

Developing vibrant housing rental market | By Dr Abid Rehman

By News desk - December 23, 2022



THE rural-urban migration and explosive population growth in the urban areas are the two flip sides.

These put high pressure on the demand for rental housing in the urban centres of Pakistan. In addition to the growing demand for housing, inflation is ballooning the construction cost, making it difficult for urban residents and migrants in the mega centres to have their own houses.

According to the Pakistan Standard Living Measurement Survey (PSLM), 14.8% of urban households in Pakistan were tenants in 2008, and this number grew to 22% in 2020.

At the provincial level, Sindh is leading, with 26.1% of the households living on rent, followed by Khyber-Pakhtunkhwa (23%), Balochistan (22.5%), and Punjab (19%).

However, the number gets more significant for the mega cities, with 38% of the households in the capital city living on rent, along with capitals of provinces leading with (44%) in Quetta, (39%) in Peshawar, (37%) in Karachi and (25%) in Lahore.

In comparison, these numbers are very high for the tenants in the commercial sectors, as most city shops and offices are for rent.

In Pakistan, the legislation and implementation of rental regulations is subject matter of provinces, and enforcement of these regulations is the responsibility of district administration through the rent controller.

In case of any violation written in agreement either by tenant or landlord the application is submitted to the rent controller through the lawyer.

The rent controller will hear both party lawyers and will give his decision in the favour of righteous party.

The existing rental housing options in Pakistani cities are limited, disorganized as poorly managed private people, and inefficient, seriously affecting citizens' social well-being and productivity.

Moreover, investing in rental housing may not be as attractive to either businesses or private investors due to weak property rights, costly land acquisition constraint supply, taxation, building and construction, and rental regulations.

Therefore, the reform agenda for accelerated and sustained growth of the Pakistan Institute of Development Economics (PIDE) emphasizes the development of vibrant rental markets by amendments to the rental acts so that people start investing in rental properties.

The first step to developing the rental market is to amend the regulations that can help thrive in the rental market.

There are following regulatory amendments that are imperative for the

development of the vibrant rental markets.

First, the regulations are ancient, carrying colonial legacies. There have been no serious efforts since 1959 after the development of the West Pakistan Urban Rent Restriction Ordinance 1959, as now it does not cater to the needs and requirements of modern cities.

Therefore, there is a need to put serious efforts into developing an act that reduces regulatory constraints.

Second, all the rental acts and regulations mainly deal with residential tenants and fails to distinguish between commercial and residential tenants.

There is a need to draft the new rental acts for the commercial tenants as the rents structures and security is very different.

Third, the prevailing rent acts are more pro-tenants and fail to hit the right balance between tenants and landlords.

More protection has been given to tenants, and landlords are waiting in queue for eviction which also affects the supply of rental housing.

Four, in the rental regulations, there are very stringent rent control acts that limit the investment return for the built-to-rent and restrict the rental housing supply.

In addition, the NOCs and regulatory procedures for constructing the building to rent are lengthy and time-consuming which is also a hurdle in developing vibrant market.

Lastly, the enforcement of these regulations is very weak, creating many uncertainties in the landlord's mind.

They avoid renting the house to prevent the situation in which tenants grab their home. In sum, to make the rental market vibrant, along with regulatory reforms there is need to issues related to the supply and demand, taxation

burden, and financing constraints should be considered so that rental laws, and rent control acts need to amend to allow investment in rental market to thrive.

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