.P. Tyagi, Rajan Pal, Harparminder Jit Singh and Navin Mathur. The project involved an intensive search for and collection of data from sources that are not known to respond to such studies and investigations. The data were processed in the Institute's computer unit headed by R.K. Dahiya and his team consisting of

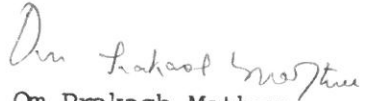
Sangeeta Vijn, Indu Senan, Tek Chand Sharma and Aradhana Singhal. I would like to compliment all of them for the hard work that they have put into this project.

This research project is one of the first of its kind which has attempted to bring out the importance of rental housing in the country. What it has underlined is that even though ownership housing may take precedence in terms of social status, rental housing accounts for and will continue to account for a substantial proportion of urban households. Also, a proportion of households will invariably prefer rental housing in view of the zero initial investment involved and the flexibility in movement that rental housing provides. Furthermore, ownership housing will remain outside the financial means of a very significant number of urban households at least in the foreseeable future.

Rental housing as a subsector of urban housing will thus need a policy aimed at its expansion to levels that should reduce housing shortages in the urban areas. The study has indicated that there may be conflicts between the goals of municipal bodies and those responsible for expansion of the supply of rental housing. The provision of the rent control acts may also work against rental housing. It will be necessary to remove such conflicts and irritants in order that rental housing can expand to meet the gap between the demand for and supply of housing.

I would like to thank the Planning Commission for entrusting this pioneering study to us. We hope that it will help the Planning Commission to at least initiate a process by which rental housing can be given a place in the future planning frameworks.

March 1989

  
Om Prakash Mathur  
Director

## ABSTRACT

Rental housing accommodated 46.39 per cent of India's urban households in 1981. The per cent of households living in rental housing was higher for million plus cities. The demand for rental housing as well as the supply in response to this demand would be higher in large cities than would be the case for other cities. The demand for rental housing emanates mainly from three sections, (i) the transient population, (ii) the population which due to various reasons, prefers to stay in rental housing rather than invest in ownership housing, and (iii) groups who cannot afford ownership housing. The proportion of these population segments will be higher in metropolitan areas than would be the case for other areas.

The major supplier of rental housing in urban areas in India is the private (household) sector. The government's direct and indirect involvement in the supply of rental housing has been quite minimal. The only significant measures towards rental housing have been the enactment of the Rent Control Act, the provision of staff housing to government employees and the provision of rent allowance. Owing to the operation of the various market and non-market forces, the rental housing market of any city gets segmented into various submarkets. A case study of Delhi was undertaken to understand the structure and functioning of the rental housing market in a large urban area.

Delhi has a large rental housing market providing such housing to 545136 households in 1981. The private (household) sector is the dominant supplier of rental housing in the city. The private rental housing market incorporates all areas and all housing typologies in Delhi. The dominant form of renting is partial renting of the house. Expectedly it is the detached houses\* which account for a larger percentage of renting than flats. Over the period 1980-88, rents have increased in all parts of Delhi for all types of housing in the private sector rental housing market (RHM).

Rents in the private sector RHM are high due to the deficient supply in relation to demand for rental housing. Steps must therefore be taken both to reduce the pressure on demand for private sector rental housing and to increase the supply of such housing. One non-rental housing solution for the rental housing problem would be to make ownership housing more accessible to households preferring this tenure. In the RHM, supply can be increased not only by augmenting the current sources of supply but also by tapping new sources. There is need to develop and strengthen institutional supply of rental housing. The institutions which could be induced to build and supply rented housing could include government and its agencies, employers, trusts, charitable organisations, cooperatives and so forth.

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\* The expression 'detached houses' has been used throughout to include 'semi-detached houses' also.



One does not envisage a very active role for government in the provision of rental housing to the general public. Government can confine itself to encouraging other suppliers to provide such housing. It should however increase its activity in the provision of rental housing to its own staff. Here, a lowering of space standards and a shifting of the bias of this policy in favour of the lower income groups is recommended. In line with government's housing policy, the staff housing policy should also be governed by the principle of affordability.

Given the fact that the private (household) sector is a major supplier of rental housing in urban areas, a major policy thrust is required to induce it to supply more houses for rental purposes. The major constraint in this respect is the Rent Control Act (RCA) especially its provisions relating to eviction. If the supply of rental housing in the city is to be increased, the RCA will have to be rationalised. The recent amendments made in the Delhi Rent Control Act are not going to make any significant impact on the RHM in Delhi. The reforms in the RCA suggested in this study attempt to take a more balanced view of the problem of both tenants and landlords.

Another factor which will discourage renting out accommodation in Delhi is the high rate of property tax levied on rental housing. The suggested reforms in property taxation to augment revenue from this source ought to take cognisance of the likely impact of these measures on rental housing in the city.

The problem of rental housing should be viewed in the broader context of the problem of housing. The problem of rental housing -- as indeed, that of housing -- is one of low supply and high price. The solutions for both are the same too.

inflation in house prices, uncertainty relating to future levies of rents and frequency of movement, prevalence of practices such as pugree tend to make ownership housing an even more attractive proposition. The high price of housing, the low level of income, the low availability of credit and the consequent unaffordability of ownership housing will, however, push households to the rental sector. Under these conditions, a very small percentage to the population will go in for rental housing out of choice.

The situation will vary from city to city. In terms of the composition of households, the large metropolitan areas are likely to have a larger proportion of mobile households, new migrants and a floating population. In these cities increasing land prices and the consequent high cost of housing will also lead to a greater proportion of households being pushed towards the rental housing market. On the other hand, greater availability of credit in these areas will make ownership housing more accessible to a larger proportion of households.

In order to understand the impact of these diverse forces in the rental housing market, a case study of Delhi was undertaken. It was believed that an analysis of the functioning of Delhi's complex Rental Housing Market would give us rich insights into the working of the Rental Housing Market in metropolitan areas.

### Objectives of the Study

The objectives of the case study of Delhi's rental housing market are the following :

- (i) to explain the various forces which have influenced the size of the rental housing market in the city;
- (ii) to analyse the structure and functioning of the rental housing market in Delhi; and
- (iii) to suggest policies for improving the rental housing situation in the city.

In the study, the size of the rental housing market in Delhi is sought to be explained in terms of population, migration, income of the population, value of houses and the government's housing programmes. In order to understand the functioning of Delhi's rental housing market, the market has been segmented according to various criteria : type of supplier, location, housing typology, legal status, and income group being catered to. The functioning of the various submarkets and the determination of rents in each of the submarkets is analysed. Special attention is given to the analysis of the impact of Rent Control Act on Delhi's rental housing market. In view of the increasing need for rental housing in the city some policy suggestions to improve its supply have been made.

### Sources of Data

The study is based mainly on data derived from the office records of various local authorities in Delhi. A primary survey

of property dealers has also been carried out to collect data on rents and value of houses in Delhi. The analysis of the structure of the RHM is heavily based on data collected from the Real Estate Department of the Ministry of Urban Development; records of the Property Tax Department of the Municipal Corporation of Delhi; and the Delhi Development Authority. The analysis of rents in Delhi is based on data collected from the property dealers and on a telephonic survey of rents of properties advertised in the columns of The Hindustan Times. To analyse the impact of the RCA on Delhi's rental housing market, information was obtained from the Rent Controller's Office, Delhi. The Rent Controller's Office, as part of their work, prepares a work sheet every month giving details of the number of cases according to the cause of filing of a case, number of cases disposed of and number of pending cases. Apart from this, a sample of 10 per cent of active cases was picked up at random to analyse the impact over different parts of Delhi. Analysis was also based on observations and impressions gathered from discussions with various operators in the market.

The study area incorporates the whole of Delhi. The data on the structure of the RHM, however, relate only to zones in the Municipal Corporation of Delhi (MCD) which comprises 94 per cent of the total area of urban Delhi. It may be noted that a significant part of the properties in the New Delhi Municipal Committee area (NDMC) and Delhi Cantonment are government

properties. The analysis therefore covers a major part of the private sector RHM of Delhi.

The period of study varies according to the availability of data. The analysis in Chapter 1, wherever based on census data relates to the period 1961-81. For some of the aspects of this study, data from DDA are available up to 1985. The data for the primary surveys relating to collection of information on the structure of the RHM and values/rents in the city carried out by the NIUA team relate to the period 1980-88. The information from the Rent Controller's Office relates to the period between 1972 and 1988.

The study is divided into five chapters. Chapter 1 is devoted to the analysis of the size of the rental housing market in Delhi. Chapters 2 and 3 analyse the structure of the rental housing market in Delhi and rents in the various rental housing submarkets respectively. In chapter 4, the impact of the Rent Control Act on various submarkets is discussed. Chapter 5 offers a summary of the study and some policy suggestions for improving the delivery system of rental housing in the city.

## INTRODUCTION

A significant proportion (46.39 per cent) of urban households in India resided in rented houses in 1981. The proportion was even higher for metropolitan cities. The percentage of households living in rented houses in these cities ranged between 30.60 (Lucknow) to 76.20 (Calcutta). In 1961, this percentage had ranged between 69 per cent (in case of Hyderabad) and 90 per cent (for Bombay). A common feature of the rental housing situation in all metropolitan cities during the period 1961-81 is the continuous decline in the proportion of households living in rented housing. This is true for most other class I cities also. Despite the decline, rented housing continues to be a significant part of total housing in urban India.

Rental housing has certain advantages which ownership housing does not possess. From the individual's point of view, low (or zero) initial investment and greater flexibility are two of them. These advantages of rental housing make it a preferred alternative for certain groups of population in urban areas, such as (i) new migrants; (ii) the floating population; and (iii) population segments which find any type of ownership housing unaffordable. There are others too who live in rental housing out of preference or those who have been provided such housing by their employers.

Ownership housing in almost all societies including India enjoys a superior status. In India, the high expected rate of

## CHAPTER 1

### RENTAL HOUSING IN DELHI : AN OVERVIEW

As in the case of other metropolitan areas the percentage of households living in rental housing in Delhi has been declining. From a high of 69.6 per cent in 1961 the proportion has come down to 49.0 per cent in 1981. Table 1.1 gives the tenure status of households in Urban Delhi as a whole and separately for the areas of the Municipal Corporation of Delhi (MCD), the New Delhi Municipal Committee (NDMC) and the Delhi Cantonment for the period 1961-81. Apart from the NDMC area, the number of households living in rented houses shows a decline in all the other areas. In 1981, 93.74 per cent of households in the NDMC area lived in rented houses. The proportion -- at 87.21 per cent -- was quite high in Delhi Cantonment also. The high proportion of rented housing in these areas is accounted for by the large presence of staff housing provided by various government agencies. The lowest renting is in the MCD area. The housing market in this area is predominated by the private sector. The decline in the proportion of households living in rental housing is also the highest in MCD as compared to that in the NDMC and Cantonment area.

Despite the decline in percentage terms, the number of households living in rental houses in urban areas, in absolute terms has increased in all the three areas. In Urban Delhi as a whole the number of households living in rental housing has shown a continuous increase over this period. During the period 1961-



81, the number of households living in rented houses grew at the rate of 1.96 per cent per annum. The rate of growth of households living in ownership housing (in Urban Delhi) was much higher at 7.14 per cent per annum during the same period. The faster rate of growth of ownership housing in Delhi can be explained by many factors -- government policies including government programmes for providing housing to people on ownership basis, higher levels of income, greater availability of credit for construction and/or purchase of a house and so on. The development of unauthorised colonies catering to various income groups would have also pushed up the rate of growth of owner-occupation in Delhi.<sup>1</sup> In a metropolitan city, the demand for rental housing would emanate from new migrants, transient households and households who cannot afford to own a house. Government policies affect this demand either through directly providing rental housing to some groups of population or facilitating access to ownership housing. In this chapter, we will attempt to explain the size of rental housing in Delhi in terms of the above mentioned factors.

#### Delhi : Population and Housing

Up to 1911 Delhi had only a regional significance. Its development -- especially that of New Delhi began in 1911 when the capital of British India was shifted from Calcutta to Delhi.

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1. The census figures relating to number of households and the tenure status of these households include the households living in slum and squatter settlements and those living in other unauthorised colonies. A greater percentage of households living in these settlements probably own their houses.

During the next decade (1911-21) the population of Delhi increased by 18.03 per cent. The rate of growth of population continued to increase peaking in the decade 1941-51. The partition of India in 1947 led to a huge influx of population to Delhi resulting in a 90 per cent increase in population during the decade 1941-51. During the same decade, the urban population of Delhi grew at an even higher rate (106.58 per cent). The population growth has continued unabated since then. Table 1.2 gives the population of Delhi and per cent variation for the period 1901-81.

#### Migration into Delhi

A large part of the increasing population of Delhi was due to immigration. The status of Delhi as the capital of independent India, the growing opportunities for employment, and facilities for education and recreation have continued to attract migrants from other states of the country. Table 1.3 gives the number of migrants according to their duration of residence for the period 1961-81. For Urban Delhi, migrants have continued to be a significant part of the total population -- ranging from 65.05 per cent of the population in 1961 to 48.95 per cent in 1981. Even for Delhi as a whole migrants constituted a significant part of total population. Over time (1961-81) the percentage of migrants with short duration of residence (less than one year) has been declining, and those with intermediate and long duration of residence (between 1-9 years) has increased (Table 1.4). Thus, the percentage of migrants with duration of residence of less than one year to total migrant population

declined from 12 per cent in 1961 to around 6 per cent in 1981. There was also some decline in the percentage of migrants with 1-9 years of residence. Over the decades 1961-81 the percentage of long term migrants (with duration of residence greater than 9/10 years) increased from 40 per cent to 49 per cent. The continuing stream of migrants would imply a continuous demand for rental housing -- especially from the groups who have been in the city for a short duration only. As can be seen from table 1.3 the proportion of such migrants to the total population has been declining though their absolute numbers have increased. This factor will explain, in part, the declining demand for rental housing on the margin. Most of the migrants (probably) belong to the lowest income groups. These groups cannot afford any housing (ownership or rental) in the formal market. They 'purchase' houses in the informal market. Part of the increase in rate of ownership in Delhi might be due to this illegal ownership. An indicator of the size of this group can be given by the number of squatter families in Delhi. Table 1.5 gives the number of squatter families in Delhi over the period 1951-81 and the percentage variation in these over time. Over the 1961-81 period, the number has increased from 42815 to 284556 -- an increase of 564.62 per cent. During 1971-81, their number increased by 84 per cent - a rate of growth higher than that of total migrants (49 per cent) in the city or that of total population (53 per cent) of the city.<sup>2</sup>

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2. According to an estimate made by Town and Country Planning Organisation, the slum population of Delhi grew by 56.66 per cent over the decade 1971-81. See, Town and Country Planning Organisation, A Compendium on Indians Slums, Ministry of Works and Housing, September 1985.

Income, Cost of Housing and Tenure Status

Tables 1.6 and 1.7 show the state income, per capita income and their respective rates of growth over the period 1960-61 to 1980-81. Table 1.7 also shows the rates at which consumer prices and cost of residential buildings increased in the city. The per capita income (at constant prices) of Delhi increased from Rs.761 in 1960-61 to Rs 3098 in 1980-81 showing an average (compound) rate of growth of 6.50 during 1961-71 and 9.96 over 1971-81. The corresponding rates for per capita income at constant prices were 0.72 and 1.87 respectively. The rate of growth in both consumer prices and cost of residential buildings was much higher for both the sub-periods. The rate of growth of cost of residential buildings was even higher than that of consumer prices for the period 1970-71 to 1980-81. The acceleration in the growth of cost of buildings above that of consumer prices started in 1977-78 (Table 1.8). Prior to that year, the index of cost of residential buildings was lower than that for consumer prices. In 1973-74 when the consumer price index stood at 142 (base year 1970-71) the index of cost of residential buildings was 122. In 1980-81 it the residential building index had increased to 246 compared to 217 for consumer prices. The higher rate of growth of housing cost and consequently of housing prices would have made ownership housing in Delhi less affordable for an average household.

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3. In the above analysis the cost of residence is that of a LIG residence. The cost of housing provided by the private sector might have grown at an even faster rate. In Delhi, a considerable proportion of households earned incomes below the average.

Thus, according to a survey made by the Bureau of Economics and Statistics, 76.31 per cent of households in Delhi had monthly incomes less than Rs 600 (Table 1.9). The per capita monthly income of Delhi, reported by the Central Statistical Organisation (CSO) in that year was Rs 108.6 approximating to a household income of Rs 543.<sup>4</sup> In 1980-81 the situation was not very different. As can be seen from Table 1.10, 66 per cent of Delhi's households had incomes less than Rs 1000. Using the CSO estimate, the approximate household income (per month) would be Rs. 1290.

For the purpose of affordability analysis of ownership housing, the more relevant income categories of households will be those of tenant households who are the potential home-buyers. A large percentage of lower income groups live in rented houses. As can be seen from Table 1.11 in 1972, only 31.5 per cent of households earning an income less than Rs 250 owned houses whereas in the highest income category 58 per cent households owned their houses.

In 1972 with a Janata house (provided by DDA) being available at Rs. 3,500 an LIG house at 13,000 - 23,500 and an MIG at 31,000 - 40,000 (Table 1.12), households with incomes ranging from Rs 120-1350 per month could have afforded these houses.<sup>5</sup> In 1982, the relevant range increased to Rs 850 - Rs 4460. Thus, by

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4. Assuming an average household size of five persons.
  5. The estimation of affordability is based upon the thumb rule value of an affordable house being equal to two-and-a-half times the annual income of the household.

1982, fewer households could have afforded even the cheapest type of housing in the organised market. Even for these, the supply was not enough to fulfill the demand.

If one were to go entirely by comparison of cost of housing in the formal sector and income situation of the households in Delhi, one would have expected a lower proportion of households owning a house — especially in the decade 1971-81. During the period 1961-81, however, a total of 291774 households in Urban Delhi -- 65.85 per cent of the new households -- acquired ownership housing. The proportion of households living in their own houses increased from 41.54 per cent in 1971 to 51.19 per cent in 1981. Three factors contributed to this outcome :

- i. Government programmes and policies;
- ii. increasing availability of institutional finance since 1970; and
- iii. the emergence of unauthorised colonies in a big way.

#### Government Programmes and Policies

#### Housing in the Five Year Plans

There was no regular housing scheme in the Union Territory of Delhi under the First Five Year Plan. The only programmes for which financial allocations were made consisted of provision for staff housing, housing advance to employees and an outlay on acquisition and development of land. Towards the end of the plan period (1954-55) two schemes viz, the Low Income Group (LIG) Housing Scheme and the Subsidised Industrial Housing Scheme were initiated by the government. Other schemes/programmes which

were sponsored by the government in later plan period included -- Middle Income Group Housing Scheme, Slum Clearance and Improvement Scheme, provision of jail building, police housing and so forth.

Table 1.13 gives the various schemes initiated by the Government in Delhi and allocations made for these in the various plans. Of these schemes, the Industrial Workers Subsidised Housing Scheme, Slum Clearance and Improvement Scheme, Police Housing and Staff Housing are oriented towards augmenting the supply of rental housing in the city. Most of these schemes are directed towards providing staff housing to their (government's) own employees. The Slum Clearance Scheme and Industrial Workers Subsidised Housing Scheme were the only schemes for rental housing for the general public. None of the schemes has been very successful. The Slum Clearance and Rehousing Scheme had proved to be a big failure for various reasons. A major part of the funds are now being allocated for slum improvement rather than for provision of rental housing to slum dwellers. Similarly, the problems faced in managing rental housing in the Industrial Workers Scheme have led to a decline in outlay on this scheme.

The schemes for direct provision or promotion of ownership housing include the LIG and Middle Income Group (MIG) housing schemes; the housing advance scheme and loans for acquisition and

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6. For details of the various schemes, See Government of India, Social Housing Schemes, (mimeo).

development of land. In the First Five Year Plan as much as 69.44 per cent of total plan outlay on housing was allocated for these schemes. In the Second and the Fourth Five Year Plans, the per cent allocation was 62 and 67 respectively.<sup>7</sup> Since then there has been a significant decline in allocation to these schemes (the allocation dropping down to 18.18 per cent in the Seventh Five Year Plan). Since the Fifth Five Year Plan, the emphasis has shifted to provision of staff housing to the employees of Delhi Municipal Corporation (MCD), New Delhi Municipal Committee (NDMC), Delhi Administration (DA), Central Government and the Police. In the Fifth Five Year Plan the allocation on these counts was 42 per cent increasing gradually to 50 per cent in the Seventh Five Year Plan. The allocation to the Industrial Workers Housing Scheme has declined to a mere 0.65 per cent of the total funds for housing in the Seventh Five Year Plan. The government thus, has a major rental housing programme for its own staff and almost none for the general public.

#### Delhi Development Authority

The small allocation made for ownership housing programmes is not indicative of the size of this programme in the city. Delhi's ownership housing programme got a big boost from the setting up of DDA in 1962. The programme consisted, at least initially, of providing developed plots of land to the citizens of Delhi. Since land, due to its high price, was a major

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7. Comparable data for the Third Five Year Plan is not available.



constraint in the acquisition of a house, this programme was expected to help people in acquiring housing of their own in a big way. In 1967, DDA initiated a programme of providing built-up houses to people. Table 1.14 provides data on the number of plots and built-up houses provided by DDA from its inception to the year 1985. Up to 1982, DDA had provided 32997 plots of land to different income groups. Further, by 1985 a total of 111716 dwelling units had been built and distributed.

The growth of the cooperative housing movement has also helped in easier access to ownership housing in Delhi. Table 1.15 shows the growth of cooperative housing societies in Delhi.

#### Housing Finance

The availability of credit for the purchase of houses also brought ownership housing within the range of affordability for larger numbers of population. The institutional sources of finance for housing in Delhi are the Life Insurance Corporation (LIC), Group Insurance Corporation (GIC), Housing and Urban Development Corporation (HUDCO). Other sources of finance for housing are Employees' Provident Fund and housing advance provided by employers including Government of India, MCD, NDMC and DA. Private sector builders and land developers such as

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8. Of these agencies, HUDCO, GIC and do not give loans directly to individuals (except to their own employees under various House Advance Schemes) but route them through organisations such as the DDA, DCHFC, cooperative housing societies or other public/private sector organisations. LIC gives some direct home loans to its policy-holders. Direct home loans to individuals are provided mainly by employers, the Employees' Provident Fund, the Housing Development and Finance Corporation (HDFC) and Delhi the Cooperative Housing Finance Society (DCHFS).

DLF, Ansals and Rockland have also started providing some housing finance to their own clients up to around 20-25 per cent of the cost of the house.

By 1981, HUDCO alone had provided a total of Rs 1982.93 lakhs by ways of loans for various housing schemes in Delhi (Table 1.16). According to a survey conducted in 1984, however, institutional finance was not an important source of housing finance in Delhi.<sup>9</sup> In 1984, this source of finance accounted for only 19.06 per cent of the total cost of housing of the owners in the formal housing sector in Delhi (Table 1.17). The role of specialised housing finance institutions was even more limited -- financing a minuscule proportion of 1.61 per cent of total cost of housing. Approximately 60 per cent of the cost of housing was financed from the households own resources such as cash, bank deposits, savings and so forth.

Accessibility of Various Housing Programmes to Different Income Groups

The quantum of assistance of the various institutional sources of housing finance is not only limited but is also accessible to a small proportion of households belonging to the relatively better off segments of the population. The survey (quoted above) of Delhi's homeowners found that the share of

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9. Vinay D. Nall, Housing Finance in Delhi, Society for Development Studies, New Delhi, 1984.

institutional finance improved as the income increased (Table 1.18).

The accessibility of the lower income groups to housing/plots provided by DDA was also quite limited. The DDA has been heavily criticised for its bias towards providing a greater (in relation to their share in total population) percentage of plots and housing to the higher income groups.<sup>10</sup> Table 1.19 gives the income distribution of Delhi's population, the policy statement by DDA. The high income groups comprise only about ten per cent of the population but were allocated twenty-nine per cent of the plots. If one were to include the auctioned plots which also go to the High Income Groups (HIGs) the share of HIG in total plot allocation increases to 38 per cent. The low income group's share in plots was almost 22 per cent less than their share in population. In addition, due to the 'leakage' of plots to higher income groups, the actual proportion of low income beneficiaries will be even smaller.

It would seem that the Ownership Housing Programme of government would have benefitted more the richer among the low-income groups and the higher income groups in the population. The group who could not afford housing out of their own resources, had no access to credit and were not beneficiaries of DDA housing, would either opt for rental housing or go in for

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10. See, Marie Howland, Shafi and Dutta, The highest income groups also did not take recourse to institutional finance much. As income levels rose beyond Rs 35,000, institutional finance became less important in financing the cost of the house.

housing in unauthorised colonies. In fact, the growth of unauthorised colonies and squatter settlements might be one of the more important variables explaining the growth of home-ownership in Delhi.

#### Unauthorised Colonies

During the period 1961-81, the number of houses in unauthorised colonies increased from 31562 to 191960 -- an increase of around 508 per cent (Table 1.20). The low cost of land, and nonconformity to building bye laws (in terms of space to be covered etc.) made this housing affordable for large sections of the population. Groups who could not afford even this type of housing opted for squatter settlements. The number of such settlements too has shown a significant increase over the years. The nonavailability of rental housing at reasonable rates would have pushed the middle income groups to unauthorised colonies and the lower income groups to squatter settlements. A significant section would however enter the rental housing market.

#### Rental Housing : Constraints vs Choice

The household who opted for rental housing did not necessarily do so out of constraint. For some, with short duration of residence, it would be a rational choice. Others would be provided rental housing by their employers. In 1987 around 6-7 per cent of Delhi households lived in staff housing provided by the government sector including CPWD, NDMC, MCD, DA, DDA, Railways and Police (Table 1.21). Then there was housing provided by institutions and public sector corporations. This

might cover another 1-2 per cent of households in Delhi. The Slum Rehousing Programme provided rental housing to around 1.3 per cent of households in 1981. Under the Industrial Workers Housing Scheme subsidised rental housing was provided to around 10,000 industrial worker by 1981.<sup>11</sup>

Apart from providing housing to its own employees and subsidising rental housing for low income groups and industrial workers, the government has no other scheme for supporting or providing rental housing to the general public. The programmes meant for the general public -- either for direct provision of housing or for making credit available to them -- are all directed towards ownership housing. A majority of households living in rental housing in Delhi -- out of constraints or out of choice -- live in housing provided by the private sector. By a rough calculation the number of such households would be around 447506 -- 82.1 per cent of total households residing in rental housing.<sup>12</sup>

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11. Seventh Five Year Plan, Delhi Administration.

12. The calculation is based on data provided by the Census on the total number of households living in rental housing; on information available from DDA about the number of households living in employer housing and Slum Rehousing, and by the Delhi Administration on the number of industrial workers' households, who have been provided housing under the Industrial Workers Subsidised Housing programme.

This figure includes institutional and staff housing provided by organisations other than CPWD, NDMC, MCD, DDA, DA, Railways and Police. The housing provided by these organisations cannot cover more than 1-2 per cent of households.

There are no programmes to encourage supply of rental housing in the private sector. The two major government interventions which have any impact on rental housing are designed to affect the supply negatively. These interventions are -- the Delhi Rent Control Act (RCA) of 1958 and the system of property taxation. The former measure aims to control the rents in the private sector market and protect the tenant against eviction. Under the system of property taxation followed by the local authorities, the landlords of rental properties are liable to higher taxation than owner-occupants.<sup>13</sup> Both policies, while reducing the net rate of return from renting out, have introduced considerable distortions in the housing market. The higher rate of property taxation in Delhi has led to underreporting of rental housing in the city; and the RCA has led to further segmentation of the market. It has also led to the emergence of various illegal payments in the rental housing market of the city. These problems will be analysed in greater detail in the later chapters of this study.

