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RENT CONTROL IN MIDDLE INCOME HOUSING -
A CASE STUDY OF BURU BURU HOUSING ESTATE, NAIROBI //

By

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the degree of Master of Arts (Housing Administration)
in the Department of Land Development at
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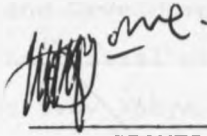
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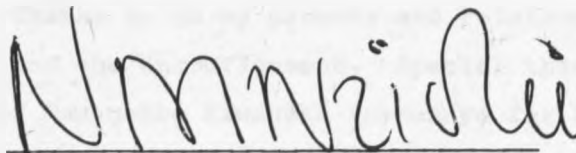
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DECLARATION OF SUPERVISOR

This Thesis has been submitted for examination with my approval as University Supervisor.



M.N. NZIOKI, B.A(Land Econ) M.Sc.

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ABSTRACT

In Kenya housing remains a persistent problem, especially in the low and middle income housing categories. In trying to solve the housing problem, more emphasis has been on how to provide sites and services to cater for the low income categories; mortgage, and tenant purchase schemes for the middle income categories. What essentially is emphasised for these two housing categories is homeownership. Rental housing as an alternative to owner-occupied has been neglected, and supply is left to individuals who buy from developers single units. The nature of rental housing market is that it allows exploitation of tenants by the landlords; and this has often prompted the legislators to control rents. Rent control as a tool of the housing policy has been in existence since 1919. It has been extended to cover more houses, but it has come under criticisms. It merely protects those already housed and cannot assist those who have no shelter at all. It has been seen as the cause of the fall in the supply of rental housing and as a tool for encouraging homeownership. Property values are also affected. Rent control leads to a fall in prices of rental housing, thereby discouraging investors.

The aim of this study is to find out whether rent control affects the distribution of tenure and property values in the middle income housing. This is done by means of a case study of Buru Buru - a typical middle income housing estate. Primary and secondary data gathered is analysed mainly using descriptive statistical techniques.

It is shown that middle income housing investors are not profit motivated. Property ownership is influenced more by non-economic factors than economic ones. Rent control is price oriented and expected to influence the profitability of renting

or buying a house. However, acquired property is rented irrespective of whether it earns some profit or not. Controlling profit therefore does not affect the owner's decision. Tenants are shown to be less perceptive to Government policies and more controlled by free market forces. Though aware of the operations of rent tribunals, they find the process of solving their disputes through regulations time wasting. They are more committed to the neighbourhood than the dwellings they occupy. So they rather move to other dwelling houses in case of a dispute. Existence or absence of rent control in middle income housing will not affect the participants' decisions.

It is recommended that rent control can be removed from the middle income housing category on economic grounds. However, this study recognizes the social-political need of such regulations as the Rent Restriction Act; and in that case the rent control scope could be narrowed; and its administration could be decentralized to grass root level; to reflect the neighbourhood effects in the determination of standard rents.

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CHAPTER ONE

INTRODUCTION

Introduction to the Problem.

The urban housing problem in Kenya dates back to the time when colonialism was effected in East Africa at the turn of the 19th century. The colonialists introduced the monetary economy which required exchange centres, hence urbanization. The urbanization process in developing countries is unprecedented "often compressing into decades the urbanization process that has taken centuries in developed countries."¹ After independence in 1963 the Government was faced by even a more pressing housing problem. This was mainly due to high expectation of the Government and citizens toward better housing. The concern was mainly focused on decent housing, condemning the 'bed space' provisions by the colonial Government. Demolition of these rooms was called for and sometimes carried out.² The demolishing of these well built single roomed dwelling units, when people are unable to pay rents as low as shs 100/= and others housed in temporary squatters units, shows how the concern of decent housing was emphasised. Decency has been emphasised in the National Housing Policy contained in sessional paper No. 5 of 1966.³ It provides that every family has to be housed in a dwelling unit providing basic standards of health, privacy and security.

However, this objective of housing everyone has not yet been achieved. The shortfall of dwelling units was estimated at 144,099 units in 1979 with annual requirement estimated at 30,000 dwelling units per annum to cater for population increases.⁴ This has been very difficult to achieve and the problem has worsened, mainly due to the population growth. Kenya has one of the highest population growth of about 4.1% and the 1985 population is estimated to be 20,177,000.⁵ The housing problem is concentrated in urban areas, despite the fact that only 13% of the Kenya population was urban in 1979.⁶ The population increase in urban areas is partly due to migration from rural to urban. These migrants tend to be economically weak, lacking skills and therefore remain unemployed. Housing these people is very difficult especially if the existing standards of building regulations and by-laws are to be adopted in every housing development.

There are solutions which have been suggested in view of the general housing problem. Some have been implemented such as slum upgrading, site and service schemes and provision of "wet core" unit that is the toilet, shower and kitchenette whereby the buyer can expand for more accommodation and also build houses individually. These have been intended for the low income people. However, these provisions are normally demanded and occupied by even those in position of affording better housing, either for investment purposes or own residence.

Middle Income Housing

In Kenya, the government currently considers the minimum requirement for a decent house to be a "two habitable roomed house constructed of permanent materials with a separate kitchen and basic sanitary facilities such as toilet and shower compartment."⁷ The government only defines what a minimum standard dwelling house ought to be, but does not consider the different classes of dwelling houses such as what low, middle or upper income housing should be. However, the Government categorises groups of people on the basis of household income. In 1978, for example, middle income category was considered to be "those people who earn between shs 1,200/= to shs 2000/= per month."⁸ This classification seems to no longer represent what middle income people may be, when compared with the median income in Nairobi which was estimated at shs 2,300/= per month in 1982.⁹

A more recent definition of middle income group is by the Central Bureau of Statistics (CBS) where for purposes of calculating the consumer index, defines the middle income group as that "comprising persons with monthly earning between Ksh 700/= - 2499/=".¹⁰ The Nairobi Urban Study Group in their estimates for 1985 middle income group was expected to be earning between Shs 1830/= - 4,488/= per month.¹¹ The classification of middle income group varies with each particular criterion for classification adopted. For example Rent Control was expressly introduced to protect the low and

middle income people. The financial ceiling of rent controlling is Ksh 2,500 per month.¹² This means that those paying rent of not more than shs 2,500/= are to be protected and require protection, thus qualifying as low or middle income tenants. Taking 25%¹³ of household income as the norm for housing rent expenditure, then it would be deduced from the Rent Restriction (Amendment) Act 1981 that middle income category may include even those earning Shs 10,000/= gross per month.

All these definitions and assumptions merely give an insight on what is referred to as middle income categories or groups of people. But there are dwelling houses which are referred to as middle income housing. At a glance, it would seem as if middle income housing is what middle income people occupy. But middle income housing may be occupied by people of incomes categorized from low to upper income. In Umoja, for example, average income of residents was estimated at Shs 3,500/= per month and rents averaging at Shs 1,200/= per month, yet this estate has been referred to as low income housing.¹⁴ However, middle income housing should provide accomodation more superior than what is referred to as minimum standard dwelling houses which implies that such a dwelling to be referred to as middle income housing should have additions in terms of services and and other amenities such as compound size, and garden.

In some cases, middle housing has been viewed in terms of costs such that it is referred to as medium cost housing. According to the Habitat Study Team on the Role of the Private Sector in Developing and Financing of Low-Cost Housing, (1981) middle income or medium cost houses are those dwelling units whose selling prices in 1981, were between Shs 75,000 and 250,000 per unit, and these were typically of 3 to 4 rooms that is (2 & 3 bedrooms).¹⁵ The Urban Study Group on the other hand in addition to cost consideration looked at middle income housing in terms of area of accommodation provided. They concluded from the costs that medium cost housing should measure between 450 - 817 sq ft. The equivalent costs were estimated between K£ 900 - K£ 1,960.¹⁶

The basis of income of residents, cost or floor area may not be realistic in trying to identify what middle income housing ought to be, since small dwelling units may cost more or be occupied by high income people, such that they are considered as upper income housing and vice versa. A definition of low, middle or upper income housing must have some incorporation of the land use such as land used for high or low density housing and neighbourhood factors to be meaningful. For example, if the land use is for middle income, irrespective of the density, design, cost or accommodation then such houses will be referred to as middle income or cost housing. So an appropriate definition of middle income housing

is what the reasonable urban dwellers call middle income housing. The reasonable urban man is equivalent to that reasonable man in common law.¹⁷ So for the purpose of our study the houses which were costing between shs 100,000/= and 270,000/= in 1983 and providing at least accomodation of 2 bedrooms is what middle income housing refers to. These estates include, for example Buru Buru, Racecourse, Kimathi and Outer Ring Road Estates in Nairobi.

This middle income housing sometimes is neglected, yet it is a bridge between two extremes. The middle class has been in formation for sometimes¹⁸ and shortage for their housing has been identified. In 1967, the then Minister of Housing had this to say:

"Over the past few years, owing to lack of private development, there has been a considerable shortage in our towns of houses in the middle and higher grades, in spite of the fact that there are steadily growing number of Kenyans who can afford such houses and are in greater need of them."¹⁹

According to Akwara (1982) there is pressure for houses in Nairobi and that the middle income groups appeared to have grown.²⁰ It is clear that the size of middle income housing required has to continue growing in view of the rising standards of living.

In an attempt to solve the middle income housing problems, various solutions have been tried. Mortgage

financing has been availed basically for this category and the upper income category. The Kenya Government in collaboration with Commonwealth Development Corporation set up Housing Finance Company of Kenya, to provide mortgage finance and ease the housing problem. However, the emphasis has been on home-ownership. The public sector has encouraged owner occupation housing by giving annual allowances of up to 15% of the total cost.²¹ Local authorities have tried Tenant-purchase schemes. But home-ownership has been found insufficient in solving the housing problem. Akwara [1982] found that tenants-purchase schemes are far from alleviating the housing shortage in Kenya.²² Home-ownership in Kenya was called a luxury by Bloomberg and Abrams [1964].²³ Elsewhere, home-ownership has not been considered the best way of solving the housing problem either. Way back before the World War II, an American Aronovici [1939] felt that:

...agencies which conspire to encourage and promote home ownership are a menace to the economic structure of the country. They are leeches sucking the life blood of the workers and their families.²⁴

It has been argued by others that providing owner-occupied housing, you create the widest opportunity for even those who need to rent.²⁵ However, a more realistic argument was that by Roberts [1984]²⁶ who advocated that the right to own starts with the right to rent. This is a valid argument because if rents were low, tenants would be able to save and

afford the downpayments for owner-occupation. Owning is very expensive, and the Urban Housing Needs Study of 1975 conducted by the Ministry of Housing revealed that 89% of the urban population could not afford a minimum standard housing unit costing K£1,200.²⁷ In the Development plan 1979-83, it was estimated that only 30% of the population could afford minimum standard housing.²⁸

Because of the cost factors, the only possible solution to the majority, is what Aronovici, Akwara, Abram and Roberts seem to advocate for, and this is rental housing. Rental Housing however, has been a neglected step child of housing programmes.²⁹ The only serious attention to this sector is the controlling of rents. This is because rent is thought to be as the barrier of some people getting housed. For fear of exploitation of tenants by landlords who would recoup excess profit due to shortages, the Government had to intervene. The intervention is justified because of excess demand, and the broad principle of rent control is that private tenants should enjoy security of tenure with rents restricted to reasonable levels.