### Conclusion

The declining proportion of households living in rental housing in Delhi can be explained in terms of a lower proportion of migrants to the total population in the city and improved accessibility of the population to ownership housing. Improved

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13. Owner-occupants are permitted a concession of 25 per cent on the rateable value of the property. For landlords of rented properties the concession is only 10 per cent and for those of partly rented properties a 15 per cent concession is permitted.

accessibility has been made possible by various ownership housing programmes initiated by the government. Delhi Development Authority has been the major agency involved in providing developed plots and built-up houses to different sections of the population. During 1971-81 various institutions which make finance available for housing have also entered this market. These measures have benefitted mainly the higher income groups among the population. A large part of the population seeking rental housing belongs to low middle and low income groups. Rental housing in Delhi is provided by a variety of suppliers in the public and private sectors. In the next chapter, the delivery system of rental housing in Delhi described.

Table - 1.1

## Tenure Status of Households in Urban Delhi

	Total Number of Households			No. of Households in Owned Houses			No. of Households in Rented Houses		
	1961	1971	1981	1961	1971	1981	1961	1971	1981
Delhi (Urban)	466186 (100.00)	673723 (100.00)	1116796 (100.00)	141811 (30.4)	279886 (41.54)	571660 (51.19)	324373 (69.6)	393837 (58.46)	545136 (48.81)
Delhi (MCD)	403269 (100.00)	604686 (100.00)	939955 (100.00)	135176 (33.5)	268864 (44.46)	499262 (53.12)	268094 (66.5)	335822 (55.54)	440639 (46.88)
Delhi (NDMC)	56843 (100.00)	60977 (100.00)	56897 (100.00)	7891 (13.9)	10167 (16.67)	3562 (6.26)	48952 (86.1)	50810 (83.33)	53335 (93.74)
Delhi (Cantt)	6076 (100.00)	8060 (100.00)	16518 (100.00)	296 (4.9)	855 (10.61)	2112 (12.79)	5780 (95.1)	7205 (89.39)	14406 (87.21)

Source : Census of India, 1961, 1971 and 1981.

Note : Figures in parenthesis denote percentages.



Table - 1.2

Delhi's Total Population and Urban Population : 1901-1981

Year	Population (Total)	Decennial Percentage Variation	Population (Urban)	Decennial Percentage Variation
1901	405819	-	214115	-
1911	413851	+1.98	237944	+11.13
1921	488452	+18.03	304420	+27.94
1931	636246	+30.26	447442	+46.98
1941	917939	+44.27	695686	+55.48
1951	1744072	+90.00	1437134	+106.58
1961	2658612	+52.44	2359408	+64.17
1971	4065698	+52.93	3647023	+54.57
1981	6220406	+53.00	5768200	+58.16

Source: Census of India, 1961, 1971, and 1981.

Table - 1.3

Migrants According to Duration of Residence in Delhi

Duration of Residence (yrs)	Total			Urban		
	1961	1971	1981	1961	1971	1981
Total	1638087 (61.61)	2047240 (50.35)	2989121 (48.05)	1534861 (65.05)	1886285 (51.72)	2823540 (48.95)
< 1	212828 (8.00)	154662 (3.80)	200763 (3.23)	183804 (7.79)	123347 (3.38)	171926 (2.98)
1 - 9	775260 (29.16)	808867 (19.89)	1339766 (21.54)	743492 (31.51)	745134 (20.43)	1272583 (22.06)
> 9	649999 (24.45)	1083711 (26.65)	1448591 (23.29)	607565 (25.75)	1017804 (27.91)	1379032 (23.91)

Source : Census of India, 1961, 1971 and 1981.

Note: Figures in parenthesis denote the percentage of immigrants to total population. The categories for 1961 are <1, 1-10 and >10 years.

Table - 1.4

Share of Short-Term Migrants in the Total Migrant Population in Delhi

Duration of Residence (yrs)	Total			Urban		
	1961	1971	1981	1961	1971	1981
Total	1638087 (100.00)	2047240 (100.00)	2989121 (100.00)	1534861 (100.00)	1886285 (100.00)	2823540 (100.00)
< 1	212828 (12.99)	154662 (7.55)	200763 (6.72)	183804 (11.98)	123347 (6.54)	171926 (6.1)
1 - 9	775260 (47.33)	808867 (39.51)	1339766 (44.82)	743492 (48.44)	745134 (39.50)	1272583 (45.1)
> 9	649999 (39.68)	1083711 (52.94)	1448591 (48.46)	607565 (39.58)	1017804 (53.96)	1379032 (48.8)

Source: Census of India, 1961, 1971 and 1981.

Note: Figures in parenthesis denote the percentage of migrants to total migrants. Figures for 1961 for 1-9 and >9 are for 1-10 & >10 years.

Table - 1.5

Number of Squatter Families in Delhi

Year	Numbers	Increase Over the Previous Decade (in numbers)	Per cent Increase Over the Decade
1951	12749	-	-
1961	42815	30066	108.22
1971	115961	73146	92.14
1981	284556	168595	84.19

Source: Seminar on Shelters Delhi-2001, 1982, Delhi Development Authority.

Table - 1.6

Estimates of State Domestic Product of Delhi : 1970-71 to 1985-86

Year	At Current Prices		At Constant Prices		Percentage Change over Previous Year	
	Total NSDP (Rs in crores)	Percapita Income (Rs)	Total NSDP (Rs in crores)	Percapita Income (Rs)	Total NSDP	Per Capita
1970-71	477	1199	477	1199	-	-
1971-72	541	1303	513	1236	7.55	3.09
1972-73	600	1385	527	1216	2.73	-1.62
1973-74	691	1541	546	1209	3.61	-0.55
1974-75	879	1865	569	1209	4.21	-
1975-76	1001	2037	626	1274	10.02	5.38
1976-77	1116	2179	674	1316	7.67	3.30
1977-78	1251	2342	723	1352	7.27	2.74
1978-79	1339	2402	770	1382	6.50	2.22
1979-80	1528	2629	804	1384	4.42	0.14
1980-81	1878	3098	874	1443	8.71	4.26
1981-82	2206	3460	939	1473	7.44	2.08
1982-83	2571	3867	1035	1556	10.22	5.63
1983-84	2965	4275	1098	1583	6.09	1.74
1984-85	3446	4765	1187	1641	8.11	3.66
1985-86	4009	5315	1293	1714	8.93	4.45

Source : Estimates of State Income of Delhi : Bureau of Economics and Statistics, Delhi Administration, Delhi.

Note : NSDP denotes Net State Domestic Product.

Table - 1.7

Rate of Growth in State Income, Per Capita Income and  
Consumer Prices in Delhi : 1960-61 to 1980-81

	(percentage)	
	1960-61 to 1970-71	1970-71 to 1980-81
<u>1. State Income</u>		
At Current Prices	11.08	14.69
At Constant Prices	5.07	6.24
<u>2. Per Capita Income</u>		
At Current Prices	6.50	9.96
At Constant Prices	0.72	1.87
3. Consumer Prices	7.02	8.05*
4. Cost of Residential Building	5.80	9.42

Source : For 1960-61 to 1970-71 calculations are based on data obtained from, Housing Delhi's Millions, National Buildings Organisation, 1978, New Delhi and for 1970-71 to 1980-81 on data from Bureau of Economics and Statistics, Delhi Administration.

\* For 1971 - 81.

Table - 1.8  
Index Number of State Income and Cost of Residential Buildings in Delhi

Year	State Income		Per Capita Income		Index No. of Residential Buildings	Consumer Prices
	All Current Prices	At Constant Prices	All Current Prices	At Constant Prices		
1	2	3	4	5	6	7
1970-71	100	100	100	100	100	100
1971-72	113	108	109	103	-	-
1972-73	126	110	116	101	-	116
1973-74	146	114	129	101	122	142
1974-75	184	119	156	101	131	153
1975-76	210	131	170	106	143	153
1976-77	234	141	182	110	150	161
1977-78	262	152	195	113	160	167
1978-79	281	161	200	115	188	178
1979-80	320	169	219	115	218	193
1980-81	394	183	258	120	246	217

Contd.....

1	2	3	4	5	6	7
1981-82	462	197	289	123	279	236
1982-83	539	217	323	130	-	257
1983-84	622	230	357	132	-	280
1984-85	722	249	397	137	-	302
1985-86	840	271	443	143	-	334

Source: Bureau of Economics and Statistics, Delhi Administration; Handbook of Housing Statistics, NBO, New Delhi.



Table - 1.9

Income Distribution of Households in Delhi : 1971-72

(Percentage of Households)

Income Category (in Rs)	All Households	Tenant Households
< 250	33.16	32.50
250 - 599	43.15	43.34
600 - 1499	19.13	21.44
1500 - 2999	3.40 }	2.71
> 3000	0.31 }	

Source : Report on the Family Living Conditions of the Households in Delhi (Urban), 1971-72. Bureau of Economics and Statistics, Delhi Administration, Delhi.

Table - 1.10

Income Distribution of Households in Delhi : 1981

(Percentage of Households)

Income Category (in Rs)	All Households	Tenant Households
< 600	36.12	38.30
601 - 1000	29.86	29.40
1001 - 2000	23.77	22.20
2001 - 5000	9.47	8.70
> 5001	0.86	1.40

Source : Seminar on Shelters, Delhi - 2001, Delhi Development Authority, 1982.

Table - 1.11

Income Classes and Tenure Status of Households in Delhi: 1972

Monthly Income Category (Rs)	Percentage of Households by Ownership Rights			
	Owned	Rented	Concessional Allotment	Free Allotment
< 250	31.51	45.98	4.50	18.01
250 - 599	35.47	47.04	5.42	12.07
600 - 1499	35.56	52.22	8.89	3.33
>= 1500	58.82	35.29	-	5.89
All Classes	34.72	47.39	5.54	12.35

Source : As of Table 1.9

Table - 1.12

Cost of DDA Houses According to Categories of Income

Year	Category		
	CSP/Janata/EWS	LIG	MIG
1968	-	15,500	22,500 - 26,500
1970	3,300	15,500 - 18,000	28,500 - 32,000
1972	3,500	13,000 - 23,500	31,000 - 40,000
1974	9,700 - 10,700	27,200 - 31,000	34,000 - 65,000
1976	17,000 - 19,000	31,000 - 39,700	60,000 - 70,000
1977	18,700 - 23,000	44,300 - 50,400	61,700 - 70,000
1982	25,600 - 32,800	42,900 - 81,500	61,100 - 1,33,900

Source : Delhi Development Authority.

Table - 1.13

Allocation of Funds for Housing in Five Year Plans in Delhi

(in Rs lakhs)

Scheme	First Plan	Second Plan	Fourth Plan	Fifth Plan	Sixth Plan	Seventh Plan
1. Industrial workers Subsidised Housing Programme	-	72.96 (38.4)	236.00 (29.5)	307.00 (12.58)	15.00 (0.19)	100.00 (0.65)
2. LIG Group Housing Scheme	52.97 (41.69)	95.00 (50.00)	300.35 (37.54)	-	-	300.00 (1.95)
3. MIG Housing Scheme	-	-	236.00 (29.5)	-	-	500.00 (3.25)
4. Slum Clearance & Improvement	-	-	-	509.00 (20.85)	1000 (12.88)	2700.00 (17.53)
5. Police Housing	-	-	-	534.00 (21.88)	829.00 (10.68)	800.00 (5.19)
6. Staff Housing (inclusive Central Govt, DA, MCD & NDMC)	38.80 (30.54)	-	-	493.00 (20.20)	2502 (32.2)	6330.00 (41.10)
7. Housing Advance Scheme	15.36 (12.09)	-	-	583.0 (23.88)	1250.00 (16.10)	1000.00 (6.49)
8. Loans for Acquisition & Development of Land	19.90 (15.66)	22.04 (11.6)	-	-	-	1000.00 (6.49)
9. Others	-	-	27.65 (3.46)	15.00 (0.61)	2168 (27.92)	2670.00 (17.34)
Total Outlay on Housing	127.03* (100.0)	190.00 (100.0)	800.00 (100.0)	2441.0 (100.0)	7764.0 (100.0)	15400.00 (100.0)

Source: Various Five Year Plans of Delhi.

Note: Figures in the parenthesis denote percentage to total.

\* The allocation for the First Five Year Plan initially was Rs. 74.06 lakhs. Towards the end of the plan a sum of Rs.59.97 lakhs was allocated for the LIG Group Housing Scheme.

Table - 1.14

Plots and Houses Provided by Delhi Development Authority

Year	Plots					
	EWS	LIG	MIG	HIG	Auctioned allotment	Total
<u>Plots</u>						
Up to 1967	-	748 (19)	393 (10)	2401 (61)	394 (10)	3936 (100.00)
Up to 1971	-	1073 (11)	2439 (25)	4878 (50)	1365 (14)	9755 (100.00)
Up to 1975	-	- (12)	- (23)	- (52)	- (13)	- (100.00)
Up to 1977	-	12797 (44)	5817 (20)	7852 (27)	2617 (9)	29083 (100.00)
Up to 1982	-	14684 (44.50)	5774 (17.50)	9569 (29.00)	2970 (9.00)	32997 (100.00)
<u>Plots Released Under Rohini Scheme</u>						
First Release (14.7.1982)	4610 (44.82)	4078 (39.65)	1598 (15.53)	-	-	10286 (100.00)
Second Release (22.9.1983)	3184 (31.52)	4711 (46.62)	2208 (21.85)	-	-	10103 (100.00)
Third Release (21.12.1984)	2728 (53.95)	1368 (27.06)	960 (18.99)	-	-	5056 (100.00)
Total	10522 (41.35)	10157 (39.92)	4766 (18.73)	-	-	25445 (100.00)
<u>Dwelling Units</u>						
Up to 1985	39377 (35.17)	34566 (30.90)	27672 (24.80)	10191 (9.10)	-	111716 (100.00)

Source : DDA Record.

Note : Figures in parenthesis denote percentage to total.

Table - 1.15

Growth of Cooperative Group Housing Societies in Delhi

Registration	Number of Societies Registered	Land Allocated (in hectares)	Plan for Houses (in numbers)
First Scheme (1972)	79	80	10,000
Second Scheme (1979-80)	424	400	60,000
Third Scheme (1983-84)	1400	-	15,00,00

Source : Vinay D. Lall, Housing Finance in Delhi, Society for Development Studies, New Delhi, 1984.

Table - 1.16

Loans Sanctioned by HUDCO Under Various Schemes in Delhi

(Rs in lakhs)

Year	Scheme Type			Total
	Urban Housing	Core Housing	Building Materials	
1971	300.00	-	-	300.00
1972	103.00	-	-	103.00
1973	564.72	-	-	564.72
1974	-	-	-	-
1975	-	-	-	-
1976	-	150.01	-	150.01
1977	-	157.11	-	157.11
1978	91.04	-	-	91.04
1979	523.26	-	-	523.26
1980	87.99	-	-	87.99
1981	-	-	5.80	5.80
<b>Total</b>	<b>1670.01</b>	<b>307.12</b>	<b>5.80</b>	<b>1982.93</b>

Source : Housing and Urban Development Corporation (HUDCO), New Delhi.

Table - 1.17

Pattern and Structure of Housing Finance of Home Owners in the  
Formal and Informal Housing Sector in Delhi

(percentage)

Income	Formal Sector	Informal Sector (A)	Informal Sector (B)	Total
1	2	3	4	5
I. Formal Housing Finance Market	19.06	14.30	4.00	18.87
a) Specialised Housing Finance Institutions	1.61	5.28	-	1.74
b) Other Financial Institutions	6.04	1.66	-	5.87
1. LIC	3.08	0.41	-	2.98
2. Banks	2.96	1.24	-	2.89
c) Others	11.41	7.36	4.00	11.26
1. Provident Fund	3.88	5.08	-	3.92
2. Employer	5.00	1.55	4.00	4.87
3. Others	2.53	0.73	-	2.47
II. Informal Housing Finance Market	80.94	85.71	6.00	81.13
a) Self-generated	59.98	46.96	4.00	59.52

Contd.....

1	2	3	4	5
1. Cash	18.50	7.88	40.00	18.14
2. Bank Deposits	38.55	16.62	20.00	37.77
3. Saving During Construction	0.61	-	-	0.59
4. Others	2.32	21.45	4.00	3.01
b) Disposal of Assets	5.64	11.82	4.00	5.86
1. Shares	0.25	-	4.00	0.24
2. Jewellery	1.25	4.25	-	1.36
3. Land & Building	2.91	3.94	-	2.95
4. Agricultural Properties	1.01	2.59	-	1.06
5. Others	0.22	1.04	-	0.25
c) External Sources	15.32	26.93	28.00	15.75
1. Relatives	9.50	17.20	12.00	9.78
2. Friends	4.61	6.11	12.00	4.68
3. Indigenous Bankers	0.19	2.69	-	0.28
4. Others	1.01	0.93	4.00	1.01
Total	100.00	100.00	100.00	100.00

Source : Vinay D Lall, Housing Finance in India, National Institute of Public Finance and Policy, New Delhi, p. 230.



Table - 1.18

Pattern and Structure of Housing Finance of Home Owner in Different Income Groups in Delhi

Income	0 - 5000	5001- 15,000	15,001- 35,000	35,001- 50,000	50,001 - 1,00,000	Total
1	2	3	4	5	6	7
I. Formal Housing Finance Market	17.78	21.57	34.09	9.59	6.74	18.87
a) Specialised Housing Finance institutions	-	1.60	4.22	2.29	0.28	1.74
b) Other financial institutions	-	6.01	10.45	2.09	4.54	5.87
1. LIC	-	4.06	5.72	0.26	1.94	2.98
2. Banks	-	1.95	4.73	1.83	2.60	2.89
c) Others	17.78	13.96	19.42	7.22	1.91	11.26
1. Provident fund	3.13	7.93	4.66	2.33	1.76	3.92
2. Employer	8.17	2.83	10.89	2.80	0.18	4.87
3. Others	6.48	3.20	3.87	2.09	-	2.47
II. Informal Housing Finance Market	82.22	78.43	65.91	90.41	93.26	81.13
a) Self-Generated	57.69	45.25	47.97	67.99	76.94	59.52
1. Cash	28.60	17.61	14.53	25.00	13.80	18.14
2. Bank Deposit	22.11	19.45	30.80	42.40	57.86	37.77
3. Savings during construction	-	0.41	0.64	0.40	0.88	0.59
4. Others	6.98	7.76	2.00	-	4.40	3.01
b) Disposal of Assets	7.69	9.36	2.60	7.09	6.06	5.86

Contd....

1	2	3	4	5	6	7
1. Shares	-	0.02	0.18	0.64	-	0.24
2. Jewellery	2.88	3.20	0.89	1.37	0.44	1.36
3. Land & Building	-	5.60	1.33	5.08	0.51	2.95
4. Agriculture Property	-	0.54	-	-	4.58	1.06
5. Others	4.81	-	0.20	-	0.53	0.25
c. External Sources	16.84	23.83	15.33	15.33	10.26	15.75
1. Relatives	10.35	14.35	12.36	7.60	5.16	9.78
2. Friends	6.49	5.47	2.85	5.97	4.84	4.68
3. Indigenous bankers	-	0.56	-	0.46	0.26	0.28
4. Others	-	3.45	0.12	1.30	-	1.01
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source : As in Table 1.17.

Table - 1.19

Distribution of Residential Plots by DDA

	Income Distribu- tion in 1981	Policy State- ment by DDA for Distribu- tion	Actual Alloca- tion (up to 1982)
LIG	66	50	44.50
MIG	24	30	17.50
HIG	10	20	29.00
Auctioned Allotment	-	-	9.00

Source : Delhi Development Authority.

Table - 1.20

Growth of Unauthorised Colonies

Year	No. of Houses	Per cent Increase over the Previous Decade
1961	31562	
1971	78872	149.90
1981	191960	143.38
1986	248504	29.46

Source : Delhi Development Authority.

Table - 1.21

Housing Situation 1961-81

Type of Housing	1961	1971	1981
Resettlement (including squatters)	9.07	15.91	24.75
Individual Housing on Regular Plots (including Cooperative Efforts)	6.90	10.62	13.25
Multi-family Housing	1.04	2.06	7.16
i. DDA (General)	-	0.76	5.72
ii. Slum Re-housing	1.04	1.30	1.35
iii. Cooperative Group Housing	-	-	0.09
Unauthorised	7.7	10.81	16.68
Employer Housing (CPWD, Railways, DDA, MCD, NDMC, DA, Police)	6.68	7.07	6.27
Traditional, Villages and Others	68.61	53.33	31.89

Source : Delhi Development Authority, Seminar on Shelters Delhi - 2001, 27, Feb. 1982, DDA.

## CHAPTER 2

### STRUCTURE OF DELHI'S RENTAL HOUSING MARKET

The rental housing market (RHM) of Delhi can be divided into two major categories -- the (households) private sector and the institutional sector. In the former renting is done on a small scale whereas in the latter the scale of operation is larger. The private sector can be further categorised according to its legal status (formal or informal sector) and the applicability or otherwise of the Rent Control Act. Institutional sector includes rental housing supplied by employees (public sector or private sector) to their own employees, as well as that supplied by government or non-government organisations to general public. In Delhi staff housing is provided by organisations such as the central government through the Central Public Works Department (CPWD), the New Delhi Municipal Committee (NDMC), Municipal Corporation of Delhi (MCD), the Delhi Administration (DA), Railways, educational institutions, banks and so on. Staff housing provided by the CPWD, the Railways, DDA, MCD, NDMC, DA and the Police department alone accommodated, approximately 6 percent of the households in Delhi in 1981. The size of rental housing provided by the institutional sector to the general public is quite small. In fact the provision of such housing is confined, more often than not, to special groups. Thus, the government makes hostel facilities available to women and rental housing to slum dwellers. Some private sector institutions like

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1. This is done under the Slum Clearance and Relocation Scheme and is administered by the Slum Wing of the DDA .

the Young Men's Christian Association (YMCA) also provide hostel-type accommodation for single individuals. The rents for the housing provided by the institutional sector are lower than those prevailing in the private sector market. The rental housing supplied by the institutional sector cannot be strictly defined as being part of the RHM since neither its supply nor the rents charged in it are determined by the market.

Apart from the above - mentioned markets the scarcity of rental housing and its high price has led to the emergence of another type of market namely in the subletting of staff housing. The market, though quite different from the purely private sector market in character, operates like the private RHM. This is referred to here as the secondary market in staff housing. In this chapter, the various rental housing submarkets in Delhi will be described, the mechanism by which transactions take place and the rents determined in each of them.

#### Institutional Sector : Staff Housing

In the organised sector (private or public) the employer normally provides rental housing or, in lieu of that, pays a rent allowance to its employees. The rental housing provided by the employer may be built, purchased or leased by the employer and rented out to the employee for the duration of his employment. In legal terms the employer gives license to the employee to reside in the house. The employee is not a tenant but a licensee. This kind of 'tenancy' is not covered under the Rent Control Act. In cases where the employer has leased a house in the private RHM

and has then offered it on license basis to his employee, the employer and the landlord of house share a tenant-landlord relationship. This type of housing in operational terms falls in the category of free RHM rather than staff housing. Staff housing can be defined as housing where the employer is the landlord.

In all the above - mentioned cases, the employer charges the employees a 'rent' or more accurately a license fee equivalent to some proportion of his income. This proportion in the case of most institutions is around ten per cent of the salary. The employees who have been provided with staff housing<sup>2</sup> are not paid any rent allowance .

In all cases it is the landlord who is responsible for the upkeep and maintenance of houses. A separate charge may be imposed on the licensee on that account. The tenant is responsible for water and electricity bills. The landlord-employer bears the expenses on the property tax account.

In the absence of provision of housing a rent allowance is paid to the employees as part of emoluments. This rent allowance may vary from 10-35 percent of income and in some cases may be a consolidated amount fixed for different slabs of income. Such rent allowance is payable for housing rented in the private sector. Rent allowance in the form of a consolidated amount is

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2. Thus, if income is calculated inclusive of rent allowance, the employees pay around 25 per cent of their income as rent.

payable to employees occupying their own houses. Rules, however, vary from one organisation to another.

The rent allowance provided by organisations is normally much lower than the market rent. Rent allowances have not been able to keep pace with the continuing escalation of rents in the markets, though they have increased over the years. Thus, in the case of employees of public sector undertakings the rent allowance has increased from 15 per cent of income in the seventies to 30 per cent of income in the eighties. Even at this enhanced figure, it is not possible to rent adequate of housing in Delhi. The rent allowance at best is a supplementary benefit. Direct provision of housing works out to the advantage of the employee.

The provision of housing by the employer is not deemed as a profit venture but as a welfare measure. The rate of return on investment is not a determinant of supply of this housing. The rents charged are related to the income of the employee<sup>3</sup> rather than the market price of such housing<sup>4</sup>. The rents are low not only in relation to the market rent of such housing but also in relation to its cost of construction. Thus for a central government colony, the ratio of average (annual) rent to average

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3. The new rules announced by the Central Government in 1986 relate the rents to size of a house with the stipulation that rents are not to exceed ten per cent of the income. In other institutions, the rules, have not been revised as yet to the best of one's knowledge.
  4. A discussion and empirical evidence of this are provided in the next chapter.



cost of construction was as low as 2 per cent. In private sector housing these ratios were much higher, being around 3-9 per cent.

The rental housing provided by employers thus is heavily subsidised — in relation to cost of the house as well as its market price. Provision of this housing is dependent on the availability of financial resources. The institutions are seldom able to satisfy the needs of rental housing of all its staff. The data available for government housing shows a deficit of 269 per cent for 1981 (Table 2.1). In 1981 only 27 per cent of employees were provided with staff housing. The government policy is to provide such housing to 70 per cent of its employees. The satisfaction level is merely 39 per cent.

As noted above, the various government organisations such as the CPWD, MCD, NDMC, and Railways accommodated 6.27 per cent of the total households in Delhi in 1981. This comes to around 13 per cent of total households living in rented houses. Of these CPWD is the single largest provider of staff housing. It accounts for 70 per cent of total government housing in Delhi (Table 2.2). The rules for government allotments and payment of license fee are more or less the same for most of these organisations. Since rental housing provided by the CPWD forms a significant part of total institutional rental housing in Delhi, this segment of institutional rental housing is taken up for some detailed analysis.

Staff Housing for Central Government Employees

The allotment of houses to government employees is governed by the Allotment of Government Residences (General Pool in Delhi) Rules, 1963. Apart from a General Pool out of which houses are allotted to eligible employees, accommodation is placed at the disposal of other pools also. These include Ministry of Defence, Judges, Members of Parliament, the Press, the Delhi Police, Delhi Administration, and the Hospital Government of India. Two other special pools are (i) the Lady Officers' pools separately for single lady officers and married lady officers, and (ii) the Tenure Officers' pool for the officers of the Indian Administration Service, the Indian Forest Service and the Indian Police Service seconded to the central government or the Delhi Administration on a tenure basis. The government also allots houses to specific categories of officials and nonofficials. Thus for instance 150 flats in the ASIAD Village Complex in New Delhi were to be allotted to scientists/managers and others working with the government on a short term basis, and to artists and social workers. The government also hires residential accommodation for chief executives of autonomous bodies earning monthly salaries above Rs 4500. The rent ceiling for this type of accommodation in Delhi for different salary classes ranges from Rs 4000 to Rs 5000.

Eight types of houses are made available to employees belonging to different income categories. Table 2.3 gives the information relating to size, income eligibility and total 'rent' payable for different types of houses.

Within each category allotment of housing is made according to seniority. In cases of equal seniority, a person with higher emoluments or scale is given priority over the other. Further, whereas an officer can opt for a lower type of house if the house of the type corresponding to his income level is not available, he cannot be allotted a category of house higher than one for which he is eligible.

Prior to 1963, employees owning houses in Delhi or in adjoining municipalities were not eligible for government housing. The rules were changed in 1963 and house owning officers became eligible for such allotments. The license fees charged to this group were however higher than those charged to non-house-owning officers.<sup>5</sup> The licence fee was related to the income from the house owned. Table 2.4 gives the rules regarding fixation of licence fee for home-owning employees prior to 1987 and the ones which came into existence on 1.1.87 in response to recommendations made by the Fourth Pay Commission.

Up to the year 1987 the rent for government accommodation other than hostel accommodation was recovered at ten per cent of emoluments (basic pay plus dearness allowance up to 320 points CPI) or standard rent of the house, whichever was less. In the case of employees earning less than Rs 300 (per month), the rent

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5. The onus of informing the Estate Officer about the ownership status on the basis of which a higher licence fee is to be fixed, lies with the employees. The employee may not make such information available and may continue to enjoy the benefits of government housing at a normal licence fee.

was calculated as 7.5 per cent of emoluments or standard rent whichever was less. This led to considerable accounting work and disparity in rent levels for different employees occupying the same type of accommodation. In June 1987 the rules governing the fixation of licence fee were amended and new rules came into force on 1 July 1987. These prescribed a flat rate of monthly licence fee based on the size of the house. The formula for fixation of a flat rate for different types of accommodation provided by the central government can be seen from Table 2.5.

Despite the large number of dwelling units allotted by the central government to its employees there is a huge deficit of such housing. Table 2.6 gives the demand and supply situation relating to CPWD housing for the years 1971, 1981 and 1985. As can be seen from the table, the deficit in housing units has increased from 56425 in 1971 to 72847 in 1985. This is despite a crash programme taken up by the government in 1978 under which a total of 12993 dwelling units were constructed by the CPWD over the period 1980-85.

The deficiency is more severe in the case of housing for lower income employees than for the others. Table 2.7 shows the number of houses allotted to different categories of employees and the deficit in each category. The deficit is the highest (at 98 per cent) for the lowest category and lowest (at 35 per cent) for the highest category of employees. The situation remains the same in 1988. Thus, out of the shortfall of 48436 houses in Delhi in the General pool, the maximum shortfall is in houses

belonging to types II and III. The shortfall for types II and III categories of houses at the beginning of 1988 was of the order of 7708 units (36.29 per cent of total demand), 16825 units (45.44 per cent of demand) and 16302 units (43.85 per cent of demand) respectively. There is also some shortfall in the Tenure pool and in the Ladies' pool.<sup>6</sup>

Government officials have to wait for years before being allotted accommodation. In 1988 for type III accommodation allotments were being made to those who joined government service in February 1965. Similarly for type IV accommodation, those who joined in February 1959 were being considered for allotment in September 1988 involving a waiting period of 29 years.

The policy of the central government in providing rental housing to its own staff is biased in favour of high income- and senior employees. There are even special schemes for IAS officers and scientists/ technologists and chief executives of autonomous bodies. Most of these would also belong to high income categories with a higher probability of access to ownership housing. The 'need' for subsidised government housing is not as acute for this group as for certain others. The need for staff housing is also lower on the priority scale in the case of officers owning houses. The high percentage of subletting of government houses is probably explained in terms of 'non-need' of the allottees.

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6. Financial Express, September 2, 1988 p.2.

Under the rules governing Allotment of Government Residences, subletting of partial or whole premises is not banned. The premises however can be sublet only to eligible persons. Subletting of part of the premises is permitted to other central government employees who are eligible for allotment of residence under these rules (SR 317-B-20). Where such subletting takes place the Directorate of Estates must be informed and provided with full particulars of the allottee and his family and of the sharer and his family. Subletting of the entire premises is permitted if the allottee is proceeding on leave and would like to accommodate another central government officer eligible to share government accommodation as a caretaker. This subletting is permitted for a maximum period of six months only.

This kind of subletting is to be done with the full permission and knowledge of the Directorate of Estates. The licence fee charged to the subtenants has also to be approved by the Directorate. Any subletting in violation of the above is punishable under SR 317-B-21. The punishment would involve charging of an enhanced licence fee (as much as four times the standard licence fee), debarment from sharing the residence for a specified period and in some cases even cancellation of allotment. These punitive measures were apparently not enough to dissuade persons from subletting. In March 1987 subletting was declared an offence under the Conduct Rules making the government servant found guilty liable to disciplinary action. In 1986 itself the Directorate of Estates dealt with an estimated 826

cases cancelling allotments in 418 cases where subletting had  
7  
been established.

The various measures taken by the government have not however deterred the original allottees from subletting their premises -- partly or wholly -- to unauthorised persons. Even when the house is sublet to an eligible person, the Directorate of Estates is rarely informed and the rent charged is the market rent for such space.

#### Secondary Market in Staff Housing

The unauthorised subletting of premises is an offence and action can be taken under the Public Premises [Eviction of Unauthorised Occupants Act, 1971]. This unauthorised subletting is more pervasive in the case of staff housing of central government and other local agencies. Subletting is not a common phenomenon in staff housing provided by other institutions such as educational institutions, hospitals and so forth. In the institutional housing provided by these organisations the environment is not as conducive for subletting. Housing provided by these institutions is normally not on as large a scale as that provided by the central government and is concentrated over a small area. The employees are well-known to each other and the 'management' can easily keep a watch over the use of such housing. In central government colonies spread over large areas where employees from various ministries are housed, anonymity helps in misuse of the premises for purposes of subletting.

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7. Chandrika Mago, "When Tenants Turn Landlords", Lifestyle Section II, The Times of India, 9 December 1987.

Subletting is also more prevalent in lower types of housing. The entire house or a part of it may be sublet. In higher types where barsatis or servants' quarters are provided subletting is normally done at the market rent.<sup>8</sup> Even when the houses are not let out for rent explicitly, the right of occupancy is exchanged for free services of the occupants in household chores.

Partial renting of premises is a more common practice. Most of the houses are not built for multiple family use and partial subletting does inconvenience the allottee. The lure of easy money however offsets this discomfort. Further, it would seem that the space standards of staff housing provided by the government are on the high side and the inhabitants can manage to live in smaller houses. The government could very well have provided smaller houses to its employees.

The entire premises are rented out when the allottee either has a house of his own or has some other equally comfortable living arrangement. Owing to the scarcity of such housing a significant number of employees are allotted government housing after long years of service and after a long stay in the city. During this period they would either be living in rented accommodation or would have acquired houses of their own. In both cases, for various reasons, they may not like to give up such housing. These reasons could be (i) convenient location for the family, (ii) good neighbourhood, (iii) old established neighbourhood ties, (iv) low rent, especially if the house had

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8. Most of the tupe IV and higher categories of houses have servants' quarters attached to the houses.



been rented much earlier and therefore fell under the jurisdiction of the Rent Control Act.

The appropriate procedure in such cases would be to refuse the government allotment if they find their existing living arrangements preferable to living in government allotted housing. This is rarely done. The allotment is treated as a windfall and an income-earning opportunity to be utilised by the allottee.

For the house-owner allottee the dilemma is whether to rent his own house or the government allotted house. He would compare the relative returns from each of the alternatives. Government housing is generally superior to what the employee can afford to own and might fetch a higher rent in the market. More important, government housing is very difficult to evict the tenant. The risk of letting out his own house in the private sector RHM is high owing to the operation of the RCA.

In fact, there is an element of risk involved in renting out the allotted premises. This is the risk of punitive action. Detection however is not easy and the allotted may feel confident of getting out of a sticky situation by pulling the right strings. The cost of the house or the cost of renting out to the allottee is nil. The employee gets the house for a temporary period (for the duration of his service) by virtue of his being in government service. The risk of being caught is not high enough to deter him from subletting the premises by which act the allottee earns a purely unearned income towards which he has not had to make any investment in terms of money or effort.

Demand for Housing in the Secondary RHM

The demand for government housing by non-government employees is created by the scarcity of rental housing and its high price in the market. Most of this type of housing is in prime locations in South Delhi. Rents in the private sector RHM in adjacent locations are very high. This segment of the market becomes an attractive alternative. Demand creates a supply which was non-existent. Rents are determined mainly by the demand side and would in turn be influenced by the rents prevailing in the adjacent markets. High rents would induce more allottees to risk subletting where-by the supply would increase.

Apart from the legal and ethical implications of subletting, this market adds significantly to the total supply of rental housing in the market. It caters especially to the low- and middle income groups. Thus, even though government's efforts to provide rental housing to the general public are confined to its Slum Housing Programme, its Staff Housing Programme helps indirectly in the augmentation of the supply of rental housing in the city. Government however gets no return from this investment.

Rental Housing Market : The Private Sector

Private sector rental housing is the most important segment in the RHM of the city. This segment of the market can be further categorised according to location, type of housing, the income groups being catered to, legality of the tenancy and

applicability or otherwise of the Rent Control Act.<sup>9</sup> The only (secondary) sources of data for the private sector RHM are the Property Tax departments of the MCD and NDMC. In the process of collection of property taxes, the department gathers information (as a by-product) on whether the property is rented, partly rented or wholly owner-occupied, the rateable value of the property, the physical typology of the property and various such details. The information is available separately for each zone. Our analysis is confined to the MCD area and information has been collected for 15 of the 17 zones of MCD.<sup>10</sup> Later on the information was compressed into line zones.

The analysis of the structure of private sector RHM is based entirely in this information. The Property Tax department does not charge any tax from Janata houses, slum quarters and resettlement colonies. This part of RHM is therefore excluded from the analysis. The total number of properties for which information is available for 1987-88 are 506291 in number. Table 2.8 gives information on tenurial status of the properties in the MCD area for the years 1980-81 and 1987-88.

A majority of the dwellings in the MCD area were owner occupied. The percentage of rented dwellings (including the partly rental dwellings) was a mere 33.11 per cent in 1987-88. The proportion has declined somewhat from 34.58 per cent in

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9. The controlled segment of the market is taken up for detailed analysis in chapter 4.

10. There were two zones, for which information could not be made available till the time of writing. These were Civil Lines and Narela.

1980-81. The decline has come mainly from a decline in the proportion of partly rented dwellings. Thus, even though the number of partly rented dwellings increased by 27.32 per cent over the period 1980-81 - 1987-88, their share in total dwellings declined from 23.21 per cent to 21.31 per cent. Of the total increase in the number of dwellings from 364980 to 506291 (between 1980-81 and 1987-88), around 13 per cent for renting, 16.38 per cent were partly rented and 71 per cent were owner-occupied. Thus, not only is the share of owner-occupied dwellings higher, the marginal incremental rate is also higher.

A majority of the rented dwellings are partly rented. Thus, in 1980-81, partly rented dwellings comprised 67.12 per cent of total rented dwellings. This figure was 64.35 per cent in 1987-88.

#### Rented Properties : Zonewise Analysis

In the MCD area the largest zones (according to number of properties) are West Delhi and Shahdara comprising 30 per cent and 28 per cent respectively of total assessed dwellings in the MCD area (Table 5.9). The contribution of Shahdara to total rented dwellings — at 17.95 percent — was however much lower than its share in total dwellings. The high rent zones included West Delhi, New Delhi (including Jal Vihar), Green Park and the city zone. Karol Bagh and S.P. Zones accounted for a larger, and West Delhi for a smaller, percentage of partly rented dwellings than their share in total dwellings. The situation is the same for both the years considered.

Table 2.10 gives information on share of rented dwellings in total dwellings for each of the nine zones of MCD. Owner occupation accounted for a major percentage of dwellings in all zones except in the city zone. In the city zone, rented dwellings (including both fully and partly rented) dwellings accounted for above 70 per cent of total dwellings. Twenty-one per cent dwellings were fully rented. The lowest renting (at 23 per cent of dwellings), was in Shahdara . Apart from the city zone, a large percentage of dwellings (35-49 per cent) were rented in New Delhi and Jal Vihar (in both the years) and the SP zone (especially in 1987-88) also. The zones where renting has shown an increase (in percent terms) over time are — SP zone, New Delhi Jal Vihar and Shahdara. The increase has come about mainly from increase in partly rented dwellings. Renting declined by almost 10 per cent points in Green Park and by 2.26 per cent in West Delhi.

In all zones, except SAU and Pitampura, partly rented dwellings account for a larger proportion of rented dwellings. In Pitampura, the proportion of fully rented dwellings is almost double that of partly rented dwellings. In Green Park the proportion of two types of renting is almost the same. For all other zones, whereas the proportion of fully rented dwellings ranges from 5 per cent to around 20 per cent, the range for partly rented dwellings is 15-50 per cent. This is true for both the years.

Renting and Housing Typology

Most of Delhi's housing stock consists of detached and semi-detached housing. In 1980-81, of the properties under consideration, 88.45 per cent of dwellings were detached houses and 11.55 per cent were flats. The proportion of flats almost doubled to 22.98 per cent in 1987-88.

The fact that a larger part of renting is accounted for by partial renting would suggest that renting should be higher in detached houses rather than in flats. Detached houses are more amenable to partial renting than are flats. This is confirmed by Tables 2.11 and 2.12 which give data on renting of flats and detached houses in 1980-81, 13.53 per cent of the flats and 37.33 per cent of the detached houses were rented. The percentage of dwellings fully rented was almost the same in the case of flats and detached houses in 1980-81 — 11.13 per cent of the flats and 11.40 per cent of the detached houses were fully rented. The number for partial renting of detached housing was much higher (at 25.93 per cent of dwellings thus occupied) than that for flats. A mere 2.40 per cent of flats were partly rented. A larger percentage of flats were owner occupied compared to the figure for detached houses. Of the detached houses 62.67 per cent were owner occupied compared to 86.47 per cent of the flats.

In 1987-88, the proportion of rented dwellings increased in the case of both flats and detached houses. Partial renting in detached housing increased by one per cent involving a total of 22158 more dwellings. Partial renting declined to 1.72 per cent (from 2.40 per cent in 1980-81) in the case of flats.

Renting of Flats vs Detached Houses : Zonewise Analysis

The pattern of a greater percentage of detached housing as compared to flats being rented out holds for all the zones in MCD (Table 2.11). In most of the zones, however, a larger proportion of flats is fully rented compared to detached houses. In 1987-88 the picture was the reverse for Pitampura (West Delhi), and Shahdara (East Delhi) where a larger proportion of detached houses (as compared to flats) were being rented out. In this respect the case of Shahdara is interesting. During the period 1980-81 to 1987-88, the percentage of fully rented flats declined from 30.05 to 2.08 even though there was an absolute increase in the total number of flats rented out from 119 to 456. There seems to have been a significant increase in the total number of flats (from 396 in 1980-81 to 21926 in 1987-88) most of which (98.37 per cent) had become owner occupied.

In the case of all the zones, a very small proportion of flats (ranging from 1.1 to 6.1 in 1980-81 and from 0.06 to 5.35 in 1987-88) were being partially rented. In the case of detached houses, the percentage of partly rented dwellings was as high as 51 in the city zone. The other zones where a significant part of detached housing was partly rented were Karol Bagh, SP zone and New Delhi including Jal Vihar.

Partial renting of detached housing seems to have declined over 1980-81 to 1987-88 only in Green Park. In all other zones it has shown either an increase or remained more or less the same.

The findings are confirmed by an analysis of the share of flats and detached houses in total rented dwellings (Table 2.14.- 2.15). For the MCD area as a whole around 89 per cent of fully rented dwellings were detached houses (Table 2.13). In 1980-81 the share of flats in total rented properties was a mere 11 per cent. The addition of partly rented dwellings to the calculation reduces the share of flats to 4.52 per cent in 1980-81. In 1987-88, however, the share of flats in rented properties as a whole and of fully rented properties increased to 9.89 per cent and 24.40 per cent respectively. Flats are thus becoming a more important part of the rental housing scene in the city.

Data for some of the zones show that flats contribute significantly to fully rented dwellings. In 1980-81, 26.67 per cent of total rented dwellings in Karol Bagh were flats. Similarly, 35.16 per cent of total rented dwellings in Green Park and 14.46 per cent (the proportion increasing to 33.70 per cent in 1987-88) in the New Delhi zone (including Jal Vihar) were flats.

In 1987-88, flats constituted 45.55 per cent of the total rented houses in Pitampura. In fact, in 1987-88, apart from Shahdara where only around 4 per cent of fully rented dwellings were flats, the share of flats in other zones has been above 19 per cent. Over time the share of flats (in fully rented dwellings) has increased in all zones except Karol Bagh and to some extent Green Park (where it declined by .16 per cent). The pattern remains the same when partly rented dwellings are added



to fully rented dwellings (Table 2.15). The share of flats is lower than was the case for fully rented dwellings alone but has shown an increase over time for all zones except Karol Bagh and Green Park.

#### Renting and Value of Properties

Tables 2.16 and 2.17 give the tenure status of properties for the whole of the MCD area according to rateable value of properties for 1980-81 and 1987-88 respectively. There is a higher proportion of lower valued properties in the MCD area. A high percentage of properties in all value-classes are owner occupied. The highest percentage of owner occupied (and by implication smallest of rented) properties is seen in the value-category of Rs 20,000 - 30,000. Approximately 72 per cent of the properties lying in this category are owner occupied. The lowest owner occupation is seen in properties within the value range of Rs 10,000 - 20,000 — though the percentage has increased from 59 to 62 over the period 1980-81 to 1987-88.

A greater proportion of dwellings in all categories expectedly are partly rented rather than fully rented. In 1980-81, the range of the partially rented dwellings in different value categories was rather small -- between 22 per cent and 25 per cent. The share of fully rented dwellings (at 16.81 per cent) was the highest in the case of properties with rateable value range of Rs 10,000 - 20,000. The share declined somewhat in 1987-88.

In 1987-88, fully rented dwellings increased (in per cent terms) for highest valued properties and for properties with rateable value from Rs 20,000 - 40,000.

Overall, no significant and stable relationship was traceable between renting and value of properties of different zones. An analysis of tenure status of properties with different rateable values in the nine zones does not give any uniform trend either. Tables 2.18 and 2.19 give this information for the years 1980-81 and 1987-88 respectively. In 1980-81, in some zones (city zone and Karol Bagh) the proportion of fully rented dwelling to total dwellings was higher in high valued properties. In all other zones the highest renting is in the middle value (rateable values between Rs 10,000 - 20,000) properties. For most of the zones a similar trend prevails for partial renting. Partial renting was the lowest in the highest valued properties in Green Park. In other cases, the share of partly rented dwellings was almost the same or slightly higher for high valued properties as compared to properties in other value ranges.

In 1987-88 similar trends prevailed. In city zones, New Delhi, Shahdara and Green Park the middle value properties had the highest proportion of fully rented dwellings as compared to low- and high valued properties. In zones SAU, Karol Bagh and West Delhi the share of fully rented dwellings increased with increase in rateable value. In other zones a decline was perceived. Similar contradictory trends were visible for partial renting as well. Thus no steady pattern of renting in relation

to values of properties is discernible from the available data and no significant conclusions can be drawn.

### Conclusion

The Delhi RHM is an extremely varied market and covers various types of houses — flats or detached, high- or low valued houses located in different areas are being rented. A greater amount of renting is done through renting part of the house rather than the full house. Further, detached houses have a greater probability of being rented out rather than flats. Renting — both full and partial — has increased on the margin over time. Renting is more a feature of the older city than of the newly developed colonies. The high percentage of renting in the city zone must be attributed to old tenancies. Owing to the impact of the RCA, the landlord finds it very difficult to evict the old tenants and the house continues to remain rented.

The various private sector RHMs are interrelated through the forces of supply and demand. On the supply side, a dwelling unit cannot change its location but it is possible for it to shift to another segment of the market — to a higher/lower valued segment or to the RHM for fully or partially rented houses. The supply of rental housing in the controlled market may also change by a reverse change in the uncontrolled market and vice versa. Similarly, the demand for rental housing in a given submarket is dependent upon the rents prevailing in other submarkets. In fact, even the 'staff housing' segment of rental housing is not untouched by forces prevailing in other RHMs. As the rents in the private sector market increase, the pressure on employers to

provide subsidised housing increases. Supply may increase after a lag. Or else the institutions may purchase or lease houses for their employees in the private sector market. The increasing rents and scarcities in the private RHM also put pressure on or provide inducement for the occupiers of staff housing to sublet parts of their apartments. Further, since the risks involved in subletting the staff housing are very low, the rents are determined by rents prevailing in the private sector RHM for similar housing.

The RHM of Delhi thus is an integrated whole and forces which affect one part of it have repercussions on other parts also -- albeit with a time lag. One submarket which is relatively immune from the market forces is the controlled segment of the RHM. An analysis of this segment is taken up in chapter 4. The next chapter, analyses the rents prevailing in different market segments and the interrelation between them.

Table - 2.1

Deficit in Staff Housing : Government Employees

Year	No. of Dwelling Units	No. of Govt. Employees	Deficit (in % terms)
1951	12810	87669	584.38
1961	31562	138600	339.14
1971	51598	187200	262.80
1981	72119	266000	268.83

Source : Ministry of Urban Development

Table 2.2

Government Employees' Housing -- Classified by Employing  
Agencies : 1981

Organisation	No. of Dwelling Units	Percent Share in Total
CPWD	49385	68.48
DDA	1100	1.53
MCD	1454	2.02
NDMC	2324	3.22
P & T	2800	3.88
Railways	8856	12.28
DA	1200	1.66
Police	5000	6.93
Total	72119	100.00

Source : As of Table 2.1

Table - 2.3

Size, Eligibility and Rent Payable for Different  
Type of Housing Provided by Central Government

Type	Size		Eligibility (Pay Scales)		Rent Payable	
	Between 1977-87 (Sq.ft.)	1981 Onwards (Sq.ft.)	Pre 1987	Post 1987	1981 Rules	Post 1987 Rules
I	300	360+80*	0-250	<950	64-75	10-35
II	350	480+80*	260-499	950-1500	65-124.75	60-75
III	425	600+80*	500-999	1500-2800	125-249.75	60-105
IV	-	900+80	1000-1499	2800-3600	250-374.75	115-145
VA	900	1500+106* +200#+200#	1500 and above	3600-4500	375 and above	185-210
VB				4500-5900	-	260
VIA	-	-	-	5900-6700	750	300
VIB	-	-	-	6700-7300	-	350
VII	-	-	-	7300-8000	-	500
VIII	-	-	-	>=8000	-	600
<u>Hostel Suite</u>						
a. Single room without Kitchen	-	-	-	2000	-	65
b. Single room with Kitchen	-	-	-	2000	-	90
c. Double suits with Kitchen	-	-	-	2800	-	125

Source : As of Table 2.1

\* Balcony Area

# Servants' Quarters (area of)

Note: The types in government staff housing have been described alternatively in Roman Numbers or ALPHABETS. The correspondence between the two is not very clear. For post 1987 we have taken Type I = A, II = B, III = C, IV = D, VA = E, VB = E, VI = E. For comparison, see Table 5.5.

Table - 2.4

Licence Fee Charged to House-Owning Officers of Central Government

	Licence Fee Prior to 1-7-1987	Rate of Licence Fee to be recovered w.e.f. 1-7-1987
i. If the income from own house does not exceed Rs 3,000/ p.m.	Standard licence fee/pooled licence fee under FR 45-A or 10% of emoluments, whichever is less.	Single flat rate of licence fee.
ii. If the income from own house exceeds Rs 3000/ p.m. but does not exceed Rs 5,000/ p.m.	Twice the standard licence fee/twice the pooled licence fee under FR 45-A or 20% of emoluments, whichever is less.	Twice the flate rates of licence fee.
iii. If the income exceeds Rs 5,000/ p.m.	Thrice the standard licence fee/thrice the pooled licence under FR 45-A or 30% of emoluments whichever is less.	Three times the flat rate of licence fee.

Source : As of Table 2.1



Table - 2.5

The Formula for Fixation of Flat Rate of Licence Fee  
for Different Types of Accommodation  
(As of 1-7-1987)

Types of Accommodation	Range of Living Area (Sq.mt.)	Flat Rate Licence Fee (Rs)	Remarks
1	2	3	4
A	Up to 30	10	Quarters sharing toilet facilities meant for more than two quarters.
A	Up to 30	15	Quarters sharing toilet facilities meant for two quarters.
A	Up to 30	25	Old quarters with plinth area less than 300 sq.ft.
A	Up to 30	35	Quarters with plinth area of 300 sq.ft. and more.
B	Up to 26.5	35	Crash programme type B quarters with plinth area of 300 sq.ft. reclassified as type A.
B	32 to 40	60	-
B	41 to 50	75	-
C	34.5	60	Crash programme type 3/4 C quarters with plinth area of 425 sq.ft. reclassified as type B.
C	44 to 55	85	-
C	56 to 65	105	-
D	59 to 75	115	-
D	76 to 91.5	145	-

Contd.....



Table - 2.6

Demand and Supply of CPWD Housing : 1971-85

Year	Demand	Supply	Deficit	Deficit (Percent)
1971	97000	40575	56425	58.17
1981	100384	49385	50999	50.80
1985	131682	58735	72847	55.40

Source : As of Table 2.1

Table - 2.7

Deficiency in Supply of Government Housing to Different  
Categories of Central Government Employees

Dwelling Type	No. of Dwelling Units Constructed/Allotted						% Break-up of Employees	% Deficit
	Till 1977		Till 1981		Till 1984			
	No.	%	No.	%	No.	%		
I	11727	29.7	12419	29.0	13220	29	61.25	98
II	17491	44.2	19468	45.0	21678	46	25.27	71
III	5627	14.2	5894	13.6	6325	13	7.88	70
IV	2237	5.7	2429	5.6	2582	5	4.05	77
V and above	2445	6.2	2909	6.8	3306	7	1.55	35
Total	39517	100.0	43118	100.0	47160	100	100.00	

Source : Government of India. As cited in K. Bharaythi, Housing Sub Systems in Delhi, unpublished thesis, School of Architecture and Planning, New Delhi, 1986.

Table - 2.8

Number of 'Assessed' Properties in MCD According  
to their Tenure Status

Year	Rented	Partly Rented	Owner-Occupied	Total
1980-81	41489 (11.37)	84722 (23.21)	238769 (65.42)	364980 (100.00)
1987-88	59744 (11.80)	107865 (21.31)	338682 (66.89)	506291 (100.00)

Source : Property Tax Department, MCD, Delhi.