Rent Control

Rent Control as it operates in Kenya, means that rent is frozen at the levels at which houses which fall under the ambit of Rent Restriction Act (RRA),³⁰ (1981) were letting as on 1st January 1981, at that determined standard rent.

All houses whose rents do not exceed shs 2,500/= per month are controlled with exception of service tenancies.³¹ However, rent control may take other forms such as fixed rate of return, roll back that is having rents to a former lower level, or fix rent per square metre of built up area.³² The Rent Acts were first introduced in Kenya in 1918 as a war time measure to ensure that people were not exploited when serious shortages existed. The Rent Acts have evolved up to this present time after so many inquiries, amendments, repeals and re-anactement though the present series date back to 1940. Briefly important developments of the rent policy in Kenya have been discussed below:

The first act was enacted in 1918, it applied to dwelling houses whose rents did not exceed Shs 3,000/= per annum. It ceased to apply in 1923.³³ In 1940, The Increase of Rent and Mortgage Interest (Restriction) Act³⁴ was enacted and this applied to units whose rent did not exceed shs 4,000/= per annum. It was amended in 1943, introducing the Rent Restriction Board and covered all rented houses, since no ceiling was set.³⁵ It was further amended to exempt dwelling houses owned by local authorities. In 1949, this Act ceased to apply to mortgages. The scope was reduced to cover only dwelling houses units whose rent did not exceed Shs 10,000/= per annum.³⁶ There were further moderate decontrol ten years later, reducing the scope of coverage to dwelling units whose

rent did not exceed Shs 7,200/= per annum or Shs 600/= per month.³⁷

In 1966, the Rent Restriction Act was amended to enable the setting up of Rent Tribunals. The ceiling was raised from Shs 600/= per month to Shs 800/= per month for unfurnished dwelling houses, while those let furnished the ceiling was Shs 1,000/= per month.³⁸ There were further amendments exempting dwelling units under service tenancy. In 1981, major amendments were made, increasing the jurisdiction scope to cover dwelling units whose rents did not exceed Shs 2,500/= per month whether furnished or not furnished. Local authority housing was to be controlled too under these amendments.³⁹

The Problem

Rent Control has been in existence for sometime and its achievements are not very substantial. Very little appreciation exists as regards the Act and the Rent Tribunal Board performance. Instead dissatisfactions with Rent Tribunal Board has been expressed. The problem of rental housing should not be seen in terms of rent currently being charged. Many people would agree that there is need to build more housing.⁴⁰ It is therefore necessary to find ways of increasing the supply. The real problem has been the failure to increase the supply.⁴¹

It has been observed by Harris (1969) that: "Nairobi housing problem is principally the result of few units....The best way to solve the problem is to increase the stock of such dwelling units as quickly as possible."⁴² A similar view was held by one of the correspondent in a daily, who argued that,

"the problem of rental houses is severe ...at any one time in Nairobi there is an estimated 2000 families looking for houses to rent...the figure is spiralling."⁴³

From the foregoing one can conclude that Rent Control will not assist in increasing the supply of housing for it merely protects those housed. After all, Abrams (1963) argued that "the ceilings on rents never produce roof over head."⁴⁴

Rent control has not only affected the natural trend of supply of rental housing, but also it is in its self perpetuating the housing shortage which lead to its imposition in the first place. According to Adala (1978) rent control has created a barrier to construction of rental houses in Nairobi, and further lead to increased conversion of rental houses to other uses.⁴⁵ Most developers regard Government intervention an added investment burden, such that potential investors would be reluctant due to the fear of future extension of such regulations.⁴⁶ Despite the cost of construction rising at a rate of 5% per annum, the value of plans approved for example in 1983 by the City Commission of Nairobi decreased by 32% from the 1982 position. This shows a decline in construction of housing units.⁴⁷

Not only has rent control affected the supply of rental housing in Nairobi, but also it has been labelled a "toothless bull dog."⁴⁸ Barbara Kimenye observed once that rent control may have served a very good purpose but not these days when it's ineffectual.⁴⁹ The rents in low and middle income housing which are supposed to be controlled have continued to rise more than in those sectors which are free from such regulations. Looking at the index for rent for the three major groups the low and middle income have experienced a severe rent rise.⁵⁰ This is shown below in table 1-1.

<u>Year</u>	<u>Low Income Rent</u>	<u>Middle Income Rent</u>	<u>Upper Income Rent</u>
1980	195.2	232	186.1
1981	243.5	277	221.0
1982	288.3	314.6	259.4
1983	317.3	346.0	286.1
1984	324.0	357.6	293.1

Table 1-1 Nairobi Consumer Price Indices, 1975 = 100
 Source: Central Bureau of Statistics, Ministry of Finance and Planning, Economic Survey 1984 p. 57.

Despite the rent continuing rising, and existence of rent control, tenants have not used the rent tribunal as expected. For example, Noormohamed [1975] found that only 1% of those dwelling units which are supposed to be assessed annually are actually assessed.⁵¹ Even those houses which have their rents assessed according to Mbogo [1976] have their

rents doubled in a very short time without reference to the rent tribunal.⁵² On the other hand, the market often seems to be performing better than the controlled market. For example one Estate Agent said "you now find that houses which used to go for Shs 3,500/= per month go for Shs 2,500/=."⁵³ So generally whereas the market has achieved bringing the rents down, rent control has failed.

The other problem of rent controlling is that of reducing the tax base. This happens when the property values start declining in comparison to those which are not rent controlled. The differences in values of property controlled from that which may not be controlled may be so great even if they are comparables. In the case of Anwer Kalyan and eleven others vs Rasi Properties Limited (1979)⁵⁴ different opinions on values were expressed. The purchase price was shillings 1,000,000/= and using the comparable method of valuation at the Land Office, the value was estimated to be as much as shillings 1,500,000/=. Using the replacement method of valuation, value was estimated at shillings 1,206,000/=. Yet with rent control using the investment method the value for the same property was estimated at Shs 600,000/=: showing a very varied situation. Assuming the purchase price as the best indicator of value, rent control would erode the tax base by 40% of the normal value. In case of determining the rates which are based on improved site value the burden would fall mainly on the landlord. For example in the Anwer Kalyan case the comparable

land value of the same plot was Shs 600,000/=. So the unimproved site value would equate to the investment value. The landlord will be in no better situation than when he demolishes or where land was left undeveloped. So rent control not only affects the national tax base or property values but creates excess burden to landlords. However, rent regulation may not influence the purchase price, as it was in the case of Kalyan.

A similar landlord-oriented problem is the financial hardship facing the landlord plus the occurrence of voids in middle income housing. The rates of interest on mortgage finance tend to be high, that rents from typical middle income housing cannot fetch enough income to service loans. Out of pocket expenditure has to be made by the landlords, otherwise those who do not end up defaulting in mortgage repayments. Kanner [1978] notes that

Landlords too, can find themselves caught up in inflationary squeeze and prospects of inability to increase rents to catch up with expenses are no laughing matter to some of them either.⁵⁵

From the above rent controls may not enable landlords to earn even fair rents. The inability to adjust rents to reflect the changes in operating expenses may lead to curtailing on these operating expenses such as repairs and maintenance. Indeed, Rent Restriction Act in Kenya has been seen to have an economic effect of causing disrepair.⁵⁶

Theoretical Explanation of the Problem

Various models have been adopted to explain what happens in case of rent control, though all are similar in graphical form with mere modifications to suit different cases. One of these is the housing stock adjustment model like the one presented by Robinson (1979).⁵⁷ The main prediction in this model is that in case of rent freeze there would be a decline in starts of rental housing. However, the model emphasised the decline of supply of new dwelling units and does not deal with the supply of owner-occupied dwellings. Simple models have been used to explain what would happen in case of rent control. Button [1976],⁵⁸ Adala (1978), Stafford (1978) all used a similar simple model with slight modifications. However, Stafford discusses only rental housing and develops a kinked demand schedule on assumption that at some level all households are willing and able to pay some given amount of rent, may be as result of subsidies. On the other hand Adala's and Button's are very similar, discussing owner-occupied housing in the theoretical model, and pointing out that the prices for owner-occupied are expected to rise in addition to fall of supply of rental housing. The geometrical models presented by Button and Adala are based on various assumptions. These assumptions include the following:

- (i) Rent control imposes a ceiling, such that rent cannot be adjusted beyond that ceiling. This control is indefinite.

(ii) The dwelling houses are homogenous and have the same site value.

(iii) quality is assumed to be variable.

(iv) rental market is perfectly competitive

(v) The demand schedule slopes downwards; that is when the price decreases the quantity demanded increases.

(vi) The supply schedule slopes upwards, such that when the prices increase, suppliers increase.

(vii) There is no special preference of either form of tenure; the owner-occupation is as good as rental housing. As it can be seen in figure 1,⁵⁹ in short-run rental housing supply is assumed to be perfectly inelastic and this is represented by curve S_1 . It implies that the supply of housing cannot be adjusted and landlords are at liberty to charge whatever rent. If the demand in free market is DD , then the rent charged will be R_1 . However, the Government decides to control rent. This is done by assessment whereby it fixes rent that can be charged. We assume that rent is fixed at R_3 . However, in some cases rent will be frozen at their current levels such that rent would be frozen at R_1 . For simplicity we assume the houses are assessed to determine fair rent. We assume that fair rent is determined to be R_3 . This means that the rents would not adjust beyond the level R_3 . This would reduce the profit rents by $R_1 - R_3$. When rents are reduced, there are more people who can afford. Demand for rental housing exceeds existing

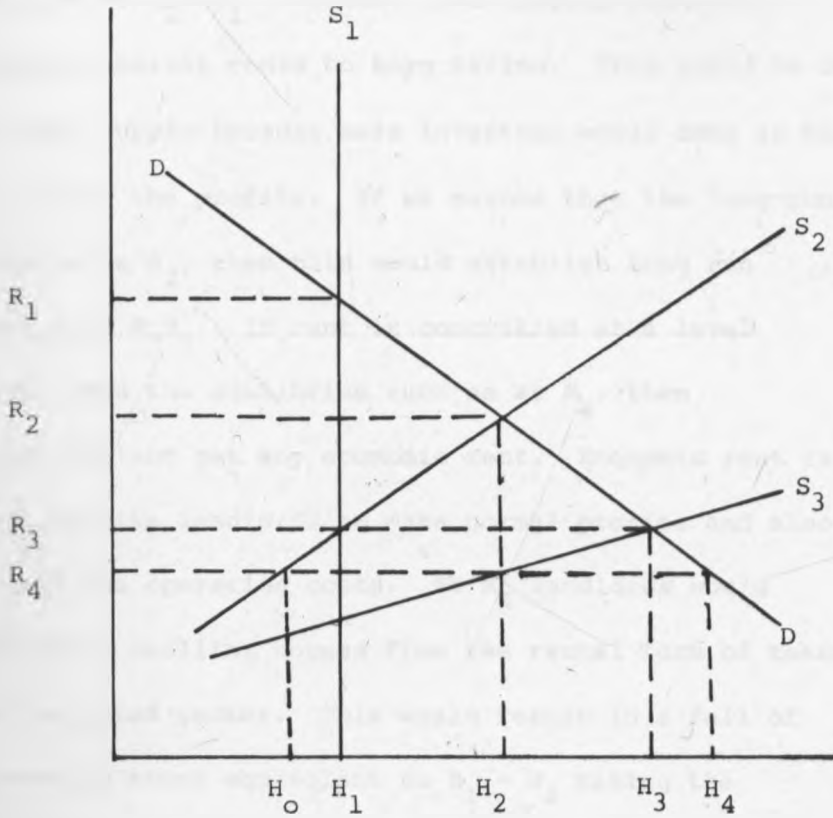


Figure 1: Effects of Rent Control on Rented Accommodation

Source: K.J. Button, Urban Economics (London: Macmillan, 1976) p.159.

housing stock and this creates excess demand for rented accommodation of $H_2 - H_1$. Without rent control one would have expected market rents to have fallen. This would be due to increased supply because more investors would come in the market to leap the profits. If we assume that the long-run supply curve is S_2 , then this would establish long run equilibrium of $R_2 H_2$. If rent is controlled at a level much lower than the equilibrium such as at R_4 , then landlords will not get any economic rent. Economic rent is the rent that permits landlords to make normal profits and also recover all the operating costs. At R_4 landlords would withdraw their dwelling houses from the rental form of tenure to owner-occupied sector. This would result in a fall of rental housing stock equivalent to $H_1 - H_0$ taking the initial supply situation of S_1 . The required number of dwelling units at this low rent would be H_4 .