Table - 2.9

Share of Different Zones in Rented, Partly Rented and Owner-Occupied Dwellings : MCD Area

Zone	1980-81				1987-88			
	Rented	Partly Owner- Rented	Owner- Occupied	Total	Rented	Partly Owner- Rented	Owner- Occupied	Total
SAU	-	-	-	-	2620 (4.39)	9 (0.01)	4438 (1.31)	7067 (1.40)
City Zone	3083 (7.43)	7366 (8.70)	4105 (1.72)	14554 (3.99)	3024 (5.06)	7434 (6.90)	4254 (1.26)	14712 (2.91)
Pitampura	-	-	-	-	3985 (6.67)	2121 (1.97)	20529 (6.06)	26635 (5.26)
Karol Bagh	3832 (9.24)	17553 (20.72)	37407 (15.67)	58792 (16.11)	4466 (7.48)	19979 (18.52)	42894 (12.66)	67339 (13.30)
SP Zone	1044 (2.52)	6387 (7.54)	13754 (5.76)	21185 (5.80)	1191 (1.99)	8374 (7.76)	14324 (4.23)	23889 (4.72)
ND, Jal Vihar	5357 (12.91)	8738 (10.31)	18547 (7.77)	32642 (8.94)	9063 (15.17)	15912 (14.75)	25460 (7.52)	50435 (9.96)
West Delhi	15149 (36.51)	23301 (27.50)	69493 (29.10)	107943 (29.58)	17703 (29.63)	25220 (23.38)	85753 (25.32)	128676 (25.41)
Shahdara	7449 (17.95)	15742 (18.58)	78038 (32.68)	101229 (27.74)	11506 (19.26)	22374 (20.74)	110978 (32.77)	144858 (28.61)
Green Park	5575 (13.44)	5635 (6.65)	17425 (7.30)	28635 (7.84)	6186 (10.35)	6442 (5.97)	30053 (8.87)	42681 (8.43)
All Zones	41489 (100.00)	84277 (100.00)	238769 (100.00)	364980 (100.00)	59744 (100.00)	107865 (100.00)	338682 (100.00)	506292 (100.00)

Source : As of Table 2.8

Note : In each row the figures above the percentages denote number of properties in the relevant categories from Table 2.9 to Table 2.19

Table - 2.10  
Share of Renting in Different Zones

Zone	1980-81				1987-88			
	Rented	Partly Owner- Rented	Owner- Occupied	Total	Rented	Partly Owner- Rented	Owner- Occupied	Total
SAU	-	-	-	-	2620 (37.07)	9 (0.13)	4438 (62.80)	7067 (100.00)
City Zone	3083 (21.18)	7366 (50.61)	4105 (28.21)	14554 (100.00)	3024 (20.55)	7434 (50.53)	4254 (28.92)	14712 (100.00)
Pitampura	-	-	-	-	3985 (14.96)	2121 (7.96)	20529 (77.08)	26635 (100.00)
Karol Bagh	3832 (6.52)	17553 (29.85)	37407 (63.63)	58792 (100.00)	4466 (6.63)	19979 (29.67)	42894 (63.70)	67339 (100.00)
SP Zone	1044 (4.93)	6387 (30.15)	13754 (64.92)	21185 (100.00)	1191 (4.99)	8374 (35.05)	14324 (59.96)	23889 (100.00)
ND, Jal Vihar	5357 (16.41)	8738 (26.77)	18547 (56.82)	32642 (100.00)	9063 (17.97)	15912 (31.55)	25460 (50.48)	50435 (100.00)
West Delhi	15149 (14.03)	23301 (21.59)	69493 (64.38)	107943 (100.00)	17703 (13.76)	25220 (19.60)	85752 (66.64)	128675 (100.00)
Shahdara	7449 (7.36)	15742 (15.55)	78038 (77.09)	101229 (100.00)	11506 (7.94)	22374 (15.45)	110978 (76.61)	144858 (100.00)
Green Park	5575 (19.47)	5635 (19.68)	17425 (60.85)	28635 (100.00)	6186 (14.50)	6442 (15.09)	30053 (70.41)	42681 (100.00)
All Zones	41489 (11.37)	84722 (23.21)	238769 (65.42)	364980 (100.00)	59744 (11.80)	107865 (21.31)	338682 (66.89)	506291 (100.00)

Source : As of Table 2.8

Table - 2.11

Renting in Flats and Detached Houses in Different Zones of Delhi (MCD) : 1980-81

Zone	1980-81							
	Flats				Detached Houses			
	Rented	Partly Rented	Owner-Occupied	Total	Rented	Partly Rented	Owner-Occupied	Total
SAU	-	-	-	-	-	-	-	-
City Zone	-	-	-	-	3083 (21.18)	7366 (50.61)	4105 (28.21)	14554 (100.00)
Pitampura	-	-	-	-	-	-	-	-
Karol Bagh	1022 (8.40)	223 (1.83)	10919 (89.77)	12164 (100.00)	2810 (6.03)	17330 (37.16)	26488 (56.81)	46628 (100.00)
SP Zone	-	-	-	-	1044 (4.93)	6387 (30.15)	13754 (64.92)	21185 (100.00)
ND, Jalandhar Vihar	721 (18.16)	-	3249 (81.84)	3970 (100.00)	4636 (16.17)	8738 (30.47)	15298 (53.36)	28672 (100.00)
West Delhi	871 (5.64)	169 (1.09)	14406 (93.27)	15446 (100.00)	14278 (15.44)	23132 (25.01)	55087 (59.55)	92497 (100.00)
Shahdara	119 (30.05)	-	277 (69.95)	396 (100.00)	7330 (7.27)	15742 (15.61)	77761 (77.12)	100833 (100.00)
Green Park	1960 (19.25)	620 (6.09)	7600 (74.66)	10180 (100.00)	3615 (19.59)	5015 (27.17)	9825 (53.24)	18455 (100.00)
All Zones	4693 (11.13)	1012 (2.40)	36451 (86.47)	42156 (100.00)	36796 (11.40)	83710 (25.93)	202318 (62.67)	322824 (100.00)

Source : Same as Table 2.8

Note : Figures in Parenthesis denote percentages.

Table - 2.12

Renting in Flats and Detached Houses in Different Zones of Delhi (MCD) : 1987-88

Zone	1987-88							
	Flats				Detached Houses			
	Rented	Partly Rented	Owner-Occupied	Total	Rented	Partly Rented	Owner-Occupied	Total
SAU	2620 (37.07)	9 (0.13)	4438 (62.80)	7067 (100.00)	-	-	-	-
City Zone	-	-	-	-	3024 (20.55)	7434 (50.53)	4254 (28.92)	14712 (100.00)
Pitampura	1815 (13.88)	605 (4.63)	10656 (81.49)	13076 (100.00)	2170 (16.00)	1516 (11.18)	9873 (72.82)	13559 (100.00)
Karol Bagh	1064 (7.55)	242 (1.71)	12792 (90.74)	14098 (100.00)	3402 (6.39)	19737 (37.07)	30102 (56.54)	53241 (100.00)
SP Zone	-	-	-	-	1191 (4.99)	8374 (35.05)	14324 (59.96)	23889 (100.00)
ND, Jalandhar Vihar	3054 (25.09)	31 (0.25)	9088 (74.66)	12173 (100.00)	6009 (15.70)	15881 (41.51)	16372 (42.79)	38262 (100.00)
West Delhi	3405 (9.86)	376 (1.09)	30739 (89.05)	34520 (100.00)	14298 (15.19)	24844 (26.38)	55014 (58.43)	94156 (100.00)
Shahdara	456 (2.08)	14 (0.06)	21456 (97.86)	21926 (100.00)	11050 (8.99)	22360 (18.19)	89522 (72.82)	122932 (100.00)
Green Park	2165 (16.08)	720 (5.35)	10576 (78.57)	13461 (100.00)	4021 (13.76)	5722 (19.58)	19477 (66.66)	29220 (100.00)
All Zones	14579 (12.53)	1997 (1.72)	99745 (85.75)	116321 (100.00)	45165 (11.58)	105868 (27.15)	238938 (61.27)	389971 (100.00)

Source : As in Table 2.8



Table - 2.13

Shares of Flats and Detached Houses in Rented Properties  
in Delhi (MCD): 1980-81, 1987-88

	Fully Rented Properties			Partly Rented Properties		
	Flats	Detached Houses	Total	Flats	Detached Houses	Total
1980-81	4693 (11.31)	36796 (88.69)	41489 (100.00)	5705 (4.52)	120506 (95.48)	126211 (100.00)
1987-88	14579 (24.40)	45165 (75.60)	59744 (100.00)	16576 (9.89)	151033 (90.11)	167609 (100.00)

Source: Property Tax Department, MCD, Delhi.

Note : Figures in parenthesis denote percentages.

Table - 2.14

Shares of Flats and Detached Houses in Total Rented Properties in Delhi (MCD): 1980-81, 1987-88

Zone	1980-81			1987-88		
	Flats	Detached Houses	Total	Flats	Detached Houses	Total
SAU	-	-	-	2620 (100.00)	-	2620 (100.00)
City Zone	-	3083 (100.00)	3083 (100.00)	-	3024 (100.00)	3024 (100.00)
Pitampura	-	-	-	1815 (45.55)	2170 (54.45)	3985 (100.00)
Karol Bagh	1022 (26.67)	2810 (73.33)	3832 (100.00)	1064 (23.82)	3402 (76.18)	4466 (100.00)
SP Zone	-	1044 (100.00)	1044 (100.00)	-	1191 (100.00)	1191 (100.00)
ND, Jal Vihar	721 (14.46)	4636 (86.54)	5357 (100.00)	3054 (33.70)	6009 (66.30)	9063 (100.00)
West Delhi	871 (5.75)	14278 (94.25)	15149 (100.00)	3405 (19.23)	14298 (80.77)	17703 (100.00)
Shahdara	119 (1.60)	7330 (98.40)	7449 (100.00)	456 (3.96)	11050 (96.04)	11506 (100.00)
Green Park	1960 (35.16)	3615 (64.84)	5575 (100.00)	2165 (35.00)	4021 (65.00)	6186 (100.00)
All Zones	4693 (11.31)	36796 (88.69)	41489 (100.00)	14579 (24.40)	45765 (75.60)	59744 (100.00)

Source : Same as in Table 2.8

Table - 2.15

Share of Flats and Detached Houses in Totally and Partially Rented Properties in Different Zones of MCD : 1980-81, 1987-88.

Zone	1980-81			1987-88		
	Flats	Detached Houses	Total	Flats	Detached Houses	Total
SAU	-	-	-	2629 (100.00)	-	2629 (100.00)
City Zone	-	10449 (100.00)	10449 (100.00)	-	10458 (100.00)	10458 (100.00)
Pitam-pura	-	-	-	2420 (39.63)	3686 (60.37)	6106 (100.00)
Karol Bagh	1245 (5.82)	20140 (94.18)	21385 (100.00)	1306 (5.34)	23139 (94.66)	24445 (100.00)
SP Zone	-	7431 (100.00)	7431 (100.00)	-	9565 (100.00)	9565 (100.00)
ND, Jal Vihar	721 (5.12)	13374 (94.88)	14095 (100.00)	3085 (12.35)	21890 (87.65)	24975 (100.00)
West Delhi	1040 (2.70)	37410 (97.30)	38450 (100.00)	3781 (8.81)	39142 (91.19)	42923 (100.00)
Shahdara	119 (0.51)	23072 (99.49)	23191 (100.00)	470 (1.39)	33410 (98.61)	33880 (100.00)
Green Park	2580 (23.02)	8630 (76.98)	11210 (100.00)	2885 (22.85)	9743 (77.15)	12628 (100.00)
All Zones	5705 (4.52)	120506 (95.48)	126211 (100.00)	16576 (9.89)	151033 (90.11)	167609 (100.00)

Source : Same as in Table 2.8

Table - 2.16

Rented and Owner-Occupied Properties in MCD Area According to Rateable Value : 1980-81

Rateable Value (Rs.)	Rented	Partly Rented	Owner-Occupied	Rented+ Partly Rented	Total
0-10,000	28970 (10.38)	64440 (23.08)	185750 (66.54)	33.46	279160
10,000 - 20,000	10763 (16.81)	15249 (23.81)	38028 (59.38)	40.62	64040
20,000- 30,000	901 (6.70)	2896 (21.53)	9652 (71.77)	28.23	13449
30,000- 40,000	380 (10.81)	886 (25.20)	2250 (63.99)	36.01	3516
40,000- 50,000	263 (11.15)	634 (26.89)	1461 (61.96)	38.04	2358
> 50,000	212 (8.63)	617 (25.11)	1628 (66.26)	33.74	2457

Source : Same as Table 2.8

Table - 2.17

Rented and Owner-Occupied Properties in MCD Area According to Rateable Value : 1987-88

Rateable Value (Rs.)	Rented	Partly Rented	Owner Occupied	Rented + Partly Rented	Total
0-10,000	40843 (10.87)	80051 (21.29)	254979 (67.84)	32.16	375873
10,000-20,000	14024 (15.76)	19723 (22.17)	55212 (62.06)	37.93	88959
20,000-30,000	2270 (9.85)	4154 (18.03)	16621 (72.12)	27.88	23045
30,000-40,000	1482 (16.89)	1617 (18.43)	5657 (64.68)	35.32	8775
40,000-50,000	522 (10.98)	1120 (23.56)	3111 (65.45)	34.54	4753
> 50,000	603 (12.34)	1200 (24.55)	3084 (63.11)	36.89	4887

Source : Same as in Table 2.8.

Table - 2.18  
Share of Renting in Different Valued Properties : 1980-81

Zone	Rateable Value												
	Rs 0 - 10,000				Rs 10,000 - 20,000					Rs 20,000 and above			
	Rented	Partly Owner- Rented	Owner- Occupied	Total	Rented	Partly Owner- Rented	Owner- Occupied	Total	Rented	Partly Owner- Rented	Owner- Occupied	Total	
1	2	3	4	5	6	7	8	9	10	11	12	13	
1.	-	-	-	-	-	-	-	-	-	-	-	-	
2.	1580 (20.01)	4034 (51.10)	2281 (28.89)	7895 (100.00)	1402 (22.46)	3124 (50.05)	1716 (27.49)	6242 (100.00)	101 (24.22)	208 (49.88)	108 (25.90)	417 (100.00)	
3.	-	-	-	-	-	-	-	-	-	-	-	-	
4.	3355 (6.39)	14988 (28.53)	34193 (65.08)	52536 (100.00)	318 (7.43)	1718 (40.13)	2245 (52.44)	4281 (100.00)	159 (8.05)	847 (42.89)	969 (49.06)	1975 (100.00)	
5.	690 (5.01)	4129 (29.99)	8951 (65.00)	13770 (100.00)	105 (4.96)	642 (30.31)	1371 (64.73)	2118 (100.00)	249 (4.70)	1616 (30.15)	3432 (64.79)	5297 (100.00)	

Contd....

1	2	3	4	5	6	7	8	9	10	11	12	13
6.	4266 (15.07)	7608 (26.88)	16430 (58.05)	28304 (100.00)	679 (25.29)	724 (26.96)	1282 (47.75)	2685 (100.00)	412 (24.93)	406 (24.56)	835 (50.51)	1653 (100.00)
7.	11083 (13.43)	17189 (20.84)	54234 (65.73)	82506 (100.00)	3985 (16.00)	5976 (24.00)	14941 (60.00)	24902 (100.00)	81 (15.14)	136 (25.42)	318 (59.44)	535 (100.00)
8.	4374 (5.76)	12765 (16.83)	58739 (77.41)	75878 (100.00)	2992 (16.72)	1768 (9.88)	13136 (73.40)	17896 (100.00)	83 (1.11)	1206 (16.22)	6163 (82.67)	7455 (100.00)
9.	3622 (19.82)	3727 (20.40)	10922 (59.78)	18271 (100.00)	1282 (21.67)	1297 (21.92)	3337 (56.41)	5916 (100.00)	671 (15.08)	611 (13.74)	3166 (71.18)	4448 (100.00)
All Zones	28970 (10.38)	64440 (23.08)	185750 (66.54)	279160 (100.00)	10763 (16.81)	15249 (23.81)	38028 (59.38)	64040 (100.00)	1756 (8.06)	5033 (23.11)	14991 (68.83)	21780 (100.00)

Source: As in Table 2.8.

Table - 2.19

## Share of Renting in Different Valued Properties : 1987-88

Zone	Rateable Value												
	Rs 0 - 10,000			Rs 10,000 - 20,000			Rs 20,000 and above						
	Rented	Partly Owner- Rented	Owner- Occupied	Total	Rented	Partly Owner- Rented	Owner- Occupied	Total	Rented	Partly Owner- Rented	Owner- Occupied	Total	
1	2	3	4	5	6	7	8	9	10	11	12	13	
1.	716 (24.10)	6 (0.20)	2249 (75.70)	2971 (100.00)	1201 (40.59)	3 (0.10)	1755 (59.31)	2959 (100.00)	703 (61.83)	- (0.00)	434 (38.17)	1137 (100.00)	
2.	1528 (19.93)	3936 (51.34)	2202 (28.73)	7666 (100.00)	1395 (21.37)	3232 (49.52)	1900 (29.11)	6527 (100.00)	101 (19.46)	266 (51.25)	152 (29.29)	519 (100.00)	
3.	3328 (15.25)	1743 (7.99)	16748 (76.76)	21819 (100.00)	398 (14.89)	212 (7.93)	2063 (77.18)	2673 (100.00)	259 (12.08)	166 (7.15)	1718 (80.17)	2143 (100.00)	
4.	3409 (6.18)	15643 (28.34)	36142 (65.48)	55194 (100.00)	591 (8.37)	2542 (35.99)	3930 (55.64)	7063 (100.00)	466 (9.17)	1794 (35.30)	2822 (55.53)	5082 (100.00)	
5.	776 (5.00)	5433 (34.99)	9320 (60.01)	15529 (100.00)	129 (4.98)	910 (35.15)	1550 (59.87)	2589 (100.00)	286 (4.96)	2031 (35.19)	3454 (59.85)	5771 (100.00)	

Contd.....



1	2	3	4	5	6	7	8	9	10	11	12	13
6.	5923 (15.85)	13198 (35.32)	18248 (48.83)	37369 (100.00)	1967 (26.48)	1716 (23.10)	3745 (50.42)	7428 (100.00)	1173 (20.81)	998 (17.70)	3467 (61.49)	5638 (100.00)
7.	13309 (13.41)	18267 (18.41)	67672 (68.18)	99248 (100.00)	3970 (14.38)	6588 (23.87)	17043 (61.75)	27601 (100.00)	424 (23.21)	365 (19.98)	1038 (56.81)	1827 (100.00)
8.	8219 (7.50)	18086 (16.52)	83211 (75.98)	109576 (100.00)	2845 (12.24)	2723 (11.72)	17673 (76.04)	23241 (100.00)	442 (3.65)	1565 (12.93)	10094 (83.42)	12101 (100.00)
9.	3635 (13.68)	3739 (14.08)	19187 (72.24)	26561 (100.00)	1528 (17.21)	1797 (20.24)	5553 (62.55)	8878 (100.00)	1023 (14.13)	906 (12.51)	5313 (73.36)	7242 (100.00)
All Zones	40843 (10.87)	80051 (21.29)	254979 (67.84)	375873 (100.00)	14024 (15.76)	19723 (22.17)	55212 (62.07)	88959 (100.00)	4877 (11.76)	8091 (19.52)	28492 (68.72)	41460 (100.00)

Source : Same as in Table 2.8.

Table - 2.20

Coefficient of Correlation Between Rateable Value and Renting in Different Zones of City (MCD Area)

Zone	1980-81			1987-88		
	Rented	Partly Rented	Rented+ Partly Rented	Rented	Partly Rented	Rented+ Partly Rented
SAU	-	-	-	-0.12	-0.86	-0.12
City Zone	0.79	-0.65	-0.45	-0.64	0.58	0.50
Pitampura	-	-	-	-0.78	0.009	-0.52
Karol Bagh	-0.26	0.80	0.69	0.92	0.78	0.83
SP Zone	-0.60	0.53	0.44	-0.81	0.62	0.56
ND, Jal Vihar	0.84	-0.53	0.66	0.08	-0.73	-0.70
West Delhi	-0.80	-0.55	-0.65	0.10	0.41	0.31
Shahdara	0.43	0.23	0.59	0.44	-0.57	0.30
Green Park	0.72	-0.79	-0.78	-0.44	-0.73	-0.64
All Zones	-0.33	0.68	0.04	9.79E03	0.38	0.29

Source : Calculated from data provided by Property Tax Department, MCD, Delhi.

## CHAPTER 3

### RENTS AND VALUES OF HOUSES IN DELHI

Rents in different housing submarkets in Delhi vary not only in relation to physical factors associated with housing namely location, typology, size and so fourth, but also in relation to their legal status and type of supplier. Rents in the 'controlled' and semicontrolled market are lower than those in the free market. Similarly, rents in housing supplied by the public sector or in staff housing are lower than the market rents for such housing. It is only in the free private sector rental housing and in the secondary rental housing market of staff housing that rents are determined by the forces of supply and demand and bear some relation to variables such as location, type of house, size of house, and so on.

#### Rents in the Private Sector : The Uncontrolled Sector

The housing units in different submarkets and within each submarket are a heterogenous lot. For purposes of analysis of rents, Delhi's housing market was subdivided into five zones -- East, West, Centre, North and South. Within each zone, an area was demarcated and different types of housing were specified. Within each zone, care was taken to choose housing typologies located fairly close to each other so as to minimise locational differentials. Two major physical typologies were considered -- flats and detached housing. Each typology was further categorised according to size. Size was also taken as a proxy variable for housing category catering to different income groups. In the case of flats, the DDA categorisation of Janata,

LIG, MIG and HIG was adopted. In the case of detached houses, the total number of rooms was taken to denote the relative size of houses.<sup>1</sup> Within each zone, data on rents were collected for each type of housing for two points of time namely 1980-81 and 1988.

The major sources of data were the property dealers operating in different parts of Delhi. Data on rents were collected directly from them. Another method adopted was a telephonic survey of properties advertised in the columns of the Hindustan Times for renting out. Most of the advertisements related to high income properties. Further, the property dealers also 'dealt' with high- or middle income properties. The small survey of Slums and Resettlement Colonies was conducted to gather information on prevailing rents in types of housing catering to lowest income groups. Another limitation of data is that this relates only to properties which are in the market for renting.

Of all the submarkets the market comprising of DDA flats is a relatively more homogeneous market. The prime variable in this market is location. The flats are built to a standard size and are more or less similar in design. Improvements carried out by some flat-owners in the flats can lead to some variation in design and liveability. The rents charged for these flats would vary with these differences as well as with the situation of the house in relation to various amenities. Property dealers

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1. Since the data were collected from property dealers or through telephonic survey of potential landlords, it was not possible to get precise figures about the plot size and carpet area.

were asked to furnish the minimum and maximum rents in the area. The rent of ground floor flats is normally slightly higher than those on the first and second floors. For purposes of comparability only the rents of ground floor flats have been taken. Table 3.1 gives the rents of DDA flats in five zones in the city.

Rents in South Delhi are the highest for all types of flats — low income and high income. These are quoted on a monthly basis. In 1981, the difference was the highest in the case of MIG houses. The rent for a MIG flat in South Delhi in 1981 was Rs 2000 whereas in West Delhi (Vikaspuri) it was only Rs 600. In the Central Zone (Motia Khan) the rent was Rs 900. In all locations, the rents for the smaller houses were far lower than those for large houses. Complete data for 1981 have not been procured, but for South Delhi the rent increases 'progressively' for larger flats. This is even more true for 1988. In South Delhi the rent differential is Rs 300 between Janata and LIG; between Rs 700 between LIG and MIG and Rs 1700 between MIG and HIG flats. In other parts differentials do not get beyond Rs 500 or so. The rent differentials are the highest between South Delhi and other parts of Delhi. Between East, West, Centre and Northern Delhi the differentials are not very striking. The above pattern has not only continued during 1988 but seems to have accelerated somewhat. The premium which the market places on 'posh' locations and on better class housing in these locations is quite high. Further, the premium which these locations enjoy has increased over time. There has been no

change in the relative position of different localities in terms of locational preference over time.

#### Rents of Detached Houses

The detached housing provided by the private sector in different parts of Delhi is extremely heterogenous and much less comparable. Rents vary not only because of location but also owing to design, plot size, wood work, type of flooring, other furnishings and so forth.<sup>2</sup> As noted before, the houses were categorised according to the number of rooms. The difference in rents may be an under- or overestimation of the locational premium depending upon other features of the house. An attempt was made to collect the minimum and maximum rents prevailing in each location for each size of house. Table 3.2 gives the minimum rents for detached houses of different sizes prevailing in different parts of Delhi.

As can be seen from Table 3.2 rents are the lowest in East Delhi and highest in South Delhi for all sizes of houses. Next to South Delhi come North and Central Delhi. In 1981, maximum rents for a one-room house in South Delhi were six times as high as those prevailing in East Delhi; three times as high as those in West Delhi; and were twice as high as in North Delhi. In 1988 too, South Delhi retained its supremacy in terms of rents in the RHM of Delhi. East Delhi continues to offer the lowest-priced rental housing in Delhi. Within each zone, the differences between minimum and maximum rents for one roomed houses are the

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2. In DDA flats these do not vary much from one to the other.

highest in South Delhi and the smallest in East Delhi. In two and three roomed houses the differences between the rents in South Delhi and those in others are a little less than in the case of the smallest and the largest houses. Rents for the largest houses are very high in South and Central Delhi. In South Delhi especially the rents are much higher than those prevailing in other parts of the city for similar-sized houses. The maximum rents prevailing in 1988 were in South Delhi. The rent for the largest category of houses was as high as Rs 18,000 in South Delhi and Rs 15,000 in Central Delhi. Supplementing this information with information received from telephonic survey of rents, it can be added that in South Delhi, levels of rents in 1988 were even higher than Rs 18,000. The rent for a four-roomed house, with garage and one servants' quarters, on a plot size of 500 sq. yds. in Vasant Vihar was quoted at Rs. 25,000 (per month). It was specified that the house (and rents too) would be suitable for foreign embassy officials. Similarly a house in Greater Kailash was quoted at a rent of Rs 50,000 (per month).

In each location, the differences between the minimum and maximum rents are the highest for the largest houses than for the smaller ones. Further, within each zone, the spread of rents between small and large houses has increased over time.

In 1981, the range of rents prevailing in the organised RHM<sup>3</sup> was very large — Rs 75 to Rs 8000. In 1988, both minimum and maximum rents had increased and the range had widened from Rs 200 to Rs 18,000.

#### Rents in the Secondary Market for Staff Housing

Rents in the secondary market for staff housing were collected for three colonies in South Delhi and two colonies in North Delhi. This information is provided in Table 3.3. The rents in these colonies are quite comparable for similar-sized private houses in these areas. There is however not much difference between the minimum and maximum rents prevailing for each type of house. Houses in each type are standard/similar houses and the differences in rents would be due more to either an information gap or other nonmarket factors (such as renting to a known person etc). Further, the maximum rents in these colonies for three or more rooms are much lower than those in private housing. Thus the maximum rent for three rooms in Andrews Ganj, (a South Delhi government colony) in 1988 was Rs 2000 whereas in private sector housing it was Rs 4200. For two rooms the maximum rents in each sector were almost the same.

#### Rent of Houses in Unauthorised Colonies

Table 3.4 gives the prevalent market rents in unauthorised colonies of Delhi for 1980 and 1988. The rents on the whole are lower in these colonies as compared to the legal private sector

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3. The proportion of each type of house in the total rental houses available is not known. Presumably the numbers of lowest-renting and highest renting houses cannot be very large. Further, there would be some houses available for lower and higher rents than the ones quoted here.



RHM. Area specific differences however do exist. The low rents are not attributable to the illegality of the structures but because of the lower level of amenities being available or their nonavailability to the inhabitants. The rents for the smallest sized houses especially in East and West Delhi are almost the same as the minimum rents for this size in the legal market. The difference is higher in North and South Delhi and further widens for larger- sized houses. This (wider range of difference in rents for large houses in the legal and unauthorised markets) is true of all areas. Thus, in 1988, a three roomed house in South Delhi was available for Rs 1600 in the unauthorised colony whereas the minimum rent for this size of house in the legal market was no less than Rs 2000.

#### Rents in Slums and Resettlement Colonies

The lowest type of rental housing -- in terms of quality and rents -- is available in the squatter settlements and resettlement colonies in Delhi. A 6 x 8'sq. yd. 'kutcha' house in the squatter settlement areas in West Delhi was available for Rs 25-60 in 1988 (Table 3.5). Similar rates prevailed in North Delhi. In some areas in South Delhi, substandard housing was available at a rent of even Rs 10. The rents for 'pucca' structures in these areas varied between Rs 100 and Rs 150.

Houses in resettlement colonies (pucca houses) commanded higher rents. In North Delhi, the rents ranged between Rs 100 and Rs 600. In East Delhi a house with two rooms could be rented for as high as Rs 700. Even though the houses in these

resettlement colonies are pucca, they are deficient in the availability of other amenities. Several families have to share the common toilets and common taps. The rents in these localities are high mainly due to the pucca structures.

The relatively high rents can also be attributed to scarcity of rental housing which can cater to low income groups.

#### Rents in the Controlled, Semi-Controlled Market

The data on rents prevailing in this market have been collected from the records of the Rent Controller's Office. The rents are the ones declared by the tenant/landlord while registering the cases in court. These may not be the rents actually being charged by the landlord. Owing to this limitation the data must be treated more as indicative of the situation prevailing in this market rather than representing the absolute level of rents in the controlled market in different parts of the city. Table 3.6 gives the minimum and maximum rent noted for different sizes of houses. The rents show great diversity as is to be expected in this segment since they are determined not only by the physical features of the houses but also by the age of tenancy, and whether or not the tenant has moved the court for fixation of rent.

For most types of houses rents are higher in South Delhi than anywhere else. Rents are quite high in Western Delhi also. Rents in Central Delhi are lower than in other parts. Further, the rents are lower than those prevailing in the uncontrolled private sector RHM.

Rents in Public Sector : Staff Housing

Data are available for rents payable by central government employees for government accommodation. These have already been reported in Tables 2.3 and 2.5. As can be seen from these tables, the rents paid for staff housing are the lowest in the market for the provision of this kind of housing. This will continue to be true even if one were to add to the rent paid the loss in income to the employee owing to nonreceipt of house rent allowance. A comparison between the rents paid by government employees in two government housing colonies (Sadiq Nagar and Andrews Ganj) for different types of housing and the rents prevailing in the market for these houses proves the point. Table 3.7 gives the average rent paid by an employee for different types of housing and the rents prevailing in the secondary RHM for staff housing. The market rents (even for part of the house) are higher than the license fee paid by the employee by as much as six to seven times. Even when market rent is compared with the imputed rent (calculated by adding to the licence fee 15 per cent of the highest basic salary of the eligible group for the relevant type of housing), the imputed rent continues to be much lower than the rent the staff housing would fetch in the market. As noted before, staff housing is considered by the government as a welfare measure rather than as a paying proposition. The maximum rents for different types of housing are a function of income of the resident rather than of demand and supply. Even though the new formula for fixation of license fee relates the rent to the size of the house, under no

circumstances can the rents chargeable be higher than a certain percentage of income — 7.5 per cent in the case of employees earning less than Rs 300 and 10 per cent for other government employees.

Thus a wide variety of rental housing carrying monthly rents from Rs 10 to Rs 30,000 (and even higher) is available in different parts of Delhi catering to different income groups. Low cost rental housing — in the shape of slum/resettlement colonies/ old village sites/unauthorised colonies — is available adjacent to some posh colonies. Thus, near Defence Colony (one of the posh colonies of Delhi) we have Kotla Mubarakpur and near Hauz Khas, the old village of Shahpur Jat. Housing catering to high-middle- and low incomes is interspersed. Yet, the low-cost housing of South Delhi will be more expensive than similar low-cost housing in East or West Delhi. South Delhi has emerged as one of the prime locations in Delhi mainly owing to greater accessibility to various amenities. Slowly the pressure is shifting to North and West Delhi and to some extent even to East Delhi. Rents however until now have shown no trend towards equalising. If anything, the primacy of South Delhi seems to have increased over time. This is shown by the increased distance between rents prevailing in South Delhi and in other markets. Rents seem to have increased at a much faster rate in South Delhi localities than they have in others. This hypothesis is validated below.

Growth in Rents Over Time

It is even more difficult to compare rents over time than to do so over space. Even if one were to take the same location and the same house, the product still would not be comparable over time. The increase in rent will not be a purely quantitative phenomenon but will be related to some change in quality. The qualitative change in housing can be attributed to the following two factors:

- i. Change in the relative locational advantage of the house. Over time, certain locations become more important whereas others have declined in importance; and
- ii. Houses deteriorate over time even when full efforts are expended to maintain them properly. Another kind of obsolescence also hits the houses. This relates to the old design of houses. With fast changing life styles, the old houses become obsolete fast.

It will be very difficult to separate the part of change in rent which can be attributed to the above-mentioned variables and one which is entirely because of price variables. The increase in rents - for whatever reasons -- does however imply that rental housing of more or less the same type is more expensive than it was earlier. The increase in rents over the period 1981-88 has been calculated. The rents for the same house in the two periods were compared and the annual compound rate of growth (CRG) calculated for each house in different locations in the city. These are presented in Table 3.8.

The increase in rents of flats seems to have been the highest in West Delhi and lowest in Central Delhi. Further, the rate of growth of rents for Janata flats is shown to be the

highest for all parts of Delhi. In North Delhi, an inverse relationship between the rate of growth and rents and type of housing was noticed, namely, the higher the type, the lower the rate of growth of rent over time. In South Delhi, next to the Janata flats, the rate of growth was the highest for the HIG flats followed by MIG and LIG in that order. The rates of growth for different types of flats in different zones varied from 4 per cent to 16 per cent per annum.

Fairly high rates of growth were recorded for detached houses also (Table 3.8). The rate of growth, as in the case of flats, was lowest for the central areas. The rates of growth were higher in East and South Delhi as compared to those in other parts. There was no significant difference between the rates of increase in rents in West and North Delhi. The rents of smaller houses on the whole increased faster than those of larger houses. The rents in some areas increased by as much as 19 per cent per annum. In most of the cases, the rent increases ranged between 10 to 12 per cent.

The kind of rent increase noticed in Delhi for all types of housing seems to be much higher than increase in per capita income, and for some areas at least, the increases were even higher than growth in prices of other consumer goods. There are no data on these variables (income and prices) for a comparable period. During 1987-88 (the period for which data are available, the per capita income at constant prices showed a CRG of 3.56 per cent per annum and consumer prices increased at the rate of 9.01 per cent per annum.

### Rent and Value of Houses

Rents however seem to have increased in direct proportion to increase in values. In most of the cases, the increase in value of houses has been much sharper than the increase in rents. This can be seen from the declining Rent Value (RV) ratio of different types of housing in the city (Tables 3.9 - 3.10). In the case of flats, the RV ratio has either remained the same or has shown a decline. The only category to show a slight increase is that of the Janata flats in South Delhi.

In the case of detached houses, the experience is diverse for different areas. In West and Central Delhi, the values of detached houses of all sizes (except LIG) seem to have grown faster than the rents. The RV ratio (Table 3.10) either shows a decline or is more or less the same in most of the cases in these localities. In other localities the reverse is the case for most types of houses. The highest increase in the RV ratio is seen in the South Delhi RHM. In East Delhi also, RV ratios for all sizes of detached houses have increased over time. Thus, it is only the RHM for detached houses — that too in some areas of the city — which can support high rents. In the case of flats, the increases in rents are not commensurate with increases in value of houses.

Looking at the RV ratio in absolute terms the ratios in most of the cases do not seem to be very high for Delhi. Assuming a fair/reasonable rent-income ratio to be 1:5 and a reasonable income value of house ratio to be 1:23 one arrives at

a reasonable rent value ratio as 1:5. The RV ratio in Delhi in most of the cases is in the range of 4-7 per cent (for flats) and 2-5 per cent in the case of detached houses.<sup>4</sup> The RV ratios are higher for flats than for detached houses. Further, RV ratios are the highest for South Delhi for most of the flat typologies. The trend in the case of detached houses is not so clear cut — though East Delhi seems to have higher RV ratios in most types of housing.

Rent Value (RV) ratios are normally higher for small-sized flats than for larger ones. For detached houses different zones behave differently. In East and North Delhi, RV ratio increases with size. In West, Central and South Delhi it decreases with size.

Rent value (RV) ratio is an indicator of the rate of return from rental housing. It is frequently argued that rate of return from renting is lower as compared to other investment goods and this discourages investment in rental housing. The argument is normally posed in the context of RHMs where rents are controlled under RCA. The implicit argument being that if market rents were permitted to prevail, the rate of return will be quite remunerative. It is further argued that the abolition of RCA will augment the property tax base and increase municipal revenues also. Some experts have also been indicating that the rateable value of property should increase in line with the

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4. In 1988, for detached houses, there were 3 cases where RV ratio was 6 per cent — three-roomed houses in East and South Delhi and a four-roomed house in East Delhi.



market value. The implications of these various suggestions on the rate of return from rental housing have been examined.

Rate of Return from Rental Housing

The argument put forth above is that in most parts of Delhi, the rents which prevail are the rents determined by market forces rather than the controlled rents. This is especially so for cases where data have been collected from property dealers. The rates of return were calculated for different types of housing in different zones of the city. The calculations were made under different alternative assumptions relating to investment made, property tax paid and so on.

The first set of rates of return in RHM were calculated on the basis of the following assumptions: (i) the investor purchases the property in the current year, (ii) pays property tax based on current value, (iii) the landlords of EWS and LIG housing do not pay any property- or income tax on income from house property. The landlords of MIG housing pay income tax at the marginal rate of 25 per cent and that HIG housing at the rate of 30 per cent. The permitted deduction (for maintenance) of 1/6th of income from house property was taken into account. The other concessions under the Income Tax Act for new properties were ignored since the age of the houses was unknown, (iv) the cost of maintenance was estimated at ten per cent of the rental value of

the house, and (v) a vacancy allowance of  $1/12$  of annual rent was permitted.<sup>5</sup>

In the calculation of the second set of rates of return assumption (iii), (iv) and (v) were retained and assumptions (i) and (ii) were changed. As for (i), it was now assumed that the property was purchased in an earlier year, while property tax (ii) was calculated on the basis of purchase value of the property. The rates of return (ROR) under these 'revised' assumptions were calculated only for 1988 after taking the investment as equivalent to the market value in 1980. The data for market value of property in 1980 was obtained from the property dealers. The ROR was also calculated on the 1975 and 1970 values of the property. The values for these years were calculated by deflating the value of property in 1980 by the index number of the cost of residential houses.

Tables 3.11 and 3.12 give the calculated values of rates of return for different houses for 1980 and 1988 respectively under the first set of assumptions. The rates of return in 1980 varied between 0.88 per cent and 6.3 per cent. In 1988 the range was even wider from 0.72 - 6.72 per cent. In the case of flats, the 'high' rate of return of 6 per cent is true only in 2 out of the 84 cases for which rates of return were calculated. Most of the cases (71-72 per cent) concentrated near the low rate of return

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5. The rate of return was calculated on an annual basis in a static framework and no note was taken of the durable nature of housing and dynamic implications of this aspect. No allowance was made for depreciation of the value of the house, nor were the expected capital gains taken into account.

of 1-3 per cent (see Table 3/15). The returns are higher under the second set of assumptions as can be seen from Table 3.13 (as they would be under inflationary conditions). The highest rate of return is derived from renting out Janata flats in West and South Delhi. Returns are above 10 per cent in North Delhi (Janata flats, large houses), and West Delhi (LIG flats) (Table 3.16). The results of calculations of ROR on 1970 and 1975 deflated values or properties are shown Table 3.14. The range is from 2.16 - 25 percent of the 1975 value and 5 to 36.54 of the 1970 value.

The rates of return from renting out (especially renting out of new houses) are thus much lower than are achievable through other investments. The rates continue to be low even when the investment of the landlord is lower and is estimated at the 1980 value of the house. Renting out would thus be profitable and will yield a comparable rate of return only if the landlord had either built the house in the 1970s or if he had obtained direct allotment of the house from the DDA in which case the total investment is on the lower side and rates of return consequently higher.<sup>6</sup>

It is important to note that the rates of return have been calculated on the basis of market rents and not on standard rents. This will imply that even if the RCA were to be

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6. The ROR (calculated on allotment price) in 1988 for an MIG flat in West Delhi was 7.48 per cent and in South Delhi ranged from 14-31 per cent.

abolished, the rate of return will continue to be quite low. The factors responsible for low rates of return -- despite high levels of rents -- are the high cost of houses, and high rates of property tax.

The rates of return from renting were quite low even in unauthorised colonies -- varying between 1 per cent and 6 per cent (see Table 3.17). The rates of return were the lowest in the case of large houses in North Delhi. In East Delhi 3-4 roomed houses yielded a rate of return of around 6 per cent.

The estimated low rates of return from renting out are incongruent with the high amount of renting in Delhi. The rates of return, as mentioned above, have been calculated on the basis of 10 per cent maintenance cost, on month's vacancy allowance (for MIG and HIG houses), a marginal income tax rate from 25-30 per cent and a property tax calculated on the market value of the property. The actual rates of return are higher because of (i) low initial value of the house in many cases; (ii) neglect of maintenance and consequent lower maintenance cost, (iii) avoidance of payment of income tax or payment of a lower amount of tax made possible by understatement of income from house property, and (iv) payment of property tax based on understatement of the value of the property.

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7. In Delhi, for purposes of property taxation, the rateable value of property is calculated on the basis of cost of construction and cost of land at the time of commencement of construction. This cost is much lower than the current value of the property.

A significant amount of renting out may also be done not with the objective of earning a rate of return but only to cover the variable cost of renting or simply in order to earn some extra income irrespective of its relation to the value of the house. This would be specially true for old existing houses. The low rates of return would however prove to be a disincentive<sup>8</sup> for building new houses primarily for renting out.

The stagnation in return from property tax has led many researchers to suggest the use of market value as the tax base. In this study the use of market value as rateable value was prompted by the 'desire' to see the impact of such a reform in property tax on the rental housing market in the city. The reform, it seems would either lower the rates of return further (and reduce the current supply of rental housing). Or if the rate of return is to be maintained, it would lead to a spurt in house rents in the market.

#### Rate of Return on Staff Housing

As noted before the provision of staff housing is not guided by considerations either of profitability or high rate of return. The supply is however, influenced/determined by the available finances which the government allocates for expenditure on this head. A negative rate of return would imply a draft on these

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8. Another factor which must be noted is that the calculation of rates of return above has ignored the capital gains accruing to the landlord over time. Incorporation of this factor would increase the rates of return significantly.

resources and might affect the housing programme of the government negatively. Based on data made available by the CPWD of Ministry of Urban Development, the rates of return have been calculated from different types of housing in two government colonies of Delhi, namely, Sadiq Nagar and Andrews Ganj, Table 3.18 provides this information and also gives the rates of return for different types of houses.

As can be seen from the Table 3.18, the rents in staff housing do not cover even the maintenance cost of the houses. In Sadiq Nagar the maintenance cost incurred in the year 1988 was seven to eight times as high as the gross rent. In Andrews Ganj, the maintenance cost of Type V houses was 20 times the rent accruing from such houses. The rates of return in Sadiq Nagar varied between -1.91 per cent and -4.41 per cent. In Andrews Ganj, the rate of return was -12.43 per cent for Type V houses.

Once allowance was made for depreciation, the rates of returns dipped to new lows ranging from -2.91 per cent to -14.43 per cent.<sup>9</sup> If the maintenance costs were pegged down to ten per cent of the rental, the returns would continue to be negative but higher than before. They would vary between -1.75 per cent and -1.40 per cent.

### Conclusion

Despite the high levels of rents prevailing in the private PHM in Delhi, the rates of return from renting out do not seem to

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9. The property tax paid on these properties has not yet been taken into account.

be very high. This is specially true in the case of newly constructed/purchased houses where the landlords do not hide or manipulate the rents and pay all taxes at the legally prescribed rates. Renting out may still be remunerative in the cases of old housing as well as smaller houses. Janata houses or one-roomed houses also fetch fairly reasonable rates of return since no property tax is levied on them.<sup>10</sup> Generally the returns from renting out would be still lower if the RCA was to be fully effective and standard rents were being paid by the tenant.

The estimated rates of return explode the myth that it is mainly the RCA which is responsible for low rates of return. Investment in housing for rental purposes is discouraged not by the RCA alone but also by the high value of houses and the low rent-value ratio prevailing in the market. In the next chapter the impact the RCA has had on the RHM in Delhi is analysed.

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10. Cases of very high rent properties in parts of South Delhi have been excluded since these make for a very small proportion of the RHM of Delhi.

Table - 3.1  
Rents of DDA Flats in Different Parts of Delhi

(in Rs per month)

Zone	1980				1988			
	Janata	LIG	MIG	HIG	Janata	LIG	MIG	HIG
East	-	-	-	-	350	700- 900	1200- 1500	1800
West	150	400	600	-	500	800	1200	2100
Centre	-	500	900	-	-	750	1200	-
North	200	400	1000	1500	500	750	1800	2400
South	300	600	900- 2000	1800- 2500	800	1100	1800- 4500	3500- 6000

Source : Survey of Property Dealers (Survey).



Table - 3.2  
Rents of Detached Houses in Different Parts of Delhi

(in Rs per month)

Zone	Number of Rooms							
	1980				1988			
	One	Two	Three	Four & Above	One	Two	Three	Four & Above
East	75- 100	100- 300	250- 1000	1200	200- 300	400- 700	700- 2000	2700
West	100- 200	400	500- 950	900- 1200	200- 500	850	1100- 1650	1500- 2300
Centre	250- 400	800	7000	500- 8000*	300- 500	1100	10000	700- 15000*
North	200- 300	500- 700	300- 1500	1000- 1500	500- 600	1100- 1200	600- 2000	1500- 2500
South	200- 600	550- 700	800- 1700	1000- 7000	550- 2000	1000- 1200	2000- 4200	3500- 18000

Source: Same as Table 3.1.

\* Ground and First Floor.

Table - 3.3

Rents in the Secondary Market for Staff Housing

(in Rs per month)

Locality	Type of Housing											
	1980						1988					
	I	II	III	IV	V	VI	I	II	III	IV	V	VI
Sadiq Nagar	-	600*	-	800- 900 (2)	-	-	-	400- 1000* (1)	1000- 1200 (2)	1100- 1200 (2)	-	-
Andrews Ganj	150- 200*	-	-	400- 500 (2)	600- 800 (2&3)	-	400- 500*	-	-	1000- 1300 (2)	500- 2000 (1&3)	-
Lodhi Colony	-	500- 700	400- 700	600- 1100	-	-	-	700- 1100 (1)	800- 1200 (1+SQ)	900- 1400 (1+SQ)	-	-
Timarpur	-	-	500*	600*	-	-	-	300- 350 (1&1)	750*	950*	-	-
Delhi University	-	100 (1)	200 (1)	-	-	-	-	350 (1)	500 (1)	-	-	-

Source : Personal Interviews

\* Denotes that full house has been rented out.  
Figures in brackets denotes the number of rooms rented out.

SQ Servant Quarters.

Table - 3.4  
Rents of Houses in Unauthorised Colonies of Delhi  
(Detached Houses

(in Rs per month)

Zone	Number of Rooms							
	1980				1988			
	One	Two	Three	Four & Above	One	Two	Three	Four & Above
East	-	100	150	350	200	300	500	700
West	100	-	400- 500	-	200- 250	-	900- 1200	-
Centre	-	-	-	-	-	-	-	-
North	-	250- 300	700	400	200- 250	500- 600	1300	800
South	200	375	700	1000	450	800	1600	2200

Source : Survey.

Table - 3.5  
Rent of One Room in Slums and Resettlement Areas in  
Selected Localities of Delhi : 1988

(in Rs per month)

Area	Slums	Resettlement Colonies
East	-	250-700
West	25-60	150-200
Centre	-	-
North	25-60	100-600
South	100-150 (Pucca) 10-100	-

Source : Survey.

Table - 3.6

Rents in the Controlled Market in Delhi

(in Rs per month)

Zone	Number of Rooms							
	1980-82				1983-85			
	One	Two	Three	Four & Above	One	Two	Three	Four & Above
East	60- 150	350	-	1400	152- 325	250	1301	-
West	100- 275	275- 500	550- 1500	2600	250- 300	450- 600	950	1200
Centre	43- 200	35- 200	650	800- 1000	100- 400	160	-	-
North	500	500	-	400	65- 250	1400	-	-
South	50- 500	300- 500	1000- 1450	1000- 2500	250- 1500	1600	1100- 1450	2300- 3500

Source: Rent Controller's Office records.

Table - 3.7

License Fee Charged by Government and Market Rents  
for Different Types of Housing

(in Rs)

Type	Sadiq Nagar		Andrews Ganj	
	Average Licence Fee	Market Rent	Average Licence Fee	Market Rent
I	35	-	25-35	150-200
II	60-75	600	-	-
III	85	-	85-105	
IV	115	800-900 (2)	-	400-500 (2)
V	-	-	210	600-800 (2) (3)
VI	-	-	-	-

Table - 3.8

Rate of Growth in Rents : DDA Flats & Detached Houses (1981-88)

Zone	Flats				Detached Houses			
	Janata	LIG	MIG	HIG	One	Two	Three	Four & Above
East	-	-	-	-	13.04- 14.72	18.92- 11.17	13.74- 9.05	10.67
West	16.24	9.05	9.05	-	9.05- 12.14	9.88	10.36- 7.14	5.59- 8.47
Centre	-	5.20	3.66	-	2.31- 2.83	4.06	4.56	4.30- 8.17
North	12.14	8.17	7.62	6.05	12.14- 9.05	10.36- 6.97	9.05- 3.66	5.20- 6.59
South	13.04	7.87	9.05- 10.67	11.56	13.48- 16.24	7.76- 6.97	11.42- 11.96	12.69- 12.53

Source : Calculated from data obtained from the Survey of Property Dealers in Delhi.

Table - 3.9  
Rent-Value Ratio of DDA Flats

Zone	1980				1988			
	Janata	LIG	MIG	HIG	Janata	LIG	MIG	HIG
East	-	-	-	-	5.60	5.42- 6.17	6.40- 3.79	3.89
West	7.20	6.86	5.76	-	6.00	4.80	4.80	4.20
Centre	-	4.00	4.32	-	-	3.00	2.40	-
North	6.00	5.33	4.00	4.50	6.00	5.14	3.43	3.84
South	9.00	5.76	7.20- 6.86	7.20- 6.00	9.60	5.28	5.40- 6.35	7.00 6.00

Source : Calculated from data obtained from Survey of Property Dealers.

Table - 3.10  
Rent Value Ratio of Detached Houses

Zone	Number of Rooms							
	1980				1988			
	One	Two	Three	Four & Above	One	Two	Three	Four & Above
East	3.00	3.00- 3.60	3.00- 6.00	5.24	3.20	4.80- 4.20	3.36- 6.00	6.17
West	2.67- 3.43	2.83	3.43- 3.26	1.80- 1.92	2.09- 3.00	2.91	2.40	1.64- 1.97
Centre	-	-	5.60	2.40- 3.84	-	-	4.00	1.60- 4.50
North	-	1.50	2.77- 3.00	6.00- 2.25	-	1.80	3.20- 1.85	- 1.88
South	3.20	-	2.74- 4.53	3.00- 2.40	4.40	-	4.15- 6.30	3.50- 3.08

Source : As of Table 3.9

Table - 3.11

Rate of Return\* from Rental Housing in the Private Sector :  
DDA Flats and Detached Houses : 1980

(as per cent of Investment)

Zone	Flats				Detached Houses			
	Janata	LIG	MIG	HIG	One Room	Two Room	Three Room	Four Room
<b>East</b>								
Minimum	-	-	-	-	-	2.10	1.56	-
Maximum	-	-	-	-	2.80	2.52	3.13	2.49
<b>West</b>								
Minimum	-	-	-	-	1.87	-	1.78	0.88
Maximum	5.04	4.80	3.00	-	3.40	1.98	1.71	0.91
<b>Centre</b>								
Minimum	-	-	-	-	-	-	-	1.16
Maximum	-	2.80	2.28	-	-	-	2.30	1.45
<b>North</b>								
Minimum	-	-	-	-	-	1.05	1.44	6.47
Maximum	4.20	4.80	-	-	-	-	1.50	1.05
<b>South</b>								
Minimum	-	-	3.80	3.77	2.24	-	1.43	1.46
Maximum	6.30	4.03	2.10	2.50	-	-	2.24	0.92

Source : As in Table 3.9.

- Note : 1. Current Year Value, Property Tax based on Current Year Value.  
2. Marginal Rate of Income Tax : for MIG 25% (X)  
for HIG 30% (X)  
3. Maintenance at the rate of 10 per cent of rent,  
4. Vacancy allowance of one month.

\* Calculated on investment in housing under first set of assumptions.



Table 3.12

Rate of Return\* from Rental Housing in the Private Sector :  
DDA Flats and Detached Houses : 1988\*

(as per cent of Investment)

Zone	Flats				Detached Houses			
	Janata	LIG	MIG	HIG	One Room	Two Room	Three Room	Four Room
<b>East</b>								
Minimum	-	3.79	3.27	-	2.24	3.36	1.68	-
Maximum	3.92	4.38	1.89	1.77	-	2.94	2.69	2.32
<b>West</b>								
Minimum	-	-	-	-	1.46	-	1.19	0.72
Maximum	4.20	3.36	2.36	-	2.10	2.08	1.14	0.78
<b>Centre</b>								
Minimum	-	-	-	-	-	-	-	0.76
Maximum	-	2.10	1.20	-	-	-	1.52	1.47
<b>North</b>								
Minimum	-	-	-	-	-	-	1.62	6.42
Maximum	4.20	3.60	-	-	-	1.24	0.85	0.74
<b>South</b>								
Minimum	-	-	2.49	2.43	3.08	-	1.94	1.22
Maximum	6.72	3.66	2.36	2.00	-	-	2.42	0.96

Source : As in Table 3.9.

\* Under first set of assumptions (See Table 3.11 and text).

Table 3.13

Rate of Return\* from Rental Housing in the Private Sector :  
DDA Flats and Detached Houses : 1988\*

(as per cent of Investment)

Zone	Flats				Detached Houses			
	Janata	LIG	MIG	HIG	One Room	Two Room	Three Room	Four Room
<b>East</b>								
Minimum	-	-	-	-	-	9.45	4.85	-
Maximum	-	-	-	-	9.33	6.44	6.78	6.20
<b>West</b>								
Minimum	-	-	-	-	4.04	-	4.29	1.56
Maximum	18.76	10.40	6.50	-	6.60	4.57	3.17	1.91
<b>Centre</b>								
Minimum	-	-	-	-	-	-	-	1.71
Maximum	-	4.43	3.16	-	-	-	3.76	3.36
<b>North</b>								
Minimum	-	-	-	-	-	2.52	3.13	10.24
Maximum	11.55	7.54	-	-	-	-	2.11	1.90
<b>South</b>								
Minimum	-	-	8.18	7.63	6.81	-	3.93	5.71
Maximum	18.55	7.95	8.98	7.32	-	-	6.29	3.05

Source : As in Table 3.9.

\* Based on second set of assumptions. The second set differs from the first set in calculating the rate of return on 1980 value. Property Tax is also calculated at 1980 value.

Table - 3.14

Rate of Return\* from Renting (Detached Houses) : 1988

(as percent of investment)

Zone	Number of Rooms							
	Based on 1975 Value of Houses				Based on 1970 Value of Houses			
	One	Two	Three	Four & Above	One	Two	Three	Four & Above
East	16.51	15.38- 10.42	7.70- 11.55	10.36	23.62	22.48- 15.39	11.37 16.61	15.14
West	7.34- 11.80	6.88	6.63- 4.81	2.09- 2.13	10.50- 16.87	10.33	10.13- 7.45	3.08- 3.83
Centre	-	-	6.43	5.56- 1.06	-	-	10.04	8.30- 2.31
North	-	3.82	4.78- 2.75	18.13- 2.16	-	5.95	7.21- 4.78	26.26- 3.88
South	12.11	-	6.04- 10.29	6.45- 25.00	17.32	-	11.12- 15.40	9.76 36.54

Source : As in Table 3.9

\* Rate of return has been calculated on 1970 and 1975 value of houses. This value has been obtained by deflating the 1980 value of house with the index number of cost of residential houses. Other assumptions remain the same. Property Tax is calculated on 1970 and 1975 value respectively.

Table - 3.15

Distribution of Rate of Return from Renting\*: DDA Flats

Rate of Return in (percent)	Number of Flats									
	1980					1988				
	Janata	LIG	MIG	HIG	Total	Janata	LIG	MIG	HIG	Total
< 2	1	2	6	7	16	1	1	9	8	19
2 - 3	2	3	5	2	12	2	3	5	3	13
3 - 4	1	-	1	1	3	1	5	1	-	7
4 - 5	1	3	1	-	5	2	1	-	-	3
5 - 6	1	-	-	-	1	1	-	-	-	1
> 6	1	-	-	1	2	1	-	-	1	2

Source : As in Table 3.9

\* Under first set of assumptions.

Table - 3.16

Distribution of Rate of Return from Renting\* : Detached Houses

Rate of Return (in percent)	Number of Houses				
	Janata	LIG	MIG	HIG	Total
< 2	-	-	-	4	4
2 - 3	-	1	1	-	2
3 - 4	-	-	5	2	7
4 - 5	1	2	2	-	5
5 - 6	-	-	-	1	1
> 6	6	5	5	4	20
Total	7	8	13	11	39

Source : As in Table 3.9

\* Under second set of assumptions.

Table - 3.17

Rate of Return from Investment : Unauthorised Houses of Delhi\*

Zone	Number of Rooms							
	1980				1988			
	One	Two	Three	Four & Above	One	Two	Three	Four & Above
East	-	4.80	3.60	5.60	3.84	4.80	6.00	5.60
West	4.80	-	3.84- 2.74	-	4.80	-	2.13- 1.82	-
Centre	-	-	-	-	-	-	-	-
North	-	2.88- 6.00	5.38	1.08- 1.35	-	2.88- 6.00	3.92	1.08- 1.44
South	-	-	3.36	2.49	-	-	3.54	3.16

Source : As in Table 3.9

\* Under first set of assumptions.

Table - 3.18

Rate of Return in Staff Housing Provided by Central Government : 1988

(in percent of investment)

Type	Total Rent	Total Main- tenance Cost	Total Capital Cost	Rate of Return		
				1	2*	3**
<u>Sadiq Nagar</u>						
I	1680	-	716030	-	-	-1.79
II	36360	286399	5665730	-4.41	-6.41	-1.42
III	63240	494654	22638828	-1.91	-2.91	-1.75
IV	17480	129027	4794984	-2.33	-4.33	-1.67
<u>Andrews Ganj</u>						
I	20640	-	3299946	0.63***	-	-1.44
III	-	235148	1528000	-	-	-
V	15960	315986	2412878	-12.43	-14.43	-1.40

Source : CPWD : Ministry of Urban Development, Delhi.