Under these conditions, the assumption that there is no special preference of either form of tenure is quashed or contradicted. Investors find rental accommodation less attractive hence the shift in form of tenure. The shift in form of tenure can be illustrated using a figure similar to the one presented and discussed by Lean and Goodall (1966).⁶⁰ This discussion was based on the relative desire between owner-occupied and rental housing in relation with capital or rent values. Capital and rent values are expected to fall

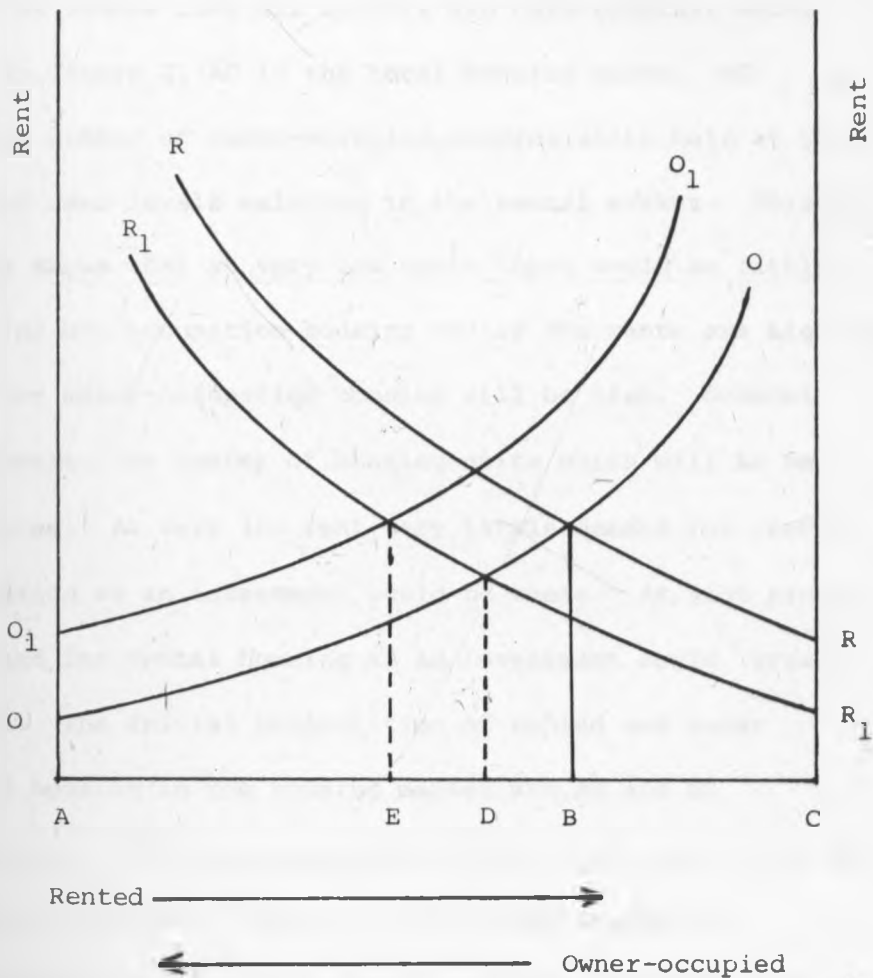


Figure 2⁶¹ Shifts in desire for Owner-occupied and Rental Housing.

under situation of rent control. So we can use the same figure to show the effect of rent control on tenure preference and shifts in tenure. We assume that all factors are held constant except rent. In figure 2, AC is the total housing stock. OO shows the number of owner-occupied housing units held at the different rent levels existing in the rental market. This OO schedule shows that at very low rents there would be little demand for own-occupation housing and if the rents are high the demand for owner-occupation housing will be high. Schedule RR represents the number of housing units which will be held for renting. At very low rent very little demand for rented accommodation as an investment would be there. At high rents the demand for rental housing as an investment would greatly increase. The initial proportion of rented and owner occupied housing in the housing market are AB and BC respectively. In relation to rent control, the rents will be lowered and therefore there will be little demand for owner-occupied housing by tenants, and there would be less demand for rental housing as an investment.

When the desire for rental accommodation as an investment decline the RR shifts to the left to R_1R_1 . This reduces rental housing from AB to AD. Owner-occupier housing stock increases from CB to CD. This would be the case if demand for owner-occupation does not increase.

However, in most cases when the desire for rental housing

decreases, demand for owner-occupation housing increases. The OO schedule shifts to O_1O_1 . The resultant proportion of owner-occupied housing is CE and for the rental is AE housing units.

Not only shifts in forms of tenure are predicted, prices of rental and owner-occupied housing are also predicted to change. The prices are expected to change due to changes in demand and supply. The effect of rent control on owner-occupied is partly due to the excess demand for rental housing which result from rent control. Supply of rental housing cannot increase when rents are controlled. In order to the "would be tenants" to be housed, they have to opt for the owner-occupied housing. Thus the demand for owner-occupied housing increases. This result in shift of the demand curves as shown in figure 3.⁶³ The initial situation is where the demand and supply of owner-occupied housing is represented by D-D and S-S respectively. The equilibrium price and quantity are P_1 and q_1 respectively. Due to rent control, the demand for owner-occupied houses increases. The demand curve shifts outwards to the right to D_1D_1 . With no increased supply, the equilibrium price becomes P_2 and quantity q_2 .

However, this price movement is restricted, since with rent control more supply of owner-occupied housing is predicted. Supply may increase, due to the withdrawal of

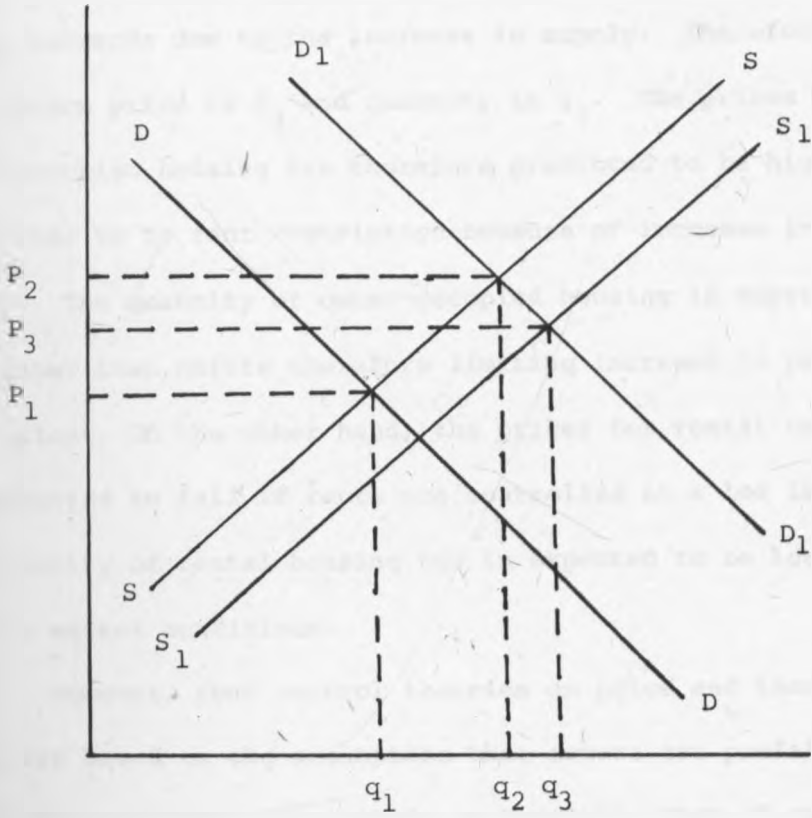


Figure 3: The Effect of Rent Control on Owner-occupied Houses.

Source : K.J. Button, Urban Economics (London: Macmillan, 1976) p.159.

houses from the rental form of tenure. More supply is expected as a result of selling for owner-occupation those dwelling units which were intended for rental housing. The supply curve shifts outwards due to the increase in supply. Therefore the equilibrium price is P_3 and quantity is q_3 . The prices for owner-occupied housing are therefore predicted to be higher than prior to to rent restriction because of increase in demand. The quantity of owner-occupied housing is expected to be greater than before therefore limiting increase in prices to some extent. On the other hand, the prices for rental housing are expected to fall if rents are controlled at a low level. The quantity of rental housing too is expected to be less than in free market conditions.

However, rent control theories on price and tenure forms are based on the assumption that owners are profit maximizers and their only motive is basically that of cash flow from their houses. This implies that they are only after rents from their properties. These models also do not differentiate whether this is a situation under individual suppliers or big property companies. Yet a "property company purchasing investment portfolios of rented accomodation may respond differently to changes in legislation ...than individual landlord."⁶² The supply should be studied at an individual level. Individually, the houses may even be let but having been bought for different motives. Apart from regarding the

property as an investment capital yielding a return in form of an income, there are two other angles which buyers look at.⁶⁴

(i) A buyer may wish to own-occupy such that the concern would be the monetary and social benefits anticipated to be derived in occupation or use value. Though due to some factors he may not accomplish that wish.

(ii) Property may merely be for speculation purposes and the only concern will be the eventual capital gain rather than an income flow.

So having a frame work based on only the movement of tenure and rents as the result of controlling, may not explain the effectiveness and role of rent control on the investors. Using valuation methods,⁶⁵ we may predict the motive of buyers by comparing purchase prices and rents of various sales.

The other aspects of the problem is the effectiveness and role of rent control. The general assumption made by legislators⁶⁶ is that the tenants are hard pressed and that they have no alternatives but to pay rents asked by landlords and they are likely to be exploited if not protected.

Understanding the willingness of tenants to pay rents or take up accomodation is one of the ways a question of who is pressed, exploited and so forth can be understood. This would depend on the housing utility function of the tenant. Rent control is supposed to influence the price since it is a form of price control, where by controlling rents the demand

function would be influenced. But as J.C. Awan et al (1982) found, there are other factors probably more important than price and income, such as household characteristics.⁶⁷

Basic Assumption

In view of the problem and theoretical explanation provided, we postulate that Rent Control, being another kind of price control, will not be of significant restraint or benefit to the owners and tenants respectively, unless the participants consider the price or rent related factors as major issues in their consumption. It is our basic assumption that participants in middle income housing market are not motivated by rent receivable or payable in their housing investment or consumption.

This assumption implies that rent controlling does not affect the owners and consumers in the middle income category and as such its existence or not has no effect on their behaviour. The action of landlords or owners for example of letting or owner-occupying cannot be influenced by rent controlling and therefore tenure choice is independent of the rent receivable.

Under this basic assumption the study attempts to test the following hypotheses:

- (i) Property values or purchase prices correspond to the earning capacity of the rented dwelling houses. This

implies that if annual rent is capitalized, it would equal the purchase price; and if this is the case then restricting rents will lead to a decline of property values.

(ii) Maintenance of a rented dwelling house depends on rent receivable. This implies that if rent influences the maintenance, then controlling it would mean affecting the maintenance and hence the property values.

(iii) Dwelling houses are withdrawn from the rented sector if the rental value falls. If this is so, owners would not be willing to let their dwelling units after rent control because rents would not be attractive. This would lead to a fall in the size of the rental sector in favour of owner-occupation. The demand for owner-occupation increases due to any rent control in the rental sector, leading to prices being higher than for those rented; and corresponding shift from the rental market to owner occupation.

Objective of Study

Rent control has been used and applied originally to the low income housing, but the scope has been widening over time to encompass more houses of middle income category. As stated earlier rent control has been seen to be ineffective. There has been vocal dissatisfaction about the way rent tribunals

perform their duties. Also rents still remain high after control; and more shortages of rental housing are experienced. It is in view of this, that the study sets its objectives as:

- (i) To find out the main factors which affect the performance of rent control. In other words to try to explain the cause of the ineffectiveness of rent control.
- (ii) To try to establish whether rent control has any economic role to play in the middle income category, especially in the determination of property values and tenure.
- (iii) To make recommendation of how to solve the rental housing problem, especially of how to increase housing affordability.

This study in other words tries to answer the following questions:

- (a) Is there any role for rent control; or rather is rent control an indispensable tool of the housing policy?
- (b) To what extent should the Kenya government strengthen the Rent Tribunal?
- (c) Can open market be relied on to provide an optimum level of middle income housing, given the present socio-economic set up?

Scope of study

The study is concerned with rent control policy in relation to private middle income housing. We were only concerned with the way rent control affects property values, and influences tenure. However, since the thrust of the problem was in the effectiveness of such control, we pointed out in the course of investigating value and housing tenure those factors which were likely to influence effectiveness. The study was not concerned with the legal aspects of rent control but more so on the economics of housing. The period of investigation of the problem was limited to the period of between 1973 - 1984. The starting year was set at 1973 because this is when the first phase of Buru Buru Estate was completed. Emphasis on period depended on the significance of the data available, however, there were two specific periods that were examined; that is, period before 1981 and period after 1981. This is because there were significant amendments of the Rent Restriction Act in 1981 bringing new features in the Act.

Significance of study

Rent control has influenced patterns of consumption of housing for some time; yet as echoed by Mayo and Malpezzi (1984) little is known on the impact on housing demand of these

rent regulations.⁶⁸ Also, it's effect in Middle income housing has not been given any attention⁶⁹, yet it is this housing category in the centre of the spectrum, either on the way up or way down. Middle income housing is in a very crucial transitional position where any policy aimed at this category affects the low income and also the high income categories. For example, increased demand of this type of housing may mean over-burdening of the low income category of housing.

The preferences of the consumers for this middle income housing category have to be understood, and the knowledge would be of importance in trying to uplift housing standards. Also the taste and preference of consumers for housing should be analysed; since these form unchallengeable axioms of man's behaviour. The response to such policies like rent control would very much depend on the tastes and preferences, and therefore with such knowledge of this nature it is possible to enhance the effectiveness of housing policy. Even developers may benefit from such knowledge; and may be helped in programming their investment timing and choice.

Also the knowledge of property values and how to protect house values is necessary. Just like land values shape the pattern of land use in the city, property values determine the use of a neighbourhood. If it is already a residential area, then land values will determine the type of residents or characteristics of residence on this neighbourhood. This kind of knowledge would be helpful for those concerned with housing and town planning.

Lack of commitment to the rent control and lack of manpower has been cited. Yet, the government continues to publicise and fund the rent control mechanism.⁷⁰ This may not be successful if the preferences of the beneficiaries of the mechanism are not known. Since tastes are not easily capable of being changed through persuasion, information is required before the scope of rent control is determined. The study attempted to estimate the possible rent level at which effectiveness can be enhanced. Also where there is need to intergrate rent control into the national housing policy, it would highly be desirable for the housing institutions to monitor and evaluate the impact of rent control.

This study is the first to focus on middle income housing category in relation to rent control, and on how rent control affects tenure and property values in Nairobi and Kenya as a whole. A previous economic study of rent control was done in 1975, and many changes have come up, for example, the scope of rent control was changed to cover houses letting at shs 2,500/= per month. Although the present study focuses on Buru Buru Estate, Nairobi, it was expected that its findings would have some relevance to the general debate on rent control and would be useful in evaluating specific rent control proposals.

Methodology of Study

Choice of Study Area

In studying any aspects of housing market, it is very difficult to come up with conclusive results, mainly because housing is heterogenous. This is in terms of construction materials and methods, accommodation offered, age of the structure, designs, source of finance and many other variables. So in order to avoid this heterogeneity, Buru Buru has been chosen as area for our case study. The neighbourhood is relatively homogenous, providing a similar courtyard design for all dwelling units, similar construction materials single developer and almost a common source of mortgage finance. This can allow easy classification of the dwelling units or characteristics of the dwelling units. Studies which compare for example two different estates by different developers and financiers stand a chance of having immediate and obvious differences especially as related to property values. The developers would influence the selling prices at varying degrees. Finance houses have different membership and therefore buyers would be influenced by the financiers' policies and the general membership. So to reduce the unexplainable variations ab initio we had to try and choose a homogenous estate at least in term of the designs, class and costs.

The other reason for choosing Buru Buru is because it has been regarded as a middle income housing,⁷¹ by the City Council, the Government and by the Housing Finance Company of Kenya. It was also specifically considered in the planning process where the community was expected to behave just as any other middle income group. The residents may not be middle income, but this estate's provisions and facilities are meant for middle income housing. In terms of needs of space, the estate suits middle income people and the tag of middle income suits it, irrespective of the composition of the residents.

In recent studies, ignorance has been singled out as a major factor contributing to the ineffectiveness of rent control.⁷² Buru Buru has been earlier found in the studies to be inhabited by relatively affluent residents with almost all having atleast Secondary level Education.⁷³ The residents are expected to be knowledgeable on the existence of rent control instruments, so we could easily relax a variable of ignorance in the study. However, it does not mean that low income housing consumers do not know their preferences and rights. Also the determination of standard rent is a tedious exercise, but for an estate like Buru Buru, it is easy to impute rental values because all the purchase prices are available and almost uniform in each phase. It becomes easy to determine the difference in market rents and prices on the one hand, and controlled rents on the other.

Buru Buru housing estate has a mixture of tenure, there are owner-occupiers and rental tenants enjoying similar housing services. Since the study is concerned with tenure and property values and how these are affected by rent control, then an estate like Buru Buru becomes ideal. Traditionally effects of rent control are studied by comparing the controlled and the uncontrolled rental values in estates which ab initio are different. Those estates do not provide sufficient base to study the suppliers. But with a mixed housing sector in one estate, the owner occupiers provide some representation of one type of suppliers of housing services. Therefore choosing a single neighbourhood ensures that all the services, designs and so forth are constant, and that what varies is the tenure, giving a chance to study both controlled and the uncontrolled housing. Uncontrolled housing in this case is what is occupied by owners in an estate like Buru Buru.

Lastly, the choice of Buru Buru Housing Development was made because it is recently built, and all houses have been on the market during the period of rent control. Data available on the buyers and selling prices were easily accessible from the field. But most of all for any study of tenure and effects of rent control to be effected successfully data on landlords and owner-occupiers is needed for studying the supply side of the market. And this was relatively available in case of Buru Buru.

Data Collection

The data collection was mainly through the administration of a questionnaire. In the main study three sets of questionnaires were prepared and conducted in the Estate, randomly taking the dwelling units as the data base. The first set of questionnaire was applied to tenants. This questionnaire was administered with a view of finding out the preferences and characteristics of tenants, their opinions on rent control and their course of action in case rent was hiked. The relationship existing between the tenants and landlords was investigated, including the state of repair and maintenance of individual housing units.

The second set of questionnaire was administered on the owner-occupiers, specifically looking for their preferences, reasons of owner-occupation, plans regarding their future residence and tenure of their units together with an assessment of their utter satisfaction in the houses.

The third set of questionnaire was for vacant premises or voids. Vacant house survey was a significant source of data on the operation of rent policies. The questionnaire aimed at finding out the length and occurrence of voids, the previous tenancy and intended tenancy. By discussion with residents an attempt was made to find out the reasons for houses falling vacant. A complementary survey on these dwelling units was

done using data from financiers and developers. This aimed at collecting various attributes of buyers, like their cost-annual income ratio, age, size of household, and income. This was a necessary step, first for comparison with data from the field and also for getting the information on the absentee landlords. Using such information it was possible to compare those who are owner-occupiers with those who were landlords. This was necessary because the suppliers are most sensitive to rent regulations, and it is these two categories that usually represent the suppliers of housing in urban areas.

The other sub-case study was a sample of Buru Buru houses which had been re-sold. Data was collected from the Lands Office where all valuations for taxation purposes such as stamp duty are done. This was done to study what kind of tenure and rents these resold houses fetched, and through these the motive of buying could be analysed and explained.

Of houses which had been assessed or whose standard rents had been determined before the study a sample was chosen from the Register of assessment at the Rent Tribunal chambers. Then a cross-checking questionnaire was conducted to assess the present condition of tenancy of the sample chosen.

This approach was meant to test the effect of rent control on property values; and one visible component of value was the rent charged. Rents charged on property are rarely recorded anywhere and the information on previous rents was

expected to be hazy. However, newspapers have been found to be reliable sources of data on property. For example R.U. Ratcliff (1949), felt that newspaper advertisements are perhaps the most important method of bringing buyers and sellers together.⁷⁴ So a newspaper cutting project was also carried out in order to collect the data on previous rents offered.

Other data was collected by reviewing reports and previous studies on housing in Nairobi. After collecting the data simple statistical methods were used, which will be discussed as we present data analysis later in this study.

Organization of the study

The study is presented in two parts, the first part being introductory, comprising the first two chapters, one and two. Chapter two is a review of related literature where the literature on rent control has been studied, and includes, the role, effects on spending, supply of housing, investment value, tenure and on decontrol or moderation of the rent policies. It ends up with some highlights of the most relevant literature.

Part two is mainly the case study which is presented in three chapters. In chapter three the geographical area of study is introduced together with discussion on how rent control has been observed to affect Buru Buru since 1973. In addition, there is a presentation of field analysis and methods

of data analysis. In Chapter four the findings of the study are presented. Data about tenure is analysed in the first part and then that related to property values follow; though some issues have no clear cut boundary on where they belong. In chapter five the main findings are discussed, and then conclusions and recommendations are made.