\* after allowing for 2 per cent rate of depreciation on these properties.

\*\* calculated on the assumption that maintenance cost is 10 per cent of the total rent.

\*\*\* calculated as percentage of gross rent.

## CHAPTER 4

### THE RENT CONTROL ACT : IMPACT ON RENTAL HOUSING IN DELHI

Rent Control Acts have been in operation in various parts of the developed and developing world since the First World War. According to World Bank estimates, (Urban Edge : 1988) over 50 per cent of the world's urban population lives in markets with some sort of rent control. Despite the criticism these acts have evoked, it has been quite difficult to scrap them. The reasons are more political than economic. Any attempt to scrap the acts arouses the ire of the tenants. The tenants invariably outnumber the landlords. It is however, argued that the rent control acts (RCA) have not benefitted even the tenants who end up with much inferior housing than they would have obtained in the absence of the RCA. The various grounds on which the RCA has been criticised are :

1. The fixation of standard rent as a percentage of the cost of construction of the house leads to a low rate of return on rental housing in relation to return in other investible assets. Investment in new rental housing is adversely affected by this.
2. The low rate of return also leads to accelerated deterioration in the controlled housing stock since the landlords have no incentive to invest nor any 'surplus' funds for the upkeep or maintenance of their rental housing stock.
3. The protection to tenants against eviction under the RCA makes it very difficult to get the house vacated once it has been rented out. The fear of losing the property may lead to withdrawal of vacant premises from the rental market.



4. The difficulty of evicting tenants may also make it very difficult to sell a tenanted house making houses a less liquid asset in the market.
5. The artificial control of rents below market prices may distort the price signals and lead to inefficient utilisation of land and housing.
6. The low level of controlled rents in relation to the market rents leads to the emergence of practices such as key money leading to a black market in rental housing.
7. The low rents payable in the controlled market under the Rent Control Act reduce the mobility of labour and households living in such houses.
8. Rent control acts have a negative impact on municipal revenues. The revenue from property tax which is a major source of municipal revenues is adversely affected since the base of the tax is eroded by the calculation of rateable value of properties on the basis of standard (controlled) rent rather than on the market rent.

The most significant of these effects is the negative impact on the supply of rental housing in the long run. The decline in supply of housing comes about through the operation of factors listed in 1,2 and 3 above. Factors 1 and 3 lead to an absolute decline in the supply of rental housing. The low maintenance of rental housing stock reduces the flow of services provided by a given housing stock as also truncates its life span. The total supply of rental housing thus would be lower if the RCA is operative than it would be in its absence.

Over time, scarcities created in the rental housing market (RHM) owing to the operation of the RCA lead to bizzare situations.<sup>1</sup> The new entrants in the housing market either have to opt for ownership housing or for other alternatives. These other alternatives in the market develop either in the form of lodging houses, cheap hotels, guest houses, (all of which are not strictly controlled under the RCA — these being in the nature of furnished housing) or in the form of illegal payments (key money etc). The government also decontrols part of the market to encourage supply of housing in the decontrolled sector.

The analysis of the impact of RCA on the RHM in the literature has ignored the impact of these developments on investment in and supply of rental housing and has been carried out under the following implicit assumptions :

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1. The operation of rent control act leads to very low rents — lower not only in relation to market rents but also in relation to prices of other goods and services. This works against the new entrants in the RHM since there is no new supply being added and the old rented dwellings do not get recycled where the sitting tenants sit tight. The only vacancies occur when the sitting tenant dies (assuming that the right of tenancy is not inheritable in which case the vacancy will not arise even after the existing tenant dies). Illustrating the case of Paris under RCA Bertrand De Jouvenal brings out the pathetic state of affairs. Quoting "Young couples must live with in laws, and the wife's major activity consists in watching out for deaths. Tottering old people out to sun themselves in public gardens will be shadowed back to their flat by an eager young wife who will strike a bargain with the Janitor, the concierge, so as to be first warned when the demise occurs and to be first at the death. Other apartment chasers have an understanding with the undertakers". Bertrand De Jouvenal, "No Vacancies", published in Block Walter and Edgar Olsen, (ed.) Rent Control : Myths and Realities, Vancouver : The Fraser Institute, 1981.

1. Rent Control is applicable to and is effective in the whole of the RHM. Wherever cognisance has been taken of the uncontrolled segment of the market, the analysis has simply been confined to the impact of existence of controlled market on prices/rents in the uncontrolled market [Fallis and Smith : 1984; Gould and Henry 1967]. The conclusion generally reached is that rents in the uncontrolled markets will be higher if there is a controlled market segment in the RHM.
2. RCA is the only factor which affects the supply of rental housing through its impact on returns. The additional assumption in this respect is regarding the behaviour pattern of the buyers and suppliers, the factors which affect the demand and supply of rental housing and the price elasticities of this demand and supply.
3. The economy is stationary. The analysis of the impact of RCA in the RHM is conducted in a static framework. The negative effects of RCA will be most evident in a stationary economy. Over time, as the situation in the economy changes, the market overcomes the negative effects to quite some extent. This is done, as is noted above, either through avoidance or evasion. The real effect of RCA thus may not be as much on supply of rental housing etc. as in its contribution to the growth of a parallel economy and the creation of distortions in the market.<sup>2</sup>

The few empirical studies carried out in India (NBO : 1965, 1968) point towards the low awareness of the provision of RCAs among tenants. In the cases of Delhi and Calcutta, the RCA was found to have no negative influence on the supply of housing or on the tenure status of new housing. The impact on supply of rental housing was not discussed. The study provided no information on the impact of the RCA on maintenance or on the extent of conversion of rental units. Other studies have been analytical in nature (Datta, Khatkhate, Tiwari and Kumar) and proceed in their analyses of the impact of the RCA under the above mentioned assumptions.

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2. This is not to say that the negative effects will disappear altogether.

Whereas some of the studies cited above take cognisance of the developments such as payment of key money and so on. in the RHM, these are treated merely as distortions created in the market by the operation of the RCA. The analysis stops short of taking into account the impact of these developments on the supply of rental housing. The case against RCA thus hinges more on an analytical exercise under the above mentioned unrealistic assumptions than on any rigorous empirical investigation. The analytical exercises gain credence from cases reported in the press. Just as in the case of land values where it is the properties which get sold at stupendous prices that make newspaper headlines, it is the deteriorating properties and eviction cases which attract greater notice rather than the numerous cases of renting out where tenants and landlords transact business unmindful of the RCA. There are of course cases where the old properties, because of low return, have not been maintained and are crumbling. Also, there are other instances of withdrawal of rental units from the market. However, there are also cases of old rented properties being maintained properly by their landlords and understanding tenants contributing towards maintenance of the property. In some cases, tenants unmindful of their rights under the RCA increase rents regularly. There is also a significant uncontrolled sector in each city. The full impact of the RCA on the rental housing situation in a city would depend on the relative size of the two markets.

In this chapter we attempt to analyse the impact -- of the RCA on Delhi's rental housing market (RHM). The study is based mainly on secondary data. Some primary data have been collected from the records of the Rent Controller's Office. This study remains more analytical than empirical in nature. It however, does away with some of the unrealistic assumptions and takes explicit note of the impact of developments such as key money, or other ways of avoiding RCA devised by the landlords in the RHM.

## II

### The Delhi Rent Control Act

The first Rent Control Act in Delhi came into being after the outbreak of the second World War in 1939. The area of jurisdiction of this Act was restricted to New Delhi and the Notified Area, Civil Station. In 1942, the remaining areas of Delhi were covered under the Punjab Urban Rent Restrictions Act 1941. This was supplemented by another order under the Defence of India Rules, 1944. In 1947, a comprehensive legislation, namely the Delhi and Ajmer Marwara Rent Control Act, was passed. This substituted the old acts and covered all parts of Delhi. In the years 1952 and 1956 two more acts were passed in place of the earlier acts and to plug the loopholes in these acts. In 1956 another act namely the Slum Areas (Improvement and Clearance) Act was passed which sought to protect the slum dwellers. Currently, the RHM of Delhi is controlled by the Rent Control Act of 1958 which came into force on 9 February 1959. The Act was amended in 1976 and then again in 1988.

The Act is extended to cover all rental properties located<sup>3</sup> in areas which immediately before 9 April 1959 were included in :

- i. the Municipality of New Delhi excluding the area specified in the First Schedule to the Delhi Municipal Corporation Act, 1957 (66 of 1957);
- ii. the Municipal Committee, Delhi;
- iii. the Notified Area Committee, Civil Station, Delhi;
- iv. the Municipal Committee, Delhi-Shahdara, Delhi;
- v. the Notified Area Committee, Red Fort;
- vi. the Municipal Committee, West Delhi;
- vii. the South Delhi Municipal Committee;
- viii. the Notified Area Committee, Mehrauli.

The Act is applicable to all hotels and lodging houses in the areas which immediately before 7 April 1958, were included in the 'New Delhi Municipal Committee, Municipal corporation, Delhi and the Notified Area Committee, Civil Station, Delhi' (Sec 30 of RCA 1958). The area of jurisdiction can be extended to cover other urban areas in the Municipal Corporation of Delhi.

Under the Delhi Rent Control Act, (DRCA) the following tenancies were exempted :

- i. properties belonging to the Government;
- ii. any tenancy created by a grant from the Government in respect of the premises taken on lease or requisitioned, by the Government; and
- iii. newly constructed properties for a period of five years from the date of construction.

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3. Government of India, The Delhi Rent Control Act 1958, The First Schedule.

The Delhi Rent Control (Amendment) Bill, 1988 extends the exemption to cover :

- iv. any premises, residential or other, whose monthly rent exceeds three thousand and five hundred rupees, or
- v. any premises constructed on or after the commencement of the Delhi Rent Control (Amendment) Act for a period of ten years from the date of completion of such construction.

Properties in the informal markets (slum and squatter settlements and unauthorised colonies) though not 'exempted' under the Act, are for all practical purposes outside the purview of the Act. Ignorance about the existence of such an act and the reluctance to make use of its provisions will render the Act ineffective in the case of many other tenancies also. It can be safely assumed that this ignorance and reluctance will be more a feature of tenants belonging to low income groups.

If all the above 'exemptions' and 'exclusions' are taken into account, a significant part of the RHM would remain outside the purview of the Act.

#### Major Provisions of the Act

The major provisions of the Delhi Rent Control Act (DRCA) relate to the fixation of standard rent, conditions governing

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4. Slums are covered under the Slum Areas (Improvement and Clearance) Act. According to the Rent Controller, Delhi, the tenants living in unauthorised housing can take recourse to the RCA. These groups however may not be aware of their rights.
  5. The opportunity cost of going to court is very high and low income groups and the service class can ill afford it. Further, the legal illiteracy among the low-income groups is very high.

eviction of the tenant and rules relating to the maintenance of premises by landlords.

Under the DRCA (1958) the standard rent had been defined in relation to the cost of the house and was to be fixed at 7.5 per cent to 8 per cent of the cost of construction of the house and the market price of land at the time of the commencement of construction of the house. In case the premises had been let out before 2 June 1944, the standard rent was fixed in relation to the 'basic rent'.<sup>6</sup> In case the basic rent exceeded Rs 600 (per month) an increase of ten per cent of basic rent was permitted. For premises constructed between 2 June 1951 and 9 June 1955, an exemption for seven years and for premises constructed after (June) 1955 for a period of five years was to be granted. The standard rent in these cases was the rent agreed between the landlord and the tenant at the time of first letting. This rent would be valid only for the exemption period. The DRCA (Amendment) Act 1988, apart from exempting the new construction from the purview of RCA for a period of ten years, also revised the standard rent from 7.5 to 8 per cent to 10 per cent of actual cost of construction. Further, the Act now permits a 10 per cent increase in rent every three years. In the earlier (1958) Act, the rents could be increased only under certain circumstances.

The second set of provisions of the RCA relate to protection of the tenant against arbitrary eviction. Section 14 of the DRCA

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6. Basic rent is defined as either the rent which was fixed under the earlier Rent Control Acts or the rent at which premises were let out on 1 November 1939 or the rent at which premises were first let out after November 1939 but before 2 June 1944.



(1958) provides nine grounds for eviction of tenants. These are: (a) nonpayment of rent, (b) illegal subletting of part or the whole premises by the tenant without prior permission of the landlord; (c) use of the premises for purposes other than that for which they were let; (d) non-use of the premise by tenant or his family; (e) bona fide requirement of the premises by the landlord; (f) requirement of premises by landlord for carrying out repairs; and (g) requirement by the landlord for purpose of building/rebuilding or carrying out alternations; (h) acquisition of alternative accommodation by the tenant; (i) misuse of the premises by the tenant.

The DRCA enjoins on the landlord to provide minimum amenities to the tenant and maintain the tenanted premises in good order.

Other provisions of the Act relate to the recovery of unlawful charges, compulsory issue of rent receipts by the landlord, and summary trial of certain applications for fast disposal of eviction cases.

#### Effectiveness of the Provisions

The various provisions of DRCA referred to above have not proved to be very effective. The ineffectiveness or partial effectiveness of the DRCA relates not only to the exclusion of a significant part of the RHM from its purview but also in the failure of the Act to enforce the major provisions of the Act in the controlled market. For one, the rents charged in this market are rarely the standard rents. Apart from the tenancies which

existed at the time the RCA came into being and in tenancies where the tenant applied to the Rent Controller for fixation of rent, the rents fixed would be higher than the standard rent. In most of the cases the rents will be market rents prevailing at the time of initiation of existing tenancy. This is because of the fact that, under the Act, there is nothing illegal about charging a rent higher than the standard rent. The standard rent is fixed by the Rent Controller only if the tenant or the landlord approaches the Rent Controller for this purpose.<sup>7</sup> Similarly, even when there was no provision for increasing rents over time, the tenants often agree to an increase in rent in order to maintain good relations with the landlord.

Another way in which the Act is made ineffective is through the emergence of the system of lumpsum payments at the beginning of the tenancy. These payments are illegal under the DRCA (Section 5). The DRCA permits only one month's advance. In the RHM of Delhi, six months' advance or a deposit equivalent to six

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7. This is provided under Section 12 of the Act. The application is to be made within 2 years of the commencement of the tenancy. The controller may entertain the application even after 2 years if he is convinced that the applicant was prevented from filing the application in time by sufficient cause. In most cases the delay was caused by the confusion created by Section 6 (B) of the Act under which the premises were exempted from the application of standard rent for the first 5/7 years of the new construction. The permissible rent for these premises was the rent agreed upon by the landlord and the tenant. In such cases the tenant probably felt that he could apply for fixation of rent only after the expiry of the exemption period. Thus even where the provisions of section 6 (2) (a) and 6 (2) (b) are applicable, it is necessary for the tenant or landlord to make the application within 2 years of letting even though in such cases the Controller would be bound to fix the standard rent for the first 5 or 7 years at the same figure at which the agreed rent has been fixed by the parties.

months' rent is quite common. Even when such payments have been made the DRCA (Section 13) provides for refund of these to the tenant. However it may not always be possible for the tenant to prove that such a payment has been made.

The situation in RHM in Delhi is quite dynamic. Over time, the behaviour pattern of both buyers and suppliers of rental housing has changed. The landlords have become 'wiser' and devised various other methods of avoiding/evading the law. The renting of the house is done under the Transfer of Property Act and a Leave and Licence Contract is drawn with the tenant. The period of lease ranges from 11 months to 33 months. This contract (11 months) in fact, has no validity under the DRCA.<sup>8</sup> The tenant however seems to be unaware of this. The 'Leave and Licence' system is widely prevalent in Delhi. The lease is renewed at the expiry of the contract period and a new lease is drawn up, quite often at a higher rent.

Another way in which the landlord minimises the 'risks' (of not being able to evict the tenant) from renting out is to opt for 'low risk tenants'. Persons with transferable jobs, companies and foreigners top the list of preferred tenants. In an analysis of advertisements of the 'To Let' columns of the Sunday edition of the Hindustan Times (January to April 1988), it was found that 30 per cent of the advertisements specified (total advertisements analysed 1597) Company lease, 10 per cent embassy or foreign diplomat and 8 per cent bank employees as the

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8. As per discussion with the Rent Controller, Delhi.

9. Bank employees are liable to be transferred after every 3/5 years.

condition for tenancy. Preferences were also revealed for bachelors, South Indians and small families. Sixty per cent of the advertisements registered some preference or the other.

The risk of being subjected to the operation of the RCA is also avoided by the landlord by non-issue of rent-receipt to the tenant. In case of a confrontation, the case of the tenant is significantly weakened if such a receipt can not be produced in the court. Some of the landlords make non-issue of receipt a precondition for renting out.

The existence of the RCA thus has led to many distortions in the market and has segmented the RHM broadly into three categories. These are :

- i. the controlled market,
- ii. the semi controlled market, and
- iii. the uncontrolled market

Submarkets i. and ii. theoretically fall under the purview of the RCA whereas submarket iii. is exempted from it. The difference between i. and ii. lies in the fact that the landlords in submarket ii. have succeeded in avoiding -- at least partially -- the impact of the RCA whereas the landlords in the first submarket have not been able to do so.

#### The Controlled Market

The controlled market will comprise mainly of old housing units which were rented when the Act came into being. The

landlords were trapped into continuing the existing tenancies on the prevailing terms. Some of these landlords might have tried, at some time or other, to evict the tenants, sell the houses, retain them for self-use or rent them out on different terms and conditions.<sup>10</sup> Some might have succeeded. The remaining continue to be paid the 'fair' rent. It would not be unreasonable to assume that a large part of this housing will be old housing located in the older areas of Delhi.<sup>11</sup> The housing conditions in these areas are miserable (probably in line with the rents charged), the densities very high [1200-1500 persons per acre] and the amenities quite deficient. The houses were not initially designed as multiple family dwellings. Single family dwellings have been converted into multiple ones and at times the

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10. In the event of vacancy, the landlord is not always free to rent out in the free market. Under the DRCA (Section 47), in the event of any vacancy accruing, the landlord is to inform the Estate Office, Government of India, about the vacancy. The estate officer may requisition the premises for a specified period for any use which the government may think fit. In particular 'the government may permit the use of the premises for the purpose of any public institution or any foreign embassy, legation or consulate or any High Commission or Trade Commissioner or as a residence by any officer in the service of the Government or of a foreign embassy, legation or consultant or of a High Commissioner or Trade Commissioner'. The terms of lease will be as agreed between the Government and the landlord or in the absence of an agreement as may be determined by the Controller in accordance with the provision of the RCA. This ruling is applicable only (i) to premises lying within the NDMC area as of 7 April 1958, (ii) whose rent is  $\geq$  Rs 200 per month and (iii) which are intended to be let out by the landlord.
11. The high incidence of renting in the older areas of Delhi (In 1988 approximately 50 per cent of the total dwellings are rented out whereas the proportion for other areas is much lower) is an indirect evidence of this.

facilities have to be shared. Most of this area has been declared as a slum area and is protected under the Slum (Improvement and Clearance) Act, 1956.

If the housing conditions in the controlled market are substandard it is reasonable to assume that the upper income groups among the existing households may move out to better areas or to ownership housing. This will reduce the size of the controlled market even more. The shift however will not take place in case of locations such as Defence Colony, and Safdarjang Enclave which have become posh locations over time. In this segment of the market there would also be some wasteful use of space or non-optimal utilisation of space. The controlled sector in these relatively new areas would be the one where tenants have applied for rent fixation.

Under normal circumstances, the rents charged for houses which are being rented after the enactment of the Act, will be the prevailing market rents. One cannot conceive of a landlord who, on his own, would rent out the premises at the standard rent when the standard rent is lower than the market rent. The tenant may take up the residence at the contracted rent and then apply for fixation of rent under section 21 of the RCA. The Rent Controller will fix the rent as per the rules of the Act.

The controlled market, therefore, apart from old tenancies will include tenancies where tenants have applied for fixation of standard rent. In the absence of time series data from the time of enactment of the RCA till the present, it is not possible to

estimate the size of the controlled market. In 1988 — or for that matter even in 1981 — it could not have been a significant part of the total housing market of the city. For one, a significant part of housing stock in the market is of post - 1958<sup>12</sup> origin. Secondly, a very small percentage of tenants approach the court for rent fixation. During the period 1972-81, an aggregate of 2953 cases for rent fixation were instituted with the Rent Controller. These comprised a mere 1.95 per cent of the total number of cases instituted with the Rent Controller in Delhi.

#### RCA and the Controlled Market

It is argued that the RCA by fixing rents at less than the market price leads to excessive use of space by tenant households. As noted above, this might be true of some of the new parts in the city but does not seem to hold true for older parts where the densities are as high as 1200-1500 persons per<sup>13</sup> hectare. In these parts, if market rents were charged the

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12. If one were to take the city zone as the older housing, which is under the RCA, this comprises 7 - 8 per cent of the total rental housing market in the MCD area.

13. This argument might be quite valid in the case of American or European cities where apartments in the controlled market are composed of very large units and continue to be occupied by small tenant families after the children have left the family to set up their own homes. In India, the small size of most of the houses or small size of the tenanted portion and the system of extended families will ensure that densities remain high. In a survey of rented properties in the older parts of Delhi, it was found that the prevalent practice was of letting out one or two rooms to each tenant. Further at any time, the proportion of the population which could afford large houses could not have been very large. If rents were low, so were incomes.

inhabitants of controlled market may find these houses unaffordable and shift to some housing which is even inferior than the existing housing.

The most important effect of the RCA in these markets is of deterioration of housing stock due to lack of maintenance. Due to the difficulties associated with eviction of tenants, it is not always possible to withdraw units from the RHM. The low rate of return from renting out does not lead to a decline in number of units until the unit, owing to accelerated obsolescence, dies a premature death. The supply of rental housing (services) however declines even in the absence of such an occurrence in two ways; (i) decline in age and (ii) decline in flow of services which the house can offer.

#### Semi-Controlled Market

This segment of the market — though legally under the purview of the RCA — manages to avoid many of its provisions. The most important provision being avoided is that of fixation of standard rent. The landlord avoids this by entering into a contract with the tenant without involving the Rent Controller. The rent agreed to between the tenant and landlord is recognised under the RCA. A rent higher than the market rent is charged either on a monthly basis or in the form of key money at the beginning of the tenancy. The rent as noted before, will be the market rent prevalent at the time the house is being rented. Thus, rents in the market become a function (apart from the physical characteristics of a house and neighbourhood) of the age of tenancy. The newer the tenancy, the higher the rents, and vice



versa. This can be seen from Table 4.1 which gives the rents of different sized houses according to the dates of occupancy. The rents of similar (same sized) houses vary according to the dates of occupation. This is true for all parts of the city and over all periods.

Table 4.2 shows the rate of growth of rents in this sector. As can be seen from the table the rents show a fairly high rate of growth ranging between 2 per cent and 18 per cent.<sup>14</sup>

Since the tenant in this market is protected under the RCA, he (the tenant) can approach the court for fixation of rent in which case the property shifts to the controlled market. Even if the property continues to be in the 'semi - controlled' market, the rents of these properties become lower than the current market rents under inflationary conditions. The RCA protects the tenant against 'arbitrary' increases. The reaction of the landlord of these properties is the same as that of the controlled market. A rational landlord would try to evict the tenant so that the premises could be rented out afresh at the market rent.<sup>15</sup> He may take recourse to the court for this. Three factors work against his taking such a step :

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14. The data have been collected from the records of the Rent Controller's Office. Part of the increase in rent might be due to variables related to type of house. These variables have not been taken into account. The inclusion of these variables might change the quantum of growth but will not probably affect the direction.

15. At times the lease may not be renewed and tenant may leave the premises on his own or agree to pay a higher rent.

- i. the time taken for the decision;
- ii. the uncertainty regarding the outcome; and
- iii. the constraint on renting out the house for 3 years after eviction.

The procedure of eviction under the RCA is very lengthy and cases continue in the courts for a long period of time. A break-up of 'active' cases of eviction in March 1988 according to the year of registration of cases showed that around 50 per cent of the cases were registered prior to 1986 (see Table 4.3). More than 30 per cent of the cases have been registered for more than five years. Even after the cases get disposed of at the Rent Controller's Office, the tenant/landlord has a right to appeal to the High Court and thereafter to the Supreme Court. The case can drag on for even 20 years or more. The actual and opportunity cost — in terms of loss of rent, time and lawyer's fees and so forth — of going to court can be exorbitant.

Even after waiting for such a long period there is no certainty that the landlord will succeed in evicting the tenant. The case may be decided in favour of the tenant. In a sample of 120 cases of eviction only 25 per cent were decided in favour of the landlord (Table 4.4). A majority were either dismissed, withdrawn or ended in a compromise. Further, even if the court decrees that the tenant is to vacate the premises, the tenant may not do so and the landlord may have to go to court for execution of the decree. Of the total 970 cases of execution with the Rent Controller, around 6 per cent were for execution of court orders. A majority of these related to execution of

eviction orders. Decisions on these cases take their own time (Table 4.3).

The landlord can get the tenant evicted from the house only on certain grounds (referred to earlier). Under the RCA, the landlord is barred from renting out the premises for three years after eviction. The landlord's inability to comply with this restriction will attract a penalty and may land him in jail (for a period of three months). In case of reletting the court can also direct the landlord to put the evicted tenant in possession of the premises (Sec 19). The landlord can relet the house only after three years.

Thus, if the objective of the landlord is to evict the tenant so that the house can be relet at a higher rent, he would refrain from going to court. In Delhi, various (illegal) methods are available to him for getting the tenant to vacate the house. These are:

- (i) Pay reverse pugree to the tenant to induce him to vacate the house. As long as the amount of this reverse pugree is less than the cost of fighting the case in court and loss in rent in the intervening period and three years from the date of eviction, the landlord would opt for this alternative.
- (ii) Use of force to evict the tenant. In Delhi, organised gangs take up this job<sup>16</sup>. The going rate for this operation in Delhi is said to be around Rs 50,000. The rate can be higher for houses located in posh localities. The recourse to this method is not as common as to the first. Sometimes the landlords take the help of the local police to persuade the tenant to leave.

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16. The modus operandi is very simple. The gang lands at the tenant's residence with a truck, bundles his goods into the truck and ask them to leave. Threats are issued if the tenant attempts to approach the court or the police. The operation is swift and clean.

There are risks involved in both the methods and success is not assured. Just as it is illegal for the landlord to accept a pugree so is it for the tenant to do so (See section 5) and he can be punished under the Act for accepting any unlawful payments (up to 6 month's imprisonment and/or a fine which may 'exceed' the value of reverse purgee by as much as Rs 5000). The tenant may therefore hesitate to accept the lumpsum compensation in lieu of vacating the premises.

In the semi-controlled market the landlord is still liable to provide all basic amenities and keep the house in good order. In case of failure to do so, the tenant can take him to court.

RCA and the Semi Controlled Market : Impact on Supply

In the semi-controlled market, the landlord tries to get out of the 'clutches' of the RCA through informal channels. There are risks in adopting these informal channels. But the 'rewards' are substantial too. Some landlords may withdraw their rental unit from the market rather than adopt all kinds of illegal means to raise the rate of return on their housing units. Others may not. Still others may continue to supply the unit and accept a low rate of return. The impact on the supply of rental housing in this segment will depend upon the composition of landlords in terms of proportion of risk-takers to risk-averters. It cannot however, be denied that the provisions of the RCA are daunting enough to scare away the 'weak' landlords. On the other hand, it must also be noted that for the Act to be operational, the tenant also has to go to court, hire a lawyer and appear every time a

hearing is scheduled. The opportunity cost of time and money spent cannot be insignificant for him either. The tenant also therefore may not like to get into such a hassle and may agree to pay the market rent. The landlords will favour such tenants who cannot 'afford' to go to court.