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62 This figure is similar to figure 9.1 (b) by Button, Urban Economics p. 159. However, this includes the quantities q , q_1 and q_2 and the demand and supply curves do not cross the axis since I did not know those positions, like many other economists. A similar figure was used by Adala, 'An Economic Study of Housing' p. 73. The supply curves however differ. I have simplified them by keeping them parallel. This implies that the amount of rental houses withdrawn into rental are of the same proportion irrespective of their prices.

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CHAPTER TWO

LITERATURE REVIEW

Aspects of rent control which are considered by scholars include effects and impact of rent control on rental housing; and the implementation and administration of Rent Acts. Scholars who have investigated these aspects include social administrators, economists and advocates. According to Robinson [1979] there are two groups of writers on these aspects of rent control. One group of writers simply employ a formal theoretical framework but at best with only partial empirical data. The other one present a great deal of empirical evidence, but in many cases reject a priori and do not test adequately certain general theoretical expectations about the way the market functions.¹

The approach of this study takes a general outlook on rent control; it's role, effects and administration as described by various writers on this subject. The objectives of rent control are varied. The main objectives are embodied in the Acts which govern the operation of rent policy. In Kenya the premeable of Rent Restriction Act [RRA] 1982 states that its objectives are:

to make provisions for restricting the increase of rent, the right to possession and the extraction of premiums, and for fixing standard rents, in relation to dwelling-houses, and for other purposes incidental to or connected with the relationship of landlord and tenant of a dwelling house²,

Apart from the Acts which state the role of rent control, various scholars have identified some roles, though they tie these up with the above provisions. Lindbeck [1967] identifies some of the role of rent control as to include stimulation of housing demand, keeping rents down, distribution of income and as being an anti-inflationary tool.³

Rent control basically has been used for the protection of residential tenants, However, it may also be used in the commercial sectors. According to Heddleson [1983] rent control in commercial sectors is meant to protect or preserve the neighbourhood character.⁴ She mentions that rent control in residential sectors is to increase affordability and protection of tenants from eviction. The tenants are given an opportunity not to move. The need for such a protection arises because those housed in rental units are unable to meet landlords' demands and cope with factors which have resulted from urbanization.⁵ Tenants should be guaranteed a minimum standard and a right to continue to occupy a dwelling. So they should not be unnecessarily evicted unless under conditions which are provided by the Rent Acts. These include; tenants defaulting in rent payment, landlords wanting to repossess for own occupation or for the members of his family and the breach of terms of tenancy.

Rent control has social-welfare functions. The institution may influence the expectation of private decision making. It may be considered desirable to redistribute income

and wealth between various classes of citizens. It may be used to correct a distortion of the efficiency pattern of the use of resources caused by monopolistic elements. Rent control according to Stafford [1977] is in pursuit of the distribution of equity, though tenants, landlords, rich or poor are treated alike.⁶ Strachota & Shenohon [1983] also identified some role of rent control as ensuring that landlords get fair return from their investment without speculation.⁷ The fact that landlords and tenants disagree and in many cases result to violence,⁸ rent control acts assist in solving disputes legally and in a more orderly manner with less technical litigation. Some scholars have found the role of rent control to be more than dealing with landlords - tenants relationship. For example Akwara [1983] stated that " Rent Restriction Acts are used for ideological and political purposes."⁹ Related observations were made by Adala [1978], feeling that rent controls were introduced to control evictions and reduce subsequent embarrassment to government.¹⁰ Rent control according to Akwara's and Adala's viewpoints seem to be more socio-political instrument than economic policy tool.

But the area where rent control should have a role, according to Ebensours et al [1957] is where tenants are in a weak bargaining position. Since the income left to the tenants of such category of people do not give basis for satisfactory standard of living. This is where rent control should be of

importance. In so far as rent control is successfully enforced it improves security of tenure, raises social status of tenants and stabilizes the balance of rent and income.¹¹

Frankenhoff [1973] tries to analyse the economics of a popular housing policy which he defines as "a dialogue of decisions" of various parties, participating for "the purpose of increasing housing services" choices. He identifies the role and scope of rent control when he states that housing policy tends to affect more directly the lower income household, which he defines as that type of class who require attention; as those households whose demand for new or improved housing services cannot be effective without government intervention.¹²

However, Professor Muth [1967] argues that security of tenure is not a problem in a free market, because the cost of getting a tenant are high. So the landlord would always prefer to retain a present tenant.¹³ In a discussion by Lindbeck [1967] one of the issues he considers is the usefulness of rent control resulting from the nature of the housing market. He believes that rent control is justified because of the specific properties of the market for housing; such as limited supply of housing in the short run, and high capital output ratio of housing. However, he does not consider rent control as indispensable.¹⁴

Rent control has not only been seen as indispensable but has also been a controversial policy tool generating much argument.¹⁵ Rent control has had a lot of side effects. Some of these side effects have been advantageous, while others have been adverse. Some of the desirable effects according to the United Nations [1978] are the reconciliation of landlord and tenant interests, and the restraining of inflationary growth. Therefore rent control can be used as an anti-inflationary instrument. It is further argued in this United Nation Report that Rent control has encouraged use of local building materials; like in Honduras where local building materials are used to reduce the burden of importing such materials.¹⁶ But the controversy mainly lies in the fact that rent control is an ad hoc policy measure protecting only those who are already housed.¹⁷ It has been claimed that rent control is the principal cause of the decline in privately rented housing units. This has made it very difficult for people to get rental housing especially within affordable limits. New construction cannot be profitable if rent is controlled, at the same level like old houses. The old houses were constructed when interest rates were lower, and inflation has less effects compared to new dwellings.¹⁸ In the United States of America, according to a Research Report of Urban Land Institute [1976] the following has been observed:-

Large scale, high density housing for middle income families is not being actively undertaken due to capital shortages and developer resistance to ... rental constraints which include the existence or more prospects of rent control and tenant action.¹⁹

So it is not only the existence of rent control on a unit or in a sector that has effect, even mere existence of such control in any other sector should have some effect. Robinson [1979] observes that the existence of rent control in one sector of the market makes the probability of extending it to those which are being built, after sometime, quite high, thus giving an investment scare.²⁰ In a U.N. Centre for Human Settlement report for Kenya [1981] it was noticed that rents have to be sufficient to cover costs; and when frozen at any particular level the supply may be affected. The study went on further to observe that "rents do not cover carrying costs; and therefore a number of housing developments are being postponed".²¹ In a case study Harold A. Davidson [1978] felt that rent control ordinances cause real concern among investors and owners. Rent control or its prospects adds an element of uncertainty. He further notes that "Rent control could transform a residential real property investment from an inflation hedge to an inflation risk";²² and when this happens, the supplier is further affected not only by the non-starts, but also by landlord actions towards diluting the

impact of rent control such as converting rental units to other uses. In support of this argument, Strachota & Shenehon [1983] argue that the economic impact of rent control keeps supply and demand out of balance and perpetuates market crisis.²³

Similarly, Adala [1978] in her study considers rent control as one of the barrier towards newer residential construction. She recognises that rent control is likely to impede the natural housing trend, and she states that "It is quite likely that the lack of activities in rental market in Nairobi is partly the result of rent control measures."²⁴ Keifer [1980] reckons that demolition of controlled units would happen before the revenue or return were below zero or at earlier stages than for those in a free market. There is likely to be serious reduction in even existing rental housing.²⁵ Others who have highlighted resources allocation restriction include Pennance and Gray, [1967]:

True is the absence of a unified and competitive market for homes, it is difficult to discover whether the population is getting the amount and quality of housing it would otherwise be prepared to pay for.

The control and regulation of rents ... in different sectors of the market creates this problem.²⁶

Stafford [1978] also felt that rent control paralysed the supply and in fact perpetuated the housing crisis. He feels that rent control leads to misdirection of resources to other

sectors depriving the poor from finding accomodation.²⁷ A similar view was stated by Lindbeck [1967], who identifies that rent control creates excess demand and that the poor are not capable to compete.²⁸

Writing on economic effects of Rent Control in Denmark; Gelting [1967]²⁹ felt however, that housing shortage would probably have made its appearance with declining vacancies. He confuses cause with effect. Clarification of cause and effect have been made by Abrams (1963). Abrams said that rent control is the consequence of shortage rather than the cause.³⁰

Gelting felt that in presence of rent control, tenants save by paying below market rent, but the savings are used on other goods³¹. The subsidy tenants get does not benefit the housing sector but other sectors of the economy. So in case of decontrol there would be a change in total spending on other goods, and real income would be transferred to house owners, who may increase their investments in housing³². This arguement is based on the fact that landlords are already used to investing in housing, so when they get more funds, they would think of that sector they are familiar with when considering re-investment. Olsen [1972] is of a similar opinion as Gelting. Writing about the effects on allocation of resources and distribution of well-being, he found out as well, that tenants in controlled housing end up consuming less

housing services and more non-housing services or goods. Using an econometric analysis on data from New York, it was found out that occupants consumed 4.4% less housing services and 9.9% more with no rent control.³³ That finding indicates that the housing sector in many cases would not benefit from rent control. Not only are scholars concerned with supply of rental housing but also the housing investment value and housing quality.

Representatives of investment analysts have condemned rent control wholesomely. Winnick (1958)³⁴ emphasised that all along investment in rental housing has been stimulated more by the prospect of capital gain than the prospect of reasonable income. He says that there should be minimization of risk on the cash contributed by the investor, yet rental housing carries more risk which is attributed to among other factors, social controls. According to Jorgensen (1977) it is marginal returns which can justify housing investments. He asserts that,

...in a market with severe shortages with subsidies and rent control, it is neither the amount presently paid by families for housing nor value of house services at current market prices which are important. Rather it is the amount which they are prepared to pay for improved housing...³⁵

So the current situation is not very important, instead it is

the future which counts. Also Judge Harris was quoted as saying:

A fair market value of rental property is ... a function of its ability to earn. Uneconomic rents inevitably decrease the sale value of rental property

...³⁶

So market value has a bearing on real rent and the amount to be invested in residential especially rental housing and if the investors are to consider selling. Residential housing is likely to recover if rent control was abolished. This has happened in the past. For example, according to Wendt and Cerf (1969), during the Second World War, there was shortages of rental housing. Even after the wars for some time the situation in the U.S.A. worsened. But with removal of rent control in most states and with some government subsidies, rapid recovery in residential construction was experienced. Rent control was acting therefore as a barrier.³⁷ Not only new construction is curtailed, but also housing services are reduced, the tax base is eroded and the physical and economic life of controlled buildings is reduced especially in inflationary periods as Moorhouse [1972] found out.³⁸ This is a result of increased or inward shifts in demand or costs or both providing an incentive of curtailing the maintenance of rent controlled units.

Rent collectable from a property forms a major component of the property value. This type of value is known as gross investment value. Under rent control situation this value is definite and constant. Yet potential increment in income would tend to increase property value.³⁹ Lack of potential change in value makes such investment very unattractive since capitalized values would also be lower in a controlled situation. Needleman [1965] suggested that the landlord's revenue from regulated market is independent of its maintenance⁴⁰. This leads to disrepair, reducing services, fostering dilapidation, premature demolition and abandonment. This disrepair worsens as the landlords start to look forward to the recovery of the premises. Any landlord would very much wish to see that his premises are declared unfit for habitation.⁴¹ This kind of attitude leads to neighbourhood deterioration hence to property values falling, site values decline, and resulting in the all decline of the city. Probably the most harsh condemnation of rent control in this respect comes from Lindbeck who said once that "Next to bombing, rent control seems in many cases to be the most effective technique so far known for destroying cities..."⁴² From such statement it can be shown how serious rent control may lead to deterioration of properties, to the extent that property values decline to nothing, as if there was bombing. Investment value therefore declines to only site value.