The decline in the supply of rental housing in this market would come about through conversion of units from rental to ownership status. There are no direct data available on this. The number of eviction cases instituted with the Rent Controller and decided in the landlord's favour can be taken as a fairly good indicator of this conversion. As discussed above, if a landlord wants to evict the tenant in order to relet the house, he would prefer not to go through the court. It can safely be assumed that if the landlord files a case against the tenant for any reason his objective is to get the house for self-use. The house will be converted to ownership status if the court 'orders' the tenant to vacate the house. Table 4.5 shows the number of cases instituted for eviction between 1972 and 1987. A total of 56908 cases were registered for eviction during this period. If one were to assume that 25 per cent of these would be decided in favour of the landlord (Table 4.4), a total of 14227 houses or approximately 890 houses per year would have been withdrawn from the RHM of Delhi — if not permanently at least for a transitional period.<sup>17</sup> During the period 1971-81, approximately

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17. This is a crude way of estimating the withdrawal of houses from the RHM. The actual withdrawal will not only be a function of operation of the RCA but of many other factors. Also, the landlord may not have to take recourse to the court (every time) for evicting the tenant.

137544 new units or 1375 units (assuming 1.1 households per unit) had been added to the RHM in urban Delhi. A withdrawal of 890 units would imply a very high ratio of withdrawal to new entrants. Thus, even in the semi-controlled market the existence of the RCA will exercise a negative influence on the supply of rental housing.

#### The Uncontrolled Market

The uncontrolled market comprises (i) government properties; (ii) properties exempted by the government — new constructions and after the amendment the high-rent properties; (iii) sublet government houses;<sup>18</sup> and (iv) low income properties which are out of the purview of the RCA owing to ignorance.

The size of this segment is not static. The changes come mainly from changes because of 'transitional' exemptions provided under (ii) to new construction. As the existing exempted rental housing properties grow older they shift to the controlled sector<sup>19</sup> or to the owner occupied sector. Newly constructed and rented properties inflate the size of this segment. Below an attempt is made to roughly estimate the size of this segment based on data available in the Census, and on that provided by the DDA.

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18. Even though these properties are out of the purview of RCA by being government properties, the subletting of these properties makes them part of the private sector supply of rental housing. Government properties are not part of the RHM and their rents/supplies are not influenced by the applicability or otherwise of the RCA. It is the secondary RHM created by subletting of these houses which is important from the point of view of private renting.
19. After the period of exemption is over the landlord may either decide to keep his unit vacant or move into it himself thereby withdrawing it from the RHM.

DDA provides information on the number of households living in different types of housing namely squatter colonies, employer housing, unauthorised housing and so on (See Table 1.21). If one assumes that the density of households per dwelling is the same for all housing types, this data could be interpreted to give the distribution of dwelling types. According to the available data, 6.27 per cent of housing in Delhi in 1981 was government housing. If one assumes that 50 per cent of this housing is sublet (partly or fully) it would add approximately 3 per cent to the uncontrolled segment of the RHM. Another 24.75 per cent of housing comprised squatter settlements or were inhabited by low income families. Further, in the year 1981<sup>20</sup> approximately 19-20 per cent of housing stock would have been exempted from the purview of the RCA owing to exemption of new units. This would bring the total uncontrolled segment of the market to approximately 47 per cent of the total private sector housing market in the city which by any reckoning is a significant part of the total housing market. If one were to add to this housing<sup>21</sup> — the unauthorised colonies another 17 per cent would be out

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20. Between 1971-81, a total of 384097 new residential and residential-cum-nonresidential houses were added in Delhi. Assuming an even distribution of new construction over this period a total of 192049 houses would have come up between 1976-81 which would be exempted from the RCA. These make approximately 19.19 per cent of the total housing stock in 1981.

21. Even though the tenants of these colonies are protected under the RCA (according to the Chief Rent Controller, Delhi), the illegal nature of these colonies may inhibit the landlord/tenant from approaching the courts. A perusal of active files in the Rent Controller's Office revealed an almost complete absence of cases from such colonies. There were a few cases from colonies which have been regularised by the government.

of the purview of the Act bringing the uncontrolled portion to 64 per cent.

The existence of the RCA and its applicability in some segments of the market would however have some impact on rents and on the supply of rental housing in the uncontrolled sector. Since the supply of rental housing in the controlled sector and consequently the total supply in the rental market would be lower than would be the case in the absence of RCA, the rents in the uncontrolled segment would be higher than in the absence of RCA. Higher rents would normally lead to a high supply of rental housing in this market.<sup>22</sup> The high rents however can be operative only for the exemption period. At the end of the period the property 'moves' into the controlled or the 'semi-controlled market'. At this point of time, the landlord has four options; (i) continue to rent it out ; (ii) sell it off; (iii) keep it vacant; or (iv) occupy it himself.

In the event of the landlord renting it out there is some probability of the rent being fixed at the controlled rate. The probability however is very low (approximately .004).<sup>23</sup> By selling the property, the landlord stands to make capital gains. The supply of rental housing in this submarket — even if it is

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22. It was found that rates of return from renting even at market rent in Delhi are not very high if the landlord abides by the letter and spirit of the law and pays all the taxes to which he is liable. This has been discussed in Chapter 3.

23. Calculated in terms of total number of cases of fixation of rent instituted over the period 1972-81 in relation to total number of households living in rented housing in 1981.



transitional — would depend upon the landlord's calculation of rate of return taking into account all the three above-mentioned alternatives. In Delhi, the high rate of growth of house prices and rents, the probability of continuing to let out houses at market rent should have a positive effect on the supply of rental housing. In absolute terms, the total supply of units rented has continued to increase, though it has declined in proportion to the total housing stock.

Rent Control Act : Impact in Delhi

The impact of the Rent Control Act on the RHM would depend upon the composition of the RHM in terms of controlled and uncontrolled segments. If a large proportion of the market is uncontrolled, the impact will be insignificant and vice versa. The present RCA in Delhi came into being in 1958 (and indeed has been in operation since 1939 in some form or the other). The landlords of Delhi have had sufficient experience and expertise in devising ways and means to circumvent this Act. A large part of Delhi's RHM would therefore fall in the semi-controlled category. A very small part would be controlled. As pointed out earlier, within the semi-controlled market the impact depends upon the degree of 'risk' in renting out and whether the landlord is a risk-averter or a risk taker. The impact thus depends not upon whether the RCA is applicable or not, but on the landlord's perception of the risks involved in renting out. This perception would be a function of the evidence of operativeness or otherwise of the RCA. In Delhi there is evidence that RCA is operative and that it affects all parts of Delhi.

Operation of RCA in Delhi

The evidence that RCA is operative in Delhi is provided by the number of cases instituted in the Rent Controller's Office. Table 4.6 gives this information for the period 1982-81. A total of 151554 cases have been instituted during this period averaging around 10106 cases every year or around 34 cases per working day (assuming 300 working days in a year). As can be seen from the table, the number of cases has not shown any steady increase over time. The highest number of cases was registered in 1977. The growth trend since that year has been negative. The number of cases in relation to total number of households living in rented houses has also declined over time from around 2.00 per cent in 1971 to 1.80 per cent in 1981.<sup>24</sup>

In a sense the number of cases is a measure of the discordant relations between the landlord and the tenant. The declining number of cases especially in relation to total number of rented houses, can be interpreted either as indicative of less discord between the tenant and the landlord or of the declining importance of RCA in sorting out these disagreements. It is probable that a large number of disputes between the two parties are tackled outside the judicial system.

RCA in Delhi: A Disaggregative Analysis

In order to find out the scope and degree of effectiveness of RCA in different submarkets, a disaggregative analysis was

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24. Even though precise figures are not available, this trend is expected with fewer number of cases and larger number of rented houses over time.

attempted. Three different criteria were adopted to segregate the market - location, income (measured in terms of rent paid) and size of the house (measured in terms of number of rooms). An effort was also made to identify the major causes which lead the tenant or the landlord to take recourse to the court.

RCA in Delhi: Major Causes

Table 4.7 gives the break up of total cases according to cause of instituting the case. The largest number of cases have been registered for eviction of tenants. Over the period 1972-87, 37.55 per cent of the cases fell under this category. The next largest number of cases (20.89 per cent of total cases) was reported for deposit of rent. There were very few cases for fixation of rent. Over a period of 16 years 2953 cases were reported for fixation of rent which accounted for less than 2 per cent of the total cases. From the classification of cases instituted, it seems that a significant proportion of cases were instituted by the landlord. Excluding the miscellaneous cases, it was found that cases instituted by the landlord accounted for 92 per cent of the total cases. A discussion with the Rent Controller and a perusal of records of cases listed under miscellaneous cases showed that even among these a large number of cases were filed by the landlord for execution of the eviction decree.

An analysis of 983 active cases of eviction revealed that in most cases of this kind eviction was sought for bonafide reasons (Table 4.8) and for non-payment of rent. Misuse of premises was not given as an important reason.

If the number of cases is any guide, it is the landlord who seems to suffer more in the present RHM. This is confirmed by his desire to get out of this market by reverting the unit for self use. Forty per cent of the eviction cases are on bonafide grounds.

Over time the number of eviction cases has increased steadily from 11313 in 1972-75 to 15746 in 1984-87. Their proportion in relation to the total number of cases has increased also from 34.4 to almost 45 per cent over the same period. The only other category to show such steady increase in absolute terms and in relation to the total number of cases is the provision of essential amenities. The cases instituted for fixation of standard rent have shown a continuous decline. The number of cases had declined from 1128 in 1972-75 to 482 in 1984-87.

The major problem which landlords face with respect to their tenants is that of getting the houses vacated voluntarily. There also seem to be some problems associated with the receipt of payments from the tenants. Thus in 1984-87, as many as 9057 cases (26 per cent of total cases in this subperiod) were registered under this category. The tenants do not seem to be taking advantage of the RCA in getting the standard rent fixed for their dwellings. Nor does there seem to be much problem relating to provision of essential amenities or in getting essential repairs done. In this respect, it would seem that either the tenants have very few grievances against their

landlords or they do not for various reasons - move the court to remove these grievances. It could also mean that the present RCA has succeeded in protecting the interests of the tenants to a greater extent than it has those of the landlords.

RCA in Delhi: The Spatial Spread

Cases under Rent Control Act were reported from all parts of Delhi. Table 4.9 gives the number of cases registered from different parts of Delhi. The largest number of cases (29 per cent of total) have been reported from Central Delhi. The smallest are from East Delhi followed by North Delhi. West and South Delhi also account for a large proportion of cases (22-23 per cent each). It would seem (expectedly so) that a greater proportion of cases are being reported from older areas than from the new ones.

In all the areas, cases of eviction account for the largest and fixation of rent and maintenance the smallest percentage of total cases. The highest number of eviction cases have been reported from Central Delhi followed by South Delhi. North and Central Delhi account for 17-18 per cent each of the total cases under 'deposit of rent'. West Delhi scores over others in 'fixation of rent' (seconded by South Delhi) and essential supply (The same number of cases were reported from Central Delhi).

Of the total cases of eviction reported from different zones the major cause in all parts of Delhi except in East Delhi was bonafide use (Table 4.10). Next in rank was nonpayment of rent. In East Delhi ranking of causes was just the reverse as

compared to other parts of Delhi. In East Delhi nonpayment of rent was the major cause leading to eviction cases; subletting in various zones of properties accounted for 2 - 6 per cent and misuse of premises for 3-10 per cent of the total cases of eviction.

Operation of Rent Control Act : Size and Rent Level  
of Disputed Tenancies

Table 4.11 gives the number of cases reported from different zones categorised according to the number of rented rooms involved. In all zones (except for a slight aberration in the case of East Delhi) the number of cases steadily declined with increase in the size of the tenanted quarters. The decline is the least - from 27.04 per cent of cases for one-roomed houses to 21.46 per cent in the case of the largest (4 rooms and above) in Central Delhi. The decline is sharpest in the case of East Delhi (from 68.38 for smallest to 5.13 per cent for largest). In East Delhi, 68 per cent of the total cases involved one-roomed houses. In South Delhi too this percentage was quite high at 54 per cent. The percentage of one-roomed houses to total number of houses involved in disputes under RCA was the lowest in Central Delhi. This phenomenon probably could be explained in terms of the increase in market rents in various zones. The rents for smaller houses in the past few years have increased the fastest in East and South Delhi and the slowest in Central Delhi.

Very few large houses with four rooms and above were involved in rent control cases. The percentage of such cases to total cases in the zone was the largest for Central Delhi at

21.46 per cent of total cases. These could be old tenancies. In this zone there is almost an even distribution of cases according to size.

A similar trend is witnessed when the cases are categorised according to rent of the tenancy. The smallest number of cases involve the highest rented houses. This is true for all the zones except for Central Delhi. Barring Central Delhi, the percentage of cases involving low rent properties (to total cases in the zones) varies from 1.68 to 7.25. In the case of Central Delhi, a large number are reported for high rent properties. Around 26 per cent of the total cases involved properties with monthly rents above Rs 1000 and another 31 per cent with rents between Rs 501 and Rs 1000.<sup>25</sup> Low rent properties account for the largest share (49.46 per cent) of total cases in West Delhi. In North Delhi (as above in East Delhi) cases involving high rent properties are a very small proportion of the total number of cases. It can be deduced from the above data that low rents could be one of the important reasons for filing of cases in court. In North Delhi the middle-rent (rents ranging from Rs 200 to Rs 500) properties account for the highest share.

#### Disposal of Cases

Eviction cases account for the largest percentage of cases under the RCA. Of the cases registered under various sections of the RCA, the eviction cases seem to take the longest to decide.

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25. The large properties must be relating to old tenancies. The high rent properties in Central Delhi could be the large properties with high sale value.

This can be seen from Table 4.13 which gives the percentage of disposed case to total number of cases (including pending plus newly instituted cases) for each of the years from 1972-87. The percentage of cases disposal off is the smallest for eviction cases and the highest for deposit of rent. Another category of cases which probably involve lengthy debates/procedures relate to fixation of standard rent. The percentage of cases disposed of has shown a decline in all cases. The trend is more discernible from 1979-80 onwards. Part of the explanation for this may lie in the increasing number of cases and the mounting pressure on the staff of the Rent Controller's Office. The number of Rent Controllers has not increased in the same proportion as the number of cases.

#### Conclusion

A large part of Delhi's RHM lies outside the purview of the RCA. Another significant part of this market does not conform to all the provisions of the Act fully. The major provision which is flouted relates to the charging of standard rent. The other provisions however have also made their impact on the RHM. The most significant of these are the provisions protecting the tenant against arbitrary eviction and increases in rent. Once a tenancy is created it becomes very difficult either to increase the rent or to evict the tenant. The largest number of cases involving disputes between landlords and tenants relate to eviction of the tenant. This leads one to suspect that the major reason for filing such cases would be the low rents paid by the tenant in relation to the prevailing market rents. Most



landlords however would probably take recourse to non-judicial methods of evicting the tenant. The inability to increase the rent results in the withdrawal of a significant number of units from the RHM. The Delhi Rent Control (Amendment) Act, 1988, has tried to rectify the situation by permitting a ten per cent increase in rents after every three years. This is a very partial palliative which is hardly likely to satisfy the landlords in a market where rents are increasing at the rate of 4 - 16 per cent per annum.

Similarly, the exemption of houses with monthly rentals above Rs.3500 may not make any significant difference to the RHM. The proportion of houses fetching rents above Rs.3500 cannot be very high in Delhi. If this measure is suggested to increase the supply of rental housing in this segment, the policy is not well directed. There is a great need to improve the supply of rental housing for low and middle income groups, not necessarily for the high income groups. The groups which can afford to pay rents of Rs.3500 per month would be the transient population or would belong to an income group which can afford to own their homes. If however the objective is to reduce the pressure on the Rent Control Department, the reform is more understandable, though the number of such cases cannot form a high proportion of the total cases in court. It however needs to be classified how houses with rents above Rs 3500 can be identified. Does the amendment relate to the market rent or to the existing level of rent? Quite a few properties might attract market rents of Rs 3500 or more but may be rented out for much less. Are these to be

exempted? It would have been advisable to specify the exemption limits in terms of area/locality of the house rather than in terms of rents.

The third significant amendment in DRCA relates to the exemption of new construction for a period 10 years (instead of the earlier 5 years). Since the exemption relates only to new construction, the objective of the amendment seems to encourage new construction for rental purposes. An analysis of the rates of return in Chapter 3 brought out the fact that even if the landlord charges the market rent, the returns from renting out are very low. Mere exemption of properties from the RCA is not going to increase the supply of rental housing in the market. Much more comprehensive policy reforms are required for that purpose. These are discussed in the next chapter.

Table - 4.1

Mean Rent in the Semi-Controlled Rental Housing (Delhi) Market  
According to Period of Occupancy

Zone	Period of Occupancy				
	Earlier than 1950	1951-60	1961-70	1971-80	1981 & after
1	2	3	4	5	6
One Room, Ground Floor					
East	-	-	65.00	97.68	149.00
West	-	56.00	58.50	158.44	218.89
Centre	34.08	31.00	27.11	135.27	158.60
North	-	21.25	85.38	118.68	121.67
South	-	-	127.69	206.69	375.00
One Room, First Floor and Higher					
East	-	-	40.00	178.75	275.00
West	-	-	58.33	89.00	475.00
Centre	23.25	16.50	49.17	59.40	-
North	-	-	102.50	164.71	210.00
South	-	-	-	258.55	680.00
Two Rooms, Ground Floor					
East	-	-	46.67	238.13	358.33
West	-	-	156.67	378.94	574.17
Centre	31.67	70.60	95.08	226.86	-
North	-	78.00	-	187.00	554.83
South	-	-	229.29	789.56	1050.00

Contd.....

1	2	3	4	5	6
Two Rooms, First Floor and Higher					
East	-	-	-	-	-
West	-	-	125.67	352.14	687.50
Centre	60.00	104.00	86.00	233.85	653.33
North	-	61.25	-	207.50	-
South	-	-	616.67	643.05	835.71
Three Rooms, Ground Floor					
East	-	-	-	-	1650.50
West	-	89.00	250.00	694.55	1189.29
Centre	-	47.44	155.37	143.50	-
North	-	3.95	-	-	-
South	-	-	601.00	1143.75	1183.33
Three Rooms, First Floor and Higher					
East	-	-	-	-	-
West	-	-	685.83	575.00	670.00
Centre	56.02	139.00	91.50	287.50	-
North	-	-	305.00	525.00	-
South	-	-	763.33	700.00	1033.33
Four Rooms, Ground Floor					
East	-	-	-	702.50	-
West	-	-	400.00	672.44	2766.67
Centre	-	272.14	270.67	1384.46	-
North	-	151.16	-	875.00	-
South	-	-	1487.00	1859.04	3250.00

Contd.....

1	2	3	4	5	6
Four Rooms, First Floor and Higher					
East	-	-	-	-	-
West	-	-	305.00	-	-
Centre	222.81	157.50	-	494.50	-
North	-	-	-	-	-
South	-	-	1050.00	1397.38	1444.00

Source : Calculated from Sample of Active Cases in the Office of the Rent Controller (Delhi).

Table - 4.2

Rate of Growth of Rents in the Semi-Controlled  
Rental Housing Market : Delhi

Zone	1951-61	1961-71	1971-81
1	2	3	4
One Room, Ground Floor			
East	-	4.16	4.31
West	0.44	10.48	3.28
Centre	-1.33	17.44	1.60
North	14.92	3.35	0.25
South	-	4.94	6.13
One Room, First Floor and Higher			
East	-	16.15	4.40
West	-	4.32	18.23
Centre	11.52	1.91	-
North	-	4.86	2.46
South	-	-	10.15

Contd.....

1	2	3	4
Two Rooms, Ground Floor			
East	-	17.70	4.17
West	-	9.23	4.24
Centre	3.02	9.09	-
North	-	-	11.49
South	-	13.16	2.89
Two Rooms, First Floor and Higher			
East	-	-	-
West	-	10.85	6.92
Centre	-1.88	10.52	10.82
North	-	-	-
South	-	0.42	2.66
Three Rooms, Ground Floor			
East	-	6.65	0.34
West	10.88	10.76	5.53
Centre	12.60	-0.79	-
North	-	-	-
South	-	-	-
Three Rooms, First Floor and Higher			
East	-	-	-
West	-	-1.72	1.54
Centre	-4.10	12.13	-
North	-	5.58	-
South	-	-0.86	3.97

Condt.....

1	2	3	4
Four Rooms, Ground Floor			
East	-	-	-
West	-	5.33	15.19
Centre	-0.05	17.73	-
North	-	-	-
South	-	2.26	5.74
Four Rooms, First Floor and Higher			
East	-	-	-
West	-	-	-
Centre	-	-	-
North	-	-	-
South	-	2.90	0.33

Source : Same as Table 4.1



Table - 4.3

No. of Active Cases in the Rent Controller's Office (Delhi)  
in March 1988 According to Date of Registration

Date of Registration	Eviction	Standard Rent	Deposit of Rent	Essential Amenities	Essential Repair	Execution	Miscellaneous
1988	558 (5.13)	13 (3.44)	408 (16.89)	42 (5.84)	3 (2.70)	57 (5.88)	87 (5.77)
1987	3055 (28.07)	88 (23.28)	1397 (57.82)	262 (36.44)	47 (42.34)	257 (26.49)	397 (26.31)
1986	2268 (20.84)	68 (17.99)	268 (11.09)	151 (21.00)	22 (19.82)	168 (17.32)	257 (17.03)
1985	1343 (12.34)	36 (9.52)	108 (4.47)	65 (9.04)	9 (8.11)	168 (17.32)	261 (17.30)
1984	1062 (9.76)	20 (5.29)	76 (3.15)	67 (9.32)	7 (6.31)	131 (13.51)	151 (10.01)
1983	664 (6.10)	31 (8.20)	43 (1.78)	37 (5.15)	11 (9.91)	64 (6.60)	102 (6.76)
1978-82	1734 (15.94)	107 (28.13)	113 (4.68)	92 (12.79)	12 (10.81)	124 (12.78)	243 (16.10)
1973-77	167 (1.53)	13 (3.44)	3 (0.12)	3 (0.42)	0	1 (0.10)	10 (0.66)
1968-72	30 (0.28)	2 (0.53)	0	0	0	0	0
1960-67	1 (0.01)	0	0	0	0	0	1 (0.06)
Total	10882 (100.00)	378 (100.00)	2416 (100.00)	719 (100.00)	111 (100.00)	970 (100.00)	1509 (100.00)

Source : Records of Rent Controller's Office (Delhi)

Table - 4.4

Decision on Rent Control Cases in Delhi

Cause	Total	In Favour of Landlord	In Favour of Tenant	Compro- mise	With- drawn	Dis- missed
Eviction	120	30	5	26	10	49
Essential Supply	1	-	-	1	-	-
Deposit of Rent	24	1	9	-	11	3
Execution	12	8	-	-	-	4
Miscell- aneous	16	14	2	-	-	-
Total	173	53	16	27	21	56

Source : As of Table 4.1 calculated from sample derived from Rent Controller's Office (Delhi).

Table 4.5

Number of Case Instituted for Eviction in the  
Rent Controller's Office (Delhi) : 1972-87

Year	No. of Cases	Per cent Increase
1972-75	11313	-
1976-79	14633	29.35
1980-83	15216	3.98
1984-87	15746	3.50

Source : Same as Table 4.6

Table 4.6

Total Number of Cases Instituted in the Rent  
Controller's Office (Delhi)

Year	Total Cases	Per Cent Variation Over the Previous Year	Cumulative Number of Cases
1972	7878	-	7878
1973	8596	9.11	16474
1974	7676	-10.70	24170
1975	8700	13.34	32870
1976	11497	32.15	44367
1977	12043	4.75	56410
1978	11389	-5.43	67799
1979	10868	-4.57	78667
1980	9517	-12.43	88184
1981	9982	4.89	98166
1982	9433	-5.50	107599
1983	8916	-5.48	116515
1984	9251	3.76	125766
1985	8844	-4.40	134610
1986	8486	-4.05	143096
1987	8458	-0.33	151554

Source : Rent Controller's Office (Delhi).

Table 4.7

Number of Cases Instituted in the Rent Controller's  
Office (Delhi) According to Cause :1972-87

Cause	1972-75	1976-79	1980-83	1984-87	Total
Eviction	11313 (34.42)	14633 (31.95)	15216 (40.20)	15746 (44.94)	56908 (37.55)
Standard Rent	1126 (3.43)	726 (1.59)	619 (1.64)	482 (1.38)	2953 (1.95)
Deposit or Rent	8410 (25.59)	6248 (13.64)	7941 (20.98)	9057 (25.85)	31656 (20.89)
Essential Amenities	547 (1.66)	707 (1.54)	1060 (2.80)	1348 (3.85)	3662 (2.42)
Essential Repair	165 (0.50)	177 (0.39)	149 (0.39)	201 (0.57)	692 (0.46)
Miscell aneous	11309 (34.41)	23306 (50.89)	12863 (33.99)	8205 (23.42)	55683 (36.74)
Total	32870 (100.00)	45797 (100.00)	37848 (100.00)	35039 (100.00)	151554 (100.00)

Source : As in Table 4.6

Table - 4.8

Number of Eviction Cases Instituted in the Rent Controller's Office (Delhi) According to Reason Given

Reason	No. of Cases	Per cent
Non Payment of Rent	229	23.30
Bonafide	389	39.60
Non Payment and Bonafide	53	5.40
Subletting by the Tenant	46	4.70
Misuse of Premises	63	6.40
Miscellaneous	203	20.60
Total	983	100.00

Source : As of Table 4.1 Derived from Sample of Active Cases.

Table - 4.9  
Number of Rent Control Cases Instituted According to Cause and Location in Delhi

Cause	Eviction		Standard Rent		Deposit of Rent		Essential Supply		Maintenance and Repair		Execution		Miscellaneous		Total	
	No.	P	No.	P	No.	P	No.	P	No.	P	No.	P	No.	P	No.	P
East	119 (12.10)	(63.98)	6 (20.69)	(3.23)	23 (10.31)	(12.37)	11 (18.33)	(5.91)	3 (33.34)	(1.61)	8 (9.41)	(4.30)	16 (13.01)	(8.60)	186 (12.30)	(100.00)
West	207 (21.06)	(61.24)	10 (34.48)	(2.96)	46 (20.63)	(13.61)	14 (23.33)	(4.14)	2 (22.22)	(0.59)	23 (27.06)	(6.81)	36 (29.27)	(10.65)	338 (22.35)	(100.00)
Centre	293 (29.81)	(67.36)	3 (10.34)	(0.69)	78 (34.98)	(17.93)	14 (23.33)	(3.22)	1 (11.11)	(0.23)	19 (22.35)	(4.37)	27 (21.95)	(6.20)	435 (28.77)	(100.00)
North	126 (12.82)	(63.64)	2 (6.90)	(1.01)	34 (15.25)	(17.17)	8 (13.34)	(4.04)	2 (22.22)	(1.01)	10 (11.77)	(5.05)	16 (13.01)	(8.08)	198 (13.10)	(100.00)
South	238 (24.21)	(67.04)	8 (27.59)	(2.26)	42 (18.83)	(11.83)	13 (21.67)	(3.66)	1 (11.11)	(0.28)	25 (29.41)	(7.04)	28 (22.76)	(7.89)	355 (23.48)	(100.00)
Total	983 (100.00)	(65.01)	29 (100.00)	(1.92)	223 (100.00)	(14.75)	60 (100.00)	(3.97)	9 (100.00)	(0.60)	85 (100.00)	(5.62)	123 (100.00)	(8.13)	1512 (100.00)	(100.00)

Source : As of Table 4.1

Table - 4.10

Number of Eviction Cases Instituted According to Cause and Location  
in the Rent Controller's Office (Delhi)

Zone	Non Pay- ment	Bonafide	Non Pay- ment + Bonafide	Sublet	Misuse	Misc.	Total
East	36.13	29.41	4.20	1.68	3.36	25.21	100.00
West	27.05	30.92	9.66	6.28	10.14	15.94	100.00
Centre	20.48	45.05	2.73	5.46	4.10	22.18	100.00
North	19.84	38.10	4.76	3.97	7.14	26.19	100.00
South	18.91	46.22	5.88	4.20	7.14	17.65	100.00

Source : As of Table 4.2



Table - 4.11

Number of Rent Control Cases According to the Size of the House (in Different Parts of Delhi)

Zone	One Room	Two Rooms	Three Rooms	Four Rooms & Above	Total
East	80 (68.38)	26 (22.22)	5 (4.27)	6 (5.13)	117 (100.00)
West	131 (46.45)	83 (29.43)	35 (12.41)	33 (11.70)	282 (100.00)
Centre	63 (27.04)	61 (26.18)	59 (25.32)	50 (21.46)	233 (100.00)
North	101 (48.56)	51 (24.52)	43 (20.67)	13 (6.25)	208 (100.00)
South	66 (53.66)	32 (26.02)	15 (12.20)	10 (8.13)	123 (100.00)
Total	441 (45.80)	253 (26.27)	157 (16.30)	112 (11.63)	963 (100.00)

Source : As of Table 4.1

Table - 4.12

Number of Rent Control Cases According to Rent of  
the House in Delhi

(in Rs)

Zone	<50	50-100	101-200	201-500	501-1000	>1000	Total
East	31 (26.27)	25 (21.19)	35 (29.66)	18 (15.25)	3 (2.54)	6 (5.08)	118 (100.00)
West	138 (49.46)	52 (18.64)	35 (12.54)	40 (14.34)	9 (3.23)	5 (1.79)	279 (100.00)
Centre	19 (8.05)	14 (5.93)	21 (8.90)	48 (20.34)	73 (30.93)	61 (25.85)	236 (100.00)
North	27 (13.04)	31 (14.98)	43 (20.77)	55 (26.57)	36 (17.39)	15 (7.25)	207 (100.00)
South	31 (26.05)	22 (18.49)	33 (27.73)	23 (19.33)	8 (6.72)	2 (1.68)	119 (100.00)
Total	246 (25.65)	144 (15.01)	167 (17.41)	184 (19.18)	129 (13.45)	89 (9.28)	959 (100.00)

Source : As of Table 4.1

Table - 4.13

Disposal of Cases in the Rent Controller's Office (Delhi)

(as percent of total cases)

Year/ Cause	Eviction	Standard Rent	Deposit of Rent	Essential Amenities	Essential Repair	Misce- llaneous	Total
1972	31.77	35.14	82.44	36.73	31.53	52.02	48.78
1973	36.62	38.61	74.92	39.15	34.40	57.87	49.73
1974	34.47	32.59	73.04	39.67	26.79	58.00	47.61
1975	37.44	32.42	73.71	40.24	35.90	65.55	51.64
1976	43.25	27.64	68.57	41.58	34.55	72.30	55.80
1977	41.83	34.17	66.22	38.83	27.56	75.67	57.95
1978	36.71	25.52	57.94	36.79	27.78	73.40	53.57
1979	36.04	24.74	53.82	33.41	28.06	70.52	50.96
1980	28.05	22.47	50.23	32.22	28.46	58.35	40.53
1981	28.56	17.51	48.55	26.32	23.20	51.71	37.97
1982	25.73	18.79	50.40	28.19	26.28	48.23	35.72
1983	21.11	26.45	50.77	36.92	26.28	44.23	32.48
1984	23.35	19.58	56.85	34.76	36.53	48.41	35.07
1985	28.16	23.32	65.00	36.28	29.11	43.78	37.35
1986	27.26	25.54	50.42	38.55	28.57	34.94	32.66
1987	24.25	23.14	48.14	30.64	31.06	43.07	32.17

Source : Records of the Rent Controller's Office.

## CHAPTER 5

### SUMMARY AND CONCLUSIONS

Rental housing accommodated 46.39 per cent of India's urban households in 1981. The percentage of households living in rental housing was higher for million plus cities. The demand for rental housing as well as the supply in response to this demand would be higher in large cities than would be the case for other cities. Demand for rental housing emanates mainly from three sections of the population: (i) the transient population, (ii) population which due to various reasons prefers to stay in rental housing rather than invest in ownership housing, and (iii) groups who cannot afford ownership housing. The proportion of these population segments will be higher in metropolitan areas than in other areas. The health, recreational and similiar other facilities in metropolitan cities attract large segments of population for short durations. Other groups migrate to avail of employment opportunities in these areas. In the first few years of their stay in the city, most migrants would opt for renting rather than owning a house.

The pressure of population in metropolitan areas results in a high rate of growth of prices of land and housing making ownership housing in the formal sector unaffordable for large sections of the population. Government interventions in the housing market are directed towards easing the situation for these groups of the population. These may take the form of direct participation in the market or of subsidising the poor

through fiscal and other measures. In Europe and America, direct participation has mainly been for provision of rented housing to the needy groups. In addition rent allowances or rent supplements are also offered to these groups. Rent controls have been widely adopted in many countries as a measure to make rental housing available at reasonable rates. The governments in these countries have also provided incentives to private developers to build rental housing. Thus, subsidies are either provided directly to the consumer (rent allowance etc.) or to the producer who passes it on to the consumer. Indirect measures to improve the housing situation in these countries have included tax rebates. The fiscal measures have generally favoured ownership housing.

In India the direct and indirect efforts have normally been to facilitate the provision of ownership housing. Apart from fiscal incentives and institutional finance provided for ownership housing, the government has also entered actively into the market for providing built-up housing on ownership basis to various groups of the population. The only significant measures towards rental housing have been the enactment of the Rent Control Act, the provision of staff housing to government employees and the provision of rent allowances to employees who cannot be provided with government accommodation. Most employers in the organised sector also pay rent allowances or make rental housing available to their employees.

Amongst the social housing schemes initiated by the government, two schemes for the provision of rental housing were

launched. These were Slum Rehousing Programmes and the Integrated Subsidised Housing Scheme for Industrial Workers and Economically Weaker Sections of the Community. The success rate of both the schemes has not been very high. In the Slum Rehousing Programmes, the slum dwellers have failed to pay even the nominal rents charged by the government. Housing was provided on a rental basis in some states even to low and middle income groups.<sup>1</sup> The governments have found the management of these properties rather problematic. The maintenance costs are high. As the variable costs increase over time, rents initially set at a low level cannot be increased at a later stage. The authorities have incurred huge losses on these properties and have almost written them off. The Subsidised Housing for Industrial Workers Scheme has posed problems in terms of workers refusing to vacate the houses after retirement. The employers have not been keen to utilise the subsidies offered by the government for workers' housing.

These experiences have discouraged the government from venturing into the provision of rental housing for the general public. The dominant supplier of rental housing is the private sector. As a result of various market and non-market factors, the rental housing market (RHM) in any city gets segmented into various submarkets. A case study of Delhi was undertaken in order to understand the structure and functioning of the RHM in a large urban area.

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1. Lucknow is a case in point.

Delhi has a large RHM. Out of a total of 11.2 lakhs households 48.81 per cent live in rented houses. This proportion has declined from 69.6 per cent in 1961. During the period 1961-81, the percentage of migrants with short stay in the city - the major groups needing rental housing - has declined. Increasing accessibility to ownership housing in the city has further reduced the demand for rental housing (RH) from the group which opted for RH out of constraint rather than choice. The increased accessibility to ownership housing in Delhi has been made possible by three factors: (i) DDA's house ownership programme; (ii) the development of institutional finance; and (iii) the growth of unauthorised colonies and squatter settlements.

The ownership housing programme of DDA has benefitted mainly the richer among the low income groups, and the higher income groups. Besides, the supply of such housing is very limited. The accessibility of institutional finance has also been greater for the higher income groups. The middle income groups with a strong preference for ownership housing but an incapacity to acquire it in the legal market have opted for houses in unauthorised colonies. The very poor have settled down in squatter settlements - on ownership or rental basis. The rest inhabit rental housing provided by the institutional (including both public and private) sector, the private (household) sector and the informal sector. There is no corporate private sector in this market. Rental housing on a large scale in Delhi is provided only by the government to its own employees. Government provided rental housing to almost 6.27 per cent of Delhi's (and

13 per cent of total tenant) households in 1981. The private (household) sector accounted for almost 82.1 per cent of the total households living in rental housing in the city.

In Delhi, the central government is the single largest supplier of rental housing (to its staff). The government's staff housing policy is biased towards the better-off sections amongst the staff. The priority given to senior staff and within the senior staff to persons with higher salary scales, the provision of special housing pool for IAS officers and special housing allowances to chief executives is indicative of this bias. The same bias is evident in the permission of allotment to staff owning houses in Delhi. This is the category whose need for government accommodation is minimal. Further, the facility available to senior staff to opt for housing meant for lower categories (in case the higher house type corresponding to their salary scales is not available) has a negative impact on the supply of housing available to these groups. The deficiency in the availability of staff housing is the highest for the lower category of staff. The new entrants at lower levels have to seek rental housing in the private sector.

Thus a large part of the demand for rental housing in Delhi in the private sector RHM would be from middle and low income groups. A small part of the demand would also be from households belonging to the high income groups. These might include senior executives of public and private sector corporations, foreigners, embassy officials, and such others. The private sector rental housing market in Delhi can be segmented according to various



criteria namely location, type of supplier, housing typology and applicability or otherwise of the Rent Control Act (RCA). The most important segmentation is with respect to the operation of the RCA. According to these criteria, three major categories of rental housing emerge namely (i) the controlled market, (ii) the semi-controlled market, and (iii) the uncontrolled market. The first two submarkets fall under the purview of the RCA - the only difference between the two being that in the former the rent charged is the standard rent whereas in the semi-controlled market, the rent is the one prevailing at the time of initiation of the present tenancy. The uncontrolled market is exempt from the purview of the Act. The semi-controlled segment dominates the RHM in Delhi. The private sector RHM also includes the secondary market for (subletting of) staff housing in Delhi.

The rental housing market incorporates all areas and all housing typologies in Delhi. The dominant form of renting is partial renting of the house. In 1988, 64 per cent of renting in Delhi was accounted for by partial renting of houses. Expectedly it is the detached houses which account for a larger percentage of renting than the flats. The design of flats is not suitable for multiple family use whereas detached houses can be converted for such purposes with far greater ease. In 1988, 37.53 per cent of the detached houses were rented (fully or partly). In contrast, the percentage of flats which were rented was far lower at 13.53.

A large part of renting is done in the West and East Delhi zones of MCD. These two zones are the two largest zones of MCD and together accounted for 54 per cent of the total properties in the MCD area in 1988. Their share in fully and partly rented properties in the same year was 49 per cent and 44 per cent respectively. This is lower than their share in the total properties. In terms of share of rented properties to total properties in various zones, the highest concentration of rented properties is in Central Delhi (with 71 per cent of properties rented) and in South Delhi (with 49 per cent of properties rented). Whereas in the old Delhi area the Rent Control Act might be the major reason explaining high renting; in South Delhi the high renting ratio is more a reflection of preferences of the renter class for this location. The preference for this location is also evident from the high rate of subletting of staff housing in this area. Other indicators of this preference are the higher rents prevailing in this location, the higher rent-value ratio of houses and the high rate of growth of rents in this area. The divergence between the rents prevailing in South Delhi and in other parts of the market is quite striking. Rents are the highest in South Delhi for all categories of rental housing. Over time this part of Delhi has maintained its supremacy in the RHM of Delhi. Faced with high rents in other areas there seems to be some shift of households to East Delhi. The linking of East Delhi with Central Delhi (via The Income Tax Office Bus Terminal) has improved the accessibility of the East Zone. In the past eight years, the increase in rents in these

areas (South and East Delhi) has been higher than in other locations.

Rents have increased in all parts of Delhi for all types of housing over the period 1980-88. The growth in rents has been the lowest in Central Delhi. For other areas, the rate of growth has ranged from 5 - 12 per cent. The increase in per capita income (at constant prices) during this period could not have been higher than 2 per cent per annum.

Amongst various sized houses, it is the rents of the smallest houses/flats which have recorded the highest rate of growth. This has been the case for houses in all part of Delhi. In South Delhi, the rents of the largest category of houses also have recorded very high rates of growth. The large houses are rented by embassies, foreigners, company executives and other groups whose rent paying capacity is very high. In South Delhi, the middle income groups, and to some extent even the upper middle income groups, can afford only the smallest type of housing. The rents of these are thus pushed up.

The increasing values of houses have put greater pressure on the rental housing market in Delhi. Rents in Delhi have moved with increase in current market value of houses. This is evident from the small variation in the rent-value ratio over time. Calculated as percentage of current value, the rates of return (assuming the landlord pays all taxes at appropriate rates) from rental housing are not high and compare rather poorly with rates of return obtainable from other forms of investment. On a newly

constructed property, the rate of return in Delhi in 1988 did not exceed 6 per cent in any locality. In most areas and for most types of housing, the concentration of rate of return has been around 2 per cent. Calculated in terms of the property values of 1980, the rates of return were much higher indicating higher rates of return from older houses. In most cases, returns from smaller houses were higher than those from larger houses. Even when value of property was deflated to its 1975 and 1970 values and rates of return calculated on these values, a larger percentage of houses earned a rate of return less than 10 per cent. Only in one or two cases the rate of return was higher than 20 per cent. The comparable average annual rate of return from other investments during the period 1979-80 to 1988-89 has been of the order of 13.1 (for gold and silver) and 21 per cent<sup>2</sup> (for equity).

Investment in rental housing however is not motivated by rates of return from renting alone but from major capital gains expected from increases in value of properties. In the past eight years, the values of properties have shown significant increases. Another factor which ought to be noted in this respect is that the calculation of rates of return has been made under relatively restrictive assumptions (10 per cent maintenance cost, one month's vacancy allowance, 25-30 per cent of marginal tax on income from house property and a property tax

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2. Financial Express, 9 January, 1988 p.1.

evaluated on the basis of market value of the property).<sup>3</sup> Landlords generally do not incur these kinds of costs. The rate of return is inflated by cutting down on maintenance cost, and vacancies and paying taxes at rates lower than those specified in the present analysis. The rateable value (tax base) of the property (which determines the rate of tax chargeable on the property) in the present analysis was selected to see the impact of a reform in property taxation which has often been suggested in the past few years. Aimed at the augmentation of revenue from property taxes, the suggested reform recommends the levy of property taxes based on market (rental) value of the property. If this were to happen, the rates of return from renting --even when rents charged are the market rents -- will be too low to attract much new investment in rental housing. This analysis is thus important in so far as it draws attention to two factors, (i) the Rent Control Act is not necessarily the cause or at least the only cause of low rate of return from rental housing. Even when the rents in the market are uncontrolled, the rates of return need not be high. In Delhi, it is the property tax and the high cost of houses which lead to low rates of return; and (ii) the suggested reforms of changing the tax base of the property tax to its market value will either lead to a spurt in rents in the city (depending on elasticity of demand etc.) or will lead to a further decline in return from rental housing and in the supply of rental housing in the long run.

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3. The assumptions relating to taxation at the market value of property were relaxed later on and tax calculated on the deflated value of the property.

If government is to promote rental housing in the city, it is important that the implications of suggested reforms in taxation and other areas for rental housing are given a careful thought. Government in fact has no rental housing policy whatsoever. In view of the need for rental housing in the city, it is imperative that a comprehensive policy for this important segment is formulated. Based on the observation of Delhi's RHM a few suggestions are made here for improving the rental housing situation in the city.

#### Some Policy Suggestions

A significant part of demand for rental housing in Delhi - as would be the case for other cities also - would be out of constraint (non-affordability of ownership housing) rather than choice. If the current trend of increase in cost and value of houses continues, this component will get a further boost. With increasing population the second component of demand for rental housing - from the transient population - would also increase. Thus, even if the proportion of households demanding rental housing may decline, the number of households needing and demanding rental houses will increase in absolute terms over time. If the supply of rental housing to meet this demand is not adequate, rents are bound to increase - as has happened in Delhi during the past several years.

As the rents increase without commensurate increase in incomes, the rent income ratio may not increase. The impact of high rents will be felt on the quality of housing. In Delhi,

this is evident from the pressure of demand on the smallest sized houses and shift of households to less preferred locations. This shift would probably take place only in response to significant increases in rents. The combined evidence of the level of rents, the rate of growth in rents and rent-value-ratios in different locations of Delhi show that in the case of renting, households have strong locational preferences. The size (and at times even the tenure of the house) is traded-off for a good location. There is thus need not only to provide more rental housing but also to provide it at appropriate locations.

The major problems faced by households in relation to renting in the private sector RHM in the city are two - high rents and high search costs.

#### High Rents

Rents are high because there is not enough supply (in relation to its demand) of rental housing in the city. Steps must therefore be taken to reduce the pressure on demand on private sector rental housing as well as increase the supply of such housing. Some non-rental housing solutions for the rental housing problem would include making ownership housing more accessible to households preferring this tenure. The demand for rental housing will decline. In the rental housing market, the

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4. The problem of insecurity of tenure is interpreted largely as one of high rents.
  5. It is not really the high current cost of housing which leads to increased rents. The current stock of housing cannot account for a significant proportion of the total housing stock in any urban area as old as Delhi and therefore cannot have any significant impact on rents in the market.

supply can be increased not only by augmenting the current sources of supply but also by tapping new sources. In Delhi, much of rental housing is in the household private sector. There is need to develop the major supplier and strengthen institutional supply of rental housing. The great advantages of institutional housing are the non-exploitative relationship between the tenant and the landlord; and stable rents and specific rules governing renting. Tenants do not face the kind of uncertainties they do in the private sector rental housing market. The institutions which could be induced to build and supply rented housing could include government and its agencies, employers, trusts, charitable organisations, trade unions (or workers' cooperatives), cooperatives, building associations and such others.

Government's experience in providing rental housing to the general public has not been a very happy one. Further, given the low priority to housing and within that to rental housing, government may not be interested in directly investing in rental housing - at least for the present. Instead of directly supplying rental housing to the public, government should confine itself to encouraging other suppliers to provide such housing. One sector where government needs to increase its activity is in the provision of rental housing to its own staff. Given the limited financial resources of government and the relatively high standards of staff housing, the lowering of standards will ensure that the benefits of this measure can be spread over a larger section of its employees. Further, the variable cost needs to be reduced also. In line with government's housing policy, the



staff housing policy should also be governed by the principle of affordability.

The policy of providing staff housing to officers owning their houses should also be reverted back to its pre-1963 status. The practice leads quite often to subletting of houses provided by government to its employees. Illegal subletting of houses (part or full) should be strictly dealt with. The penalty charged should be high enough to make the rewards from renting out nil or even negative. The provision to sublet to eligible persons at rates determined by the Estate Officers should however continue. Strict record should be kept of all sublettings and rents charged for these. As mentioned earlier, subletting of staff houses is an offence and is punishable under government rules. The punitive measures however have not had any effect. The penalty must be increased sufficiently and its administration tightened.

New staff housing should be designed in such a manner that it can - if need be - used for multiple family living. The allottee should be given the option to take full or only part of the house. Rents should be charged accordingly. Government should also provide transit houses. These can be small houses/flatlets which can be made available to the staff waiting for their turn for allotment of regular housing. As the houses become available, the allottees can shift to the categories of houses for which they are eligible.

The staff housing policy of the government is biased in favour of the better-off sections. Efforts must be made to change this in favour of the lower-income groups. These are the groups who cannot afford any kind of reasonable rental housing in the private sector. A crash programme to build (staff) housing for lower categories of employees should be undertaken.

#### Employer Housing

Apart from providing housing for its own staff, government should also encourage the provision of such housing by other employers also. Preference should be given to housing for staff of lower categories. No leakages to higher category staff should be permitted. For industry, the provision of rental housing should be made compulsory. The cost of providing rental housing should be part of the project cost. Here again excessive space standards should be avoided. These have a negative impact on the supply of staff housing in the long run.

Trade unions or workers' cooperatives can also enter the field of providing housing for industrial workers. Government subsidies under the Subsidised Industrial Workers' Housing Scheme should be extended to them. Other institutional suppliers such as trusts and cooperatives should also be provided financial help by the government in the provision of rental housing. In Western countries, these organisations have played a very important role in providing rental housing at reasonable rates. These can provide rental housing on a no profit - no loss basis. These institutions should have as their client groups the low or middle income groups.

Attention also needs to be given to single individuals, small families and new entrants in the city. Some organisations, at present, provide some hostel accommodation to these groups. The supply from these sources is very limited. Further, these hostels especially the ones meant for ladies, follow very restrictive rules. Keeping the special needs of these groups in mind, small furnished flats can be made available by these organisations on a no profit - no loss basis. Government, apart from providing finance and making land available in appropriate locations, can also extend other concessions such as rebate on property tax (by 1 to 2 per cent) to these organisations.

DDA can also help in the rental housing effort in two ways. In its ownership housing programme, some flats in each complex can be reserved for renting.<sup>6</sup> If it finds collection of rents from individuals difficult the properties should be handed over to the residents' associations. Else, such houses should be made available to institutional employers for allotment to their staff.<sup>7</sup> Another way in which DDA can help is in redesigning its flats so that they can be partly sublet. As was seen, in Delhi, a significant amount of renting is accounted for by partial

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6. DDA's record in collecting rental on land is very poor. It may find it equally difficult to collect rent for these houses. Some way must be found to ensure that rents are paid by tenants to the DDA in such cases.

7. In Lucknow, the Housing Board and Development Authority undertake to build houses for organisations on outright sale basis. The housing is required for the staff of these organisations.

renting of houses. Flats by virtue of their design cannot be partially let out without putting the households sharing the flat to great inconvenience. A redesigning of flats to facilitate partial renting will increase the supply of rental housing significantly.

As far as the corporate private sector is concerned, the rates of return in rental housing are not attractive enough for this sector to enter this area. The current amendment of the Delhi Rent Control Act (DRCA) to exempt properties above a rental value of Rs.3500 per month may attract the private sector to enter the high rent segment of the market. No fiscal or other incentives need be provided to this sector except decontrolling it completely. It would be better if instead of the rent limit of Rs.3500 the ceiling beyond which the properties are to be exempted from the purview of Rent Control Act is defined in terms of carpet area and plot area. This segment of the market should be left free to find its own equilibrium.

#### Policy Relating to Private (Household) Sector

The private household sector will continue to be a major supplier of rental housing to all sections of the population. It is here that a major policy thrust is required to induce it to supply more housing for rental purposes. The major constraint in this respect is the Rent Control Act especially its provisions relating to eviction. The case study of Delhi has brought out the fact that it is not the low (standard) rent and consequent low rate of return which discourages the landlord from supplying

housing for rent but the fear of losing the house altogether to the tenant. Rents in a large part of the market are much higher than the prescribed standard rent. The major source of rate of return from housing is capital gains on the value of the house. By making evictions and increases in rents over time difficult, the RCA has affected the rate of return adversely. The recent amendment has not touched the issue of eviction (except making it easier for some classes of landlords). Further, the permitted increase of ten per cent after every three years is not going to bring the rents up to the market level nor will it improve the capability of the landlord to spend on maintenance - especially where the basic rents are very low. The basic issue in the supply of rental housing in Delhi is the problem of eviction not so much one of low rents. This situation needs to be remedied urgently.

Rent Control Act: Suggested Reforms

Even if one were to acquiesce in the rationale of the Rent Control Act in considering rent to be a rate of return on investment in fixing the standard rent as a percentage of the cost of the house, the Act has neglected to take account of two factors: (i) the purchase price of the house and (ii) the variable costs of renting out a house. At times the investment made by the landlord may be higher than the cost of the house. It is irrational to control rents when there is no control on prices of houses and on the variable costs of renting out a house. Three such costs are the maintenance cost, the property tax and tax on income from renting out. These costs are not a fixed proportion of 'standard' rent but increase over time. A

net rate of return of 8 - 10 per cent might be acceptable to the landlord but a gross rate of return of 8-10 per cent with increasing variable cost is likely to give a negative rate of return. The property tax in Delhi is a graduated tax. On rental property it ranges from 13 per cent to 36.4 per cent of rateable value of the house.<sup>8</sup> Even if the cost on other heads (maintenance and income tax) are nil (which they are not) charging of a standard rent at 8-10 per cent of the cost and paying a property tax at 13 per cent of the cost does not make renting out a remunerative proposition from the economic point of view. The rate of return will be positive only for properties below a rateable value of Rs 1000 (or Janata houses and slum houses) which are exempt from the payment of property tax. The return will become increasingly negative as the value of the property increases.

The issues of property tax, rent control and returns from rental housing are interrelated. Policies regarding each should take cognisance of the impact of reforms in one area on policy objectives relating to other areas.

The existing RCA protects the tenant but neither assures a fair rate of return to the landlord nor ensures reversion of the property to him as and when required. If the supply of rental housing in the market is to be encouraged, the RCA will have to be rationalised. There is need to take a more balanced view of

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8. Calculated from Your Guide to Property Taxes, Municipal Corporation of Delhi, 1987.

the situation. The tenant must be protected against arbitrary eviction and exorbitant rents. Meanwhile, the landlord must also be ensured a fair rate of return (taking into account all the costs of renting over time). Further if the constitution recognises the right to ownership of property, the right of the landlord to exercise his option either to rent it out or not, or to rent it out or not to a particular individual should also be protected. There is however need to remove arbitrariness from these decisions. A via media is proposed taking into account the interests of both the tenant and the landlord.

The major problem faced by the tenant is the uncertainty regarding the duration of tenancy and the future level of rent. The tenant may not object to paying the market rent if he can be certain of the stability of this rent or the security of tenure at least for a few years. The landlord again may not be looking for a rate of return comparable to that earned by equity of blue-chip companies and may be agreeable to a lower rate of return if he can be sure of retrieving his property - if not as and when he wants it at least after a specified period. Thus, a rational solution in this respect will be to make all renting obligatory under a contract. The terms of tenancy, namely the period of tenancy, the mutually agreed rent and the proposed increases in it should be clearly spelt out in the contract. The normal tenancy should be for a period between five and seven years. If the landlord wants possession of the house prior to that period, a year's notice or compensation in terms of a specified sum should be given to the tenant. This will remove any

arbitrariness in eviction procedures and will give sufficient stability to the tenant. After the expiry of the contract, if both landlord and tenant are agreeable, a new contract can be drawn up. This step will not only induce the risk-averting owners to enter the rental housing market (by reducing the risk of losing the house) but also increase the supply from (transient) landlords who want to rent out for temporary periods.

The protection of the landlord (in terms of assurance of the court for eviction of the tenant) should be linked with registering the tenancy with the Rent Controller or rent administrators and with the charging of a fair rent. The fair rent should be determined taking into account all costs of renting. Rents should also be linked to the rate of inflation. The level of rents should be sought to be controlled by increasing the supply of rental housing rather than by pegging them up at certain levels.

The problem of high rents, in so far as they are a result of high cost of houses, has to be dealt with in a broader framework. The measures adopted to reduce the cost of housing will also have a salutary effect on rents in the rental housing market.

#### Search Costs

The dominance of the household sector in the supply of rental housing causes two kinds of problems. First, under normal, circumstances there is no compulsion on households to rent out accommodation. Renting is rarely the only source of income. This source of supply is therefore very uncertain.



Another factor which requires some attention relates to the high search cost which the tenant has to incur in finding a suitable house. The only source of information about availability and price of rental housing is the property broker. These brokers too normally deal only in sale/purchase of houses or in renting out of high income properties. The returns from low- or medium-valued rental properties are too inadequate and not considered worth the effort. In some cities there is a requirement for potential landlords to register their properties with the Rent Controller. In Delhi, there is no such requirement. At any point of time a significant number of tenants looking for houses might be new entrants in the city. These may not have any knowledge about the city. Lack of information not only increases the search costs for tenants, particularly newcomers, but also acts as a big constraint in making an optimal choice. There is need for information to be provided about availability and approximate rent for different types of housing in different localities.

#### Concluding Remarks

In India, households have strong preferences for ownership housing. A large part of the demand for rental housing emerges out of the inability of people to afford ownership housing. A successful ownership housing programme can help ease the situation in the rental housing market by reducing pressure on the demand for housing. The demand and supply of ownership and rental housing are linked in other ways also. Since a significant part of renting is accounted for by part-renting of

houses, the increase in the number of households acquiring homes would automatically improve the availability of rental housing. In fact, the possibility of renting out part of the house improves the affordability of households to own a house. Thus improvement in the rental housing supply through ownership housing programmes can materialise if the increased accessibility of households to ownership housing is supplemented by reforms in two other areas: (i) design of houses so that part renting is feasible, and (ii) rationalisation of the Rent Control Act so that renting is remunerative. These measures however will solve only a part of the problem. If the increasing need for rental housing in growing in metropolitan areas is to be satisfied, institutional supply of rental housing will have to be augmented in a big way.

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