However, Maclennan (1982) has a contrary view and believes that property values and even supply of housing may be increased, especially when the rent control scope excludes some groups. This makes some landlords improve their properties so as to avoid falling under the ambit of rent control.⁴³

Security of tenure is one of the objectives of rent control. Security of tenure affects the landlords income or what Maclennan calls "Psychic income". It also deprives him of his right to reposses his property.⁴⁴ Rent control encourages and gives opportunity to the tenants, that of enjoying low rents. This leads to tenant immobility. But probably the cause of this immobility is that those who are in controlled markets are likely not to find alternative cheap housing if they wished to move. The tenants receive subsidies only for as long as they remain in controlled housing. In support of the above Mayo and Malpezzi [1984] state that:

...renters may wish to move repeatedly over their life time in response to changes in preference and resources, thus despite having assurance of a stable rent in one dwelling, they do not have the assurance of stable rent in dwellings into which they may wish to move in the future.⁴⁵

It has been concluded that rent control may affect labour mobility. In order to have the required labour mobility more houses have to be built and they must be of competitive rent.

Otherwise rent control and the resultant immobility makes region and district development very difficult.⁴⁶ Many other scholars like Lean and Goodall [1966] and Turvey [1957] point out that incentive for tenants to occupy their present units is more in controlled sectors. In case of change of places of work, tenants may reject a much paying employment in lieu of a controlled house.⁴⁷ In Sweden Kimeny [1981] found that tenants in older housing were discouraged from moving by low prevailing rents.⁴⁸ However, a contrary finding was documented by Cullingworth [1966] who found that there were no observable decreases in the supply of rental accomodation, more repairs were done, and there was little evidence that housing stock was being more intesively used.⁴⁹

De Salvo (1970) also held a controversial opinion. He found that tenants of controlled housing did not consume housing more than those living in uncontrolled housing.⁵⁰ So the tenants in the controlled sector may be as mobile as those in free sectors. Rent control does not only impede tenancy mobility but also restricts land use mobility.⁵¹ Single roomed houses which normally are close to the city centre tend to be protected and because of that protection re-development cannot take place. So the site values in return fall because of that inflexibility in land use. However, according to Keifer (1980), land use immobility may be necessary for neighbourhood stability.⁵²

Tenure is not only in terms of use, it is also manifest in kind of property users. Housing can either be owner-occupied or rented. In conditions of rent control more houses will be drawn from rented sectors to the owner-occupied sector.⁵³ This is a result of increased risk and reduced services in rental housing.

According to McDonald (1979) investors will prefer to sell to owner-occupiers rather than to rent.⁵⁴ According to Hallett (1979) "The construction of new homes for letting will soon cease and, when lease come to an end premises will tend to be sold rather than re-let."⁵⁵ So there is a real switch of tenure according to the above statement. On similar lines Lean and Goodall (1966) says that demand for owner-occupied housing would probably be at an even higher level, since owner-occupied housing will have increased capital values as compared to rental housing.⁵⁶

The aspect of conversion has also been highlighted in view of its effect on tenure preferences. Kanner (1978) says that rent control accelerate conversion.⁵⁷ However, according to Noormohammed [1975] there was no disincentive to tenants to become landlords or owner-occupiers in Eastleigh, Nairobi, though he did not look at the loss of incentives of landlords and owner-occupiers who are supposed to release their houses to the rental sector, or at their willingness to become landlords.⁵⁸ The choice of tenure has been seen to be an

economic issue. But it may be a social one, as Yahya [1976] seem to assert, when he states that:

It would seem that economics cannot tell us the whole story and the fundamental issues that relate to people's values, tastes, traditions and preferences regarding who they want to live next door to ...The basic values are social rather than economic...⁵⁹

So according to such a statement rent control may not have an influence in tenure choice. Although rent control is a social need at community level, it is an economic one at individual or micro-level. Yahya goes further to argue that despite rising costs, people are always prepared to invest in accommodation either for owner-occupation or letting. "Rent Restriction Acts are ignored by landlords."⁶⁰ So a person may become an owner-occupier or a tenant. A tenant will not enjoy the tenure merely because rent and rent controls are ignored. Rent control involves the distribution of income. There is a form of a subsidy which is equal to the difference between the controlled rent and the free market rent. Thus there is some transfer of real income from landlords to tenants. Unlike other subsidies which are met by the government, this one is met by the private landlords. However, as stated earlier, it is an indiscriminate subsidy, where the rich and poor are treated alike. After-all rent differences bear no relation to the financial capacity of the occupants. Low cost housing is

often occupied by those who would be capable of paying a much higher rent, while lower income people are compelled to take more expensive dwellings.⁶¹ It turns out that the rich are benefitting more, despite the objective of narrowing the income and welfare gap. But even if those occupying the controlled housing were the right target this kind of policy would only be keeping rent low for these fortunate ones who are housed. Johnson [1951] felt that this way the poor may be subsidizing the rich.⁶² However, literature opposing, this view exists. Olsen, (1972) felt that poorer families received larger benefits.⁶³ Stenlieb and Hughes (1979) concluded that rent control represented more than a transfer of resources between landlords and tenants. It is not a two way transfer but a three party concern, where the third party is all the tax payers who have to bear the ultimate costs of the rent subsidy. Tax base is also eroded and benefits may not go to the right group of people.⁶⁴ Rent control benefits may go to the wrong group mainly due to the way tribunals operate.⁶⁵ The problem of uncertainty in rental income after all, according to Davidson [1978] may be attributed to the speed at which tribunals react.⁶⁶

Rent control mechanism consists primarily of quasi-judicial boards with varying composition from each government system to any other governmental system.⁶⁷ These are sometimes referred to as tribunals, commissions and so on.

Tribunals are necessary because of reducing the overburdening of the ordinally courts of law. Also, often rent control has some complexity and necessitates special mechanisms.⁶⁸ There are however, a few governmental systems, like that of Tunisia, where all rent control disputes come under the ordinally court jurisdiction⁶⁹. There, tribunals are vested with judicial powers, but these powers need to be invoked before the courts can take action to redress a wrong, assess fair rent and so on. Rent tribunals have some legal power to initiate control proceedings, but in many cases they are seen to be very inactive. According to Andhoga [1976] "The rent tribunal has therefore power to initiate assessment of rent, yet this is the area in which there is most outcry of high rents."⁷⁰ But this performance will depend on the composition of the tribunal. Some tribunals emphasise legal aspects. For example in Kenya the chairman of the tribunal is required to be an advocate. Experience in other countries indicates that rent tribunals are dominated by professional people who have gained experience in services to landlords.⁷¹ Sometimes people with architectural training are preferred. For example in Libya, out of a team of three, there should be an architect.⁷² Others could be either representatives of landlords, tenants, civil engineers or civil servants.

The jurisdiction of a rent tribunal may include keeping of a registry for the assessed or controlled premises.

Also the vacant premises are brought to public notice.⁷³ However, relatively very few cases come up for adjudication before the Rent Tribunal. Unfamiliarity with the law appears to be a major cause. Desire for good relationship with the landlord is also another factor which has been thought to be behind the passiveness of tenants.⁷⁴ Noormohamed [1975] concluded that the only way to make rent control effective in Kenya is by removing fear and ignorance. So 'effectiveness' to him depended on knowledge of controlled rent, knowledge of the mechanism of the rent tribunal, and knowledge on the process of assessment.⁷⁵ Litigation process is also thought to be rigorous. But probably housing shortage itself is the major cause of dominance of rent control policies; and in such circumstances rent control becomes a floor, rather than a ceiling; according to Kaish (1980).⁷⁶

Ineffectiveness may also be caused by the staff training and composition. There is some misunderstanding of the Rent Acts. There is also a tendency of relying on the experts to determine the market rents. This misconception was highlighted in a civil appeal case of Anwer Kalyan and 11 others Vs Rasi Properties Ltd (Kenya)[1979].⁷⁷

Akwara (1982) attributed ineffectiveness of the mechanism to lack of confidence in the existing institutions. He reckons that as a result of this docility tenants suffer more.⁷⁸ Even in Rio de Janeiro, Brazil, it was found that

97% of all tenants during year 1964 - 1974 had paid rents set by landlords without regard to the rent restriction.⁷⁹ Ghai and McAuslan (1970) thought that in order for legislation like Rent Restriction Act to have any impact, the academic and social economic levels of landlords should be equal to that of the tenants. So the solution would be to redistribute income, education and so aim to make tenants equal to landlords to have an effective policy.⁸⁰

There are problems related to rent control policy; in a way it worsens the situation of tenants, restraining landlords and investors. More so, the people lose confidence in the policy itself. It is not surprising that some substantial literature does exist as related to rent decontrol or moderation.⁸¹

The literature which advocates decontrol usually focuses on contrasting the desirable features of competitive equilibrium versus the stifling effects of control, depending on whether equilibrium could be established, though it is very difficult to talk of any housing market being in equilibrium. The main argument for decontrol goes that such decontrol allows the market determine the price and tenure of housing. Also the shortages created by rent control may be eased. Gelting (1967) considers the case when rent controls are removed. Among the consequences he visualises are that there would be a rise in rent, resulting in more intensive use of housing stock, and the

latent demand becoming more real and effective. Other activities in the economy may be affected. There would be a change in total spending on other goods. Taxable income would go up, so, the revenue of Governments would increase, enabling further investments by governments in housing services.

Gelting further states that:

removal of rent control to a small extent than generally, assumed will lead to a change, both in vertical distribution of income and in the total flow of savings.⁸²

According to the United Nations (1978), Brazil has made an exhaustive study of changes in rent levels following deregulations. It was found out that although nominal rents rose rapidly in the decontrolled premises in real terms all rents declined by about 25% between 1966 and 1974. Tenants also improved or moved to newer dwelling units.⁸³ This generalisation from the Brazilian experience suggests that decontrol together with intensified housing construction has been the correct rental housing policy. Even the report by the International Labour Organisation (1963) seems to agree that a complete removal of rent restriction in some countries would redistribute housing and eliminate most of the shortages and hardships.⁸⁴

The literature so far covered shows how varied the study of rent control can be. Most scholars however, have only

theorised on rent control without testing it empirically; and that is the main weakness. There are few conclusive studies on the aspect of property values or prices and tenure in relation to rent control. Among the studies include that of Davidson (1979). He was concerned with the impact of rent control on apartment investments. He attempted to explore this impact by comparing projected investment results from rent control and a non-rent control situation. The source of data was from Los Angeles, in United States of America; a developed country. His conclusion is based on the Projecting results, which is one of the weakness of his approaches. It makes the study sound hypothetical, and yet it was an empirical study. He also assumes one motive of owning, making value analysis only restricted to investment, yet in many cases investors have different motives - as we have already argued⁸⁵. So because of data source and motive assumption, such findings would be of little relevance to the situation in Kenya. He did not also consider the owner occupation sector, and treated rental housing in isolation. The other study which has dwelt specifically on the price was that of Mark [1984]. He considers the marginal transfer from landlords to tenants as a means of showing how rents in the controlled sector are much lower than they should be. The study provides a "Hedonic price index" for the city of Vancouver, whose status is similar to Los Angeles. Hedonic price index provides useful information

for the analysis of market price determinants. It explains the variations in results for both controlled and uncontrolled sectors. Rent control in his area of study limited the rate at which rents could rise in the controlled sector, and therefore the findings can not reflect the situation where rent control takes a form of rent freeze and price ceiling - as it is the case for Kenya.⁸⁶ Also comparing the like with the like is unchallengeable. Like many other scholars in rent control, the study takes the form of comparison of rent controlled and rent-free. This neglected the fact that those units which are controlled are already different from those which are exempt. For example the age was a factor in delimiting the scope of control. And because of such a factor, it is obvious that the price indices would vary. And even if someone was to take a historical analysis, the same difference in value may have existed before rent control or probably there would still be the same differences in value in case of decontrol.

In general, all those who have dwelt on this aspect of rent control have one thing in common. They compare controlled with uncontrolled rental housing, either consider returns or rents, and their data source has very important implications. Some people have based their studies on data which is relevant for Kenya; the most important of scholars is Noormohammed [1975]. His study was of a case study of Eastleigh in Nairobi, a relatively low income housing. He did not

specifically look at the property values but had findings of importance as concerns operation of rent control and other economic consequences of rent-control. His study was concerned with only rented housing, isolating owner-occupied housing. The dwelling units in the study varied in every aspect possible; and yet his study did not take into account of the varied nature of construction existing in the case study.⁸⁷ Studying rental control in isolation may not be sufficient in answering issues connected to neighbourhood factors. There is tenure link for example between rented and owner-occupied housing and it should not be ignored. He was not in position therefore to generalize on shifts of tenure and to show how the property values could have varied due to initial cost and subsequent housing standards. Apart from the different setting Noormohamed adopted, the study was carried out in 1975 when the scope of the rent control was still at shs 1,000/= at most. Currently rent restriction applies to houses letting at rents of upto shs 2,500/=. Also his study was a pilot study which raised a lot of issues, such as rent control not being effective, not affecting tenure choice, and so on. These issues require some answers and further investigations.

The role of rent control in the determination of tenure could not be answered sufficiently by previous studies because of the common practice of ignoring the alternative tenures. The only tenure aspects which could be considered in those studies are those connected to only rental housing.

Those who have considered owner-occupied housing in relation to Rent Control such as Lean and Goodall (1966), Adala (1978) and McDonald (1979), merely discuss the effects theoretically. MacLennan (1982) also generalises on the effect of rent control dwelling on marginal housing, and based on British rent policies; which are different from Kenyan policies; with different consumers who are even aided by the state. So as far as the Kenya case is concerned, little work has been done in trying to understand the role rent control in housing market, and more so in the middle income housing category. Nothing has been done on how rent control may affect property values and tenure in Kenya. No study has been done on rent control since the Amendments of the Rent Restriction Act of 1981 which increased the ceiling rent from Shs 1,000 to Shs 2,500. So there is a real gap on the literature and findings, in relation to property, value, tenure, and the operation of rent control in Kenya.

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CHAPTER THREE

CASE STUDY

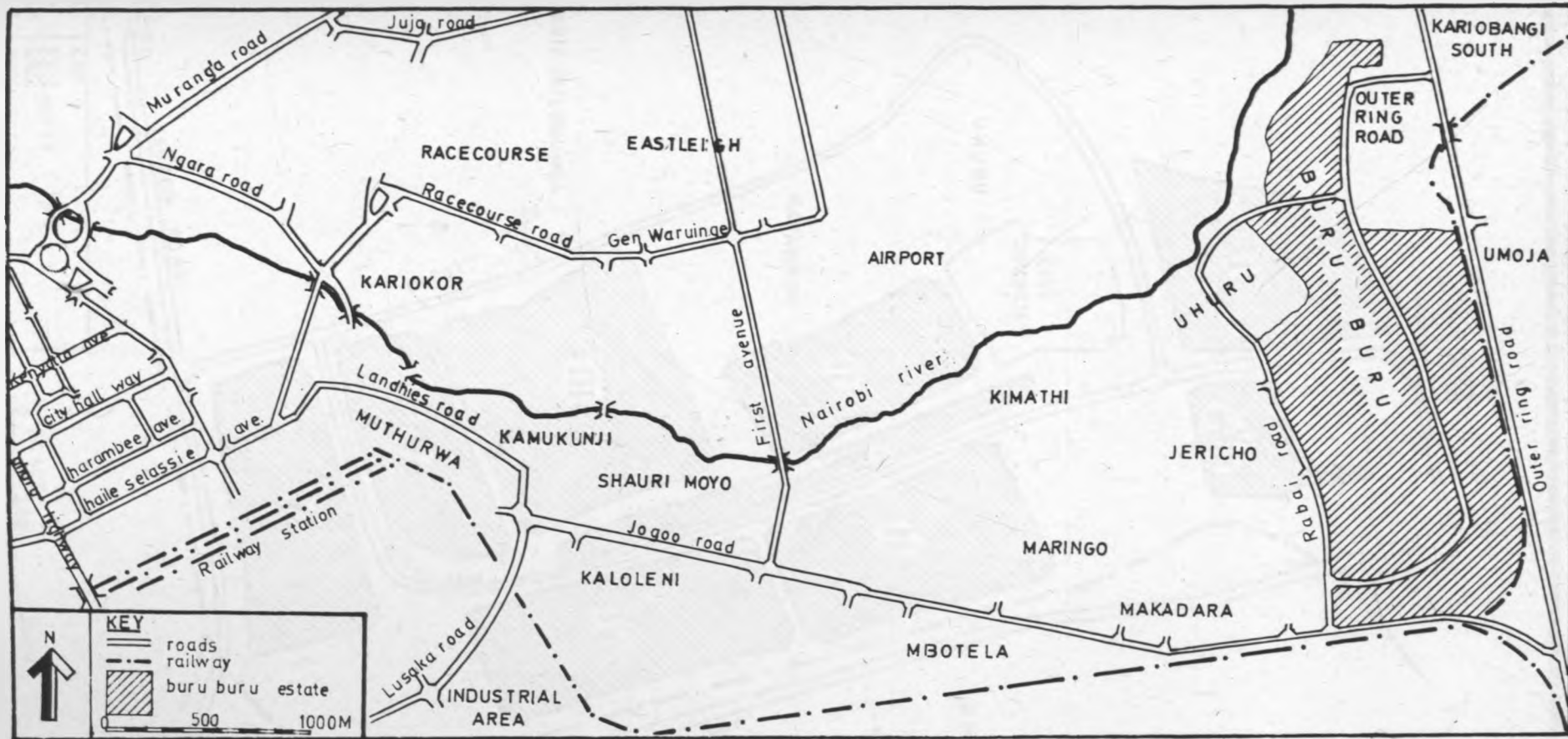
Introduction

In this chapter, Buru Buru Housing Estate is discussed briefly, its location, its objectives and development. The kind of development and selling prices of these houses are discussed. Rent control as it has been operating before and after 1981 in Buru Buru is discussed, and it is shown that residents have not used the tribunal significantly. Procedures of the Buru Buru field survey and methods of analysing some of the data are introduced.

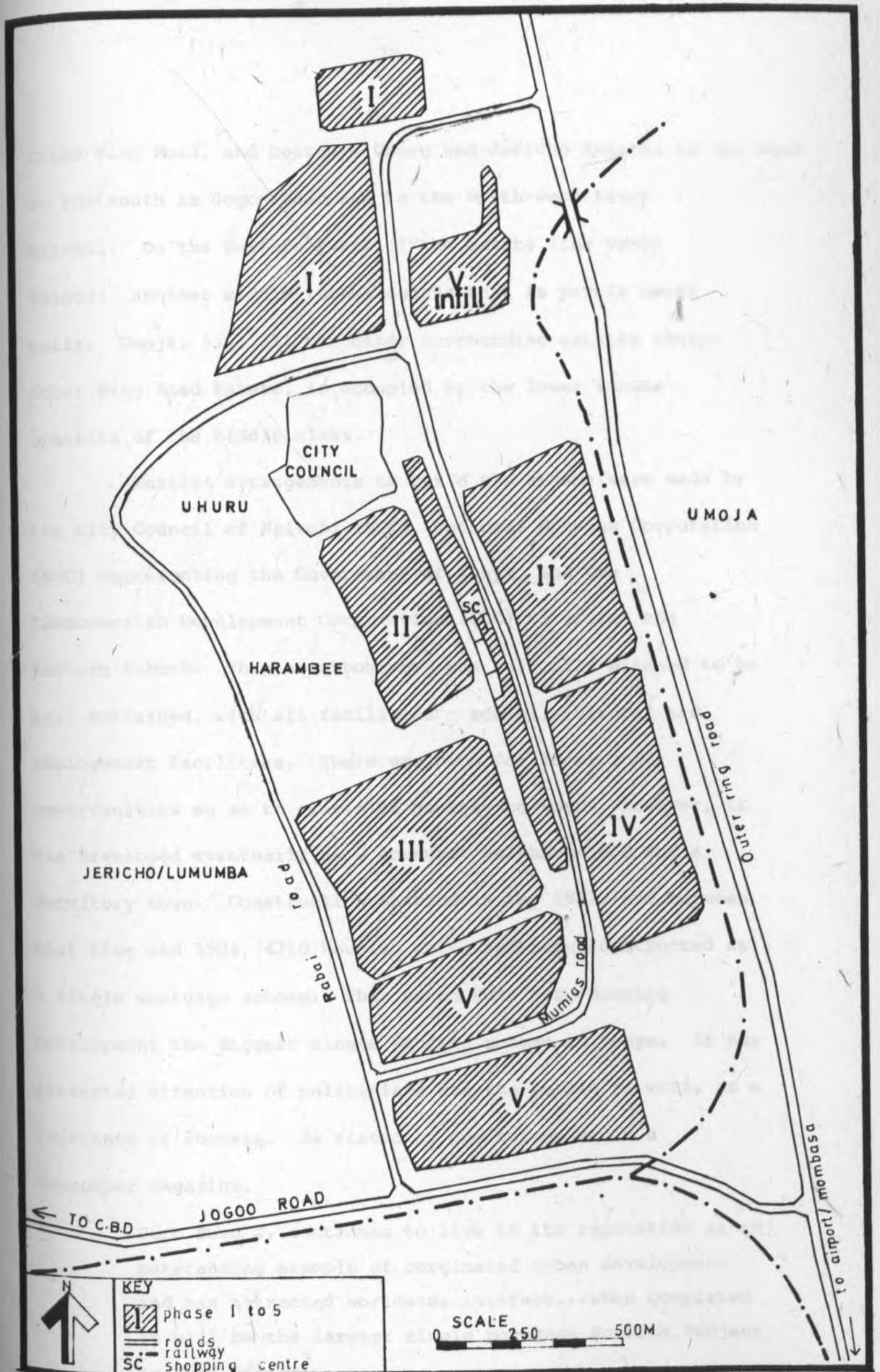
Buru Buru Housing Estate

From the definition of what middle income is, in Chapter One, Buru Buru Housing Estate is the typical example.¹ The aim of studying Buru Buru is therefore not to study housing consumed by middle income people, but to investigate the characteristics of what is typically referred to as middle income housing in the Nairobi of late 1970s and 1980s.

Buru Buru Housing Estate is one vast development in the Eastern extension area of Nairobi located about 8 Kilometres from the city centre due East, covering approximately 4000 hectares.² The location of Buru Buru is as illustrated in map 1 and 2. It lies in the west of



Map 1: LOCATION OF BURUBURU HOUSING ESTATE NAIROBI
 Source: B.E. AKWARA, "POLITICS IN URBAN HOUSING" 1982.



Outer Ring Road, and borders Uhuru and Jericho Estates to the west. To the south is Jogoo Road and to the North-west River Nairobi. On the Eastern flank of the estate lies Umoja Estate; another middle income estate that is partly owner built. Umoja, like all the other surrounding estates except Outer Ring Road Estate, is occupied by the lower income brackets of the middle class.

Initial arrangements to build the scheme were made by the City Council of Nairobi (NCC), National Housing Corporation (NHC) representing the Government of Kenya, and the Commonwealth Development Corporation (CDC) to extend the Eastern Suburb. This neighbourhood was initially planned to be self contained, with all facilities - social, cultural and employment facilities. There was hope for local job opportunities so as to eliminate journey to work. However, it was developed eventually as a commuter neighbourhood and a dormitory town. Construction started in May 1973, and between that time and 1984, 4710 housing units had been constructed as a single mortgage scheme. This makes Buru Buru Housing Development the biggest single Housing scheme in Kenya. It has attracted attention of politicians and the public as well, as a reference of success. As stated by one columnist in a Newspaper magazine,

Buru Buru ...continues to live to its reputation as an outstanding example of cordinated urban development and has attracted worldwide interest...when completed it will be the largest single mortgage Housing Project in East Africa³

Akwara (1982) likewise reckons that "Buru Buru warrants special attention" as a project geared towards the growing middle income group of urban dwellers.⁴

Objective of the development

The development of Buru Buru was perceived with a twin objective of providing rental and mortgage houses. The main objective was to provide affordable dwelling houses to citizens able to prove that they have genuine need, having no other residential property and who undertake to stay in these houses themselves with their immediate families.⁵

However, this was not a strict objective, since the financier of the buyers provided some concession to those who would occupy and a higher rate of interest was charged to those who would be landlords. The concession was scrapped later when both owner-occupiers and landlords would have similar financial obligations. The estate was meant for the growing Kenyan middle class. This goal has long been abandoned.⁶ For example, the income requirement for buyers in phase five was annual income of at least shs 90,000/= per annum or Shs 7,500/= per month⁷ which is three times the Nairobi median income of Shs 2,300/= per month. Despite the situation where the income requirement is high and repayments being high proportion of the income, demand is still high. Allocation has to be done by lottery.⁸ However, the kind of buyers are of high income and

belong to the higher income categories of people. Some of the buyers find the neighbourhood unsuitable, with a social class different from the one they belong to. They eventually let out their dwellings. Because of the high income requirement, many others are not given a chance to be left out by the lottery system. These people wait for their chances to buy from initial allottees who start selling on the open market. In the open market there is no strict income requirements. Not all allottees sell or let, some owner-occupy. There are however, fewer owner-occupiers, a situation Akwara (1982) attributes to owner releasing houses so as to get income.⁹

Development

The estate was developed by two separate institutions. The Rental housing scheme made up of mainly flats, was developed and later managed by the City Council of Nairobi. This study dwells on rent control in private housing. Therefore the City Council scheme is of no interest even though local authority housing falls under the ambit of Rent Restriction (Amendment) Act (RRA) 1981. The reason for excluding local authority housing is because the rents charged are already so low that even tenants are not likely to complain or seek protection from the Rent Tribunal.

The mortgage housing on the other hand was developed by Commonwealth Development Corporation (CDC). Mortgage

finance was arranged by Housing Finance Company of Kenya Limited (HFCK) - a parastatal organization, established by the Government of Kenya in equal partnership with CDC to cater for the financing of the middle and upper income people who need shelter. The terms of repayment for the loan varies from 10 to 20 years with interest rates ranging between 9.5 to 16%. The current (1984 - 1985) rate of interest is 14%.

The mortgage scheme was developed in five phases over the period 1973 to 1984. All the phases provide single unit structure of relatively homogenous design; density of about 125 - 250 persons per hectare, which is a moderate density.¹⁰ Construction was of similar type. Walls are made of concrete blocks and the roofs are covered with mangalore tiles. All the houses are semi-detached either single or double storey (bungalow or maisonettes). These units provide the basic domestic facilities and accomodation. Accomodation provided in phases one and two varies from two to four bedrooms. Phase three comprises dwelling units providing either two or three bedrooms. Phases four and five, has either three or four bedroom units. All dwelling units have a lounge, kitchen, either one or two toilet rooms, and shower room - as shown in appendix 1. Mains water and electricity are connected to all dwelling units in Buru Buru. Drainage is to the main sewer. Hot water systems exist in most dwelling units either using electricity or solar energy. Many dwellings are connected to telephones.

(1) Phase	(2) Year of start	(3) Year of completion	(4) No. of Dwelling units	(5) (6) (7) Price ranges ('000) Bedroomed dwelling units		
				2	3	4
I	1973	1974	920	36 - 39	44 - 58	55 - 64
	1977	1978	21		87.5	
II	1974	1976	977	65 - 70	78 - 98	95 - 108
III	1977	1978	882	70 - 77.5	83 - 99.3	-
IV	1979	1981	857		157 - 192	215 - 215
V	1981	1982	781		230 - 255	275 - 280
infV	1983	1984	272		280 - 300	320

Table 3-1 Showing Number of dwelling units and selling prices of Buru Buru Houses

Source: Commonwealth Development Corporation Offices, Buru Buru Estates

Basic residential neighbourhood quality was achieved through the provisions of tarmacked roads and drives, street lighting and shopping facilities. The shopping facilities include a centralised shopping centre and corner shops within the phases. A police station was built and enhanced a sense of security in the neighbourhood. Other facilities which are provided in the neighbourhood include churches, schools and recreation. However, with increasing population they have become insufficient. Each phase commenced at different times; and the prices vary; ranging from Shs 39,000/= to Shs 320,000/=. Table 3-1 shows the year of commencement, year of completion in column 3, and column four shows the number of dwelling units. Column 5, 6 and 7 show the price ranges for the two, three and four bedroomed dwelling units respectively.

The prices which were offered by the developers were thought to be lower than those in the prevailing market for the similar houses. So, first hand buyers have some form of latent profit. According to the Managing Director of the scheme the prices were low and offered some form of subsidy. It was not the demand and supply which determined the price.¹¹ After all there were far more applicants than houses available. For example in phase five there were about 9,000 applicants against 781 dwelling units. The project was a public supported one, and therefore, prices had to be lower. However, from a cursory examination of the selling prices between 1973 and 1983, there

is a rapid rise in developers' prices after 1977. As we have stated, these houses were not sold at prices determined by the market. The dwelling houses of similar standards in similar neighbourhood, such as Pioneer Housing Estate in the North West of Buru Buru were going for shs 350,000/= ¹² as compared to shs 230,000/= for a 3-bedroomed unit in the same year (1982). It was therefore possible that the initial buyers could sell for more. The difference in price would reflect the subsidy in initial prices. The element of subsidy is further supported by a correspondent in one of the dailies who happened to be one of the unsuccessful applicants. He thought that "motive of the buyers was to make business and earn large profits only a few months after the keys to the home are handed to them". The houses which sold at Shs.100,000/= in 1978 with similar number of bedrooms resold for Shs. 200,000/= in 1979". ¹³ Further, Buru Buru was such a large scale development, that it allows for advantageous economies of scale to be enhanced. The costs can be minimised per phase and per unit. If this project was of a few hundred houses, the houses would have costed more. Mass housing project in terms of serial reproduction of a certain type of building built at the same time and place reduces the costs. For example preliminary expenses were minimised to only Shs 22/= per dwelling unit. ¹⁴ If the project for single units was handled separately then taking a $\frac{1}{3}$ of the total cost of a house, the preliminary costs for the houses ¹⁵ which were sold at shs 60,000/= would have

costed shs 198 per dwelling unit. In the same proportion, other costs could be reduced. Such cost would include surveying and marketing costs. All this enabled the original buyers to pay less than market value for an individual dwelling unit of comparable size.

Rent control in Buru Buru

Operation of Rent Control up to 1981

From the time of first occupation of Buru Buru Phase One, many houses fell under the jurisdiction of the Rent Tribunal, either by virtue of the rents they were charging at first letting, or through the determination of the fair rent under the Rent Restriction (Amendments) Act of 1966. The range of rents would have been shs 450 to shs 688 per month as shown in Table 3-2. Only four dwelling units were assessed in 1973. A further 31 dwelling units were assessed in 1974. The assessed rents were ranging from Shs.400/= to Shs.800/= per month. The average rents assessed was shs.643/= per month per unit. The urge to assess Buru Buru houses seems to have ended in 1974; and very few dwelling units were assessed after 1974. Consequently, in Phase two, units were sold at a relatively higher price than phase One (I), and dwelling houses which were assessed after this tended to be beyond the scope of the Rent Tribunal. Assessable rents were in a range of Shs.1,020/= and Shs. 1,250/=. However, there were dwelling

units whose first rent did not exceed Shs.800/= per month. Therefore by virtue of first lawful letting, Rent Restriction Act would apply.

Like phase two, houses in phase three would mainly fall under the ambit of the Act at the time of completion by virtue of the rents prevailing at the time. Most dwelling units were renting for Shs.700/= to Shs.1,400/= per month in 1978. A few dwelling units which had been assessed the rents were averaging Shs.850/= per month. Few cases would fall under rent control in phase four, merely because determining the rent at 15% of the cost would not bring any unit under this Act.* Even the rents were beyond Shs1,000/= per month. However, there are a few cases where dwelling units are shared by more than one household. In such instance all dwelling units from phase one to four would have had their rents controlled. The Rent Tribunal was not significantly used by the residents of Buru Buru,¹⁶ especially with regard to the aspects of rent assessment. The applications for rent assessment were very few. For example there were only four applications in 1978, five in 1979 and four in 1980. Only three houses were assessed in 1978, none in 1979 and three in 1980. Those which were not assessed had rents exceeding shs 800 per month or landlords withdrew their application. There was no sign that the Rent Tribunal was not efficient in the aspect of assessment. However, the fact that the Rent Tribunal was not assessing a

property because rents were higher than the financial ceiling of shs 800/= per month was unjustified. This implied that the Tribunal did not visualise a situation where rents could be reduced by assessment. Apart from that, the Rent Tribunal attended to its business and the residents did not invoke it.

The Rent Tribunal settles other disputes which arise between landlords and tenants. The aspect which the tribunal dealt with during this period was that of assisting landlords in recovering rent arrears. There were however still very few cases of that nature. Cases arising from Buru Buru of rent arrears were of insignificant number. There was some correspondence from landlords, tenants, and the police to the Rent Tribunal and vice versa. Correspondence was on problems of rent arrears, notices to quit and copied to Rent Tribunal, few tenants resisting and informing the tribunal. From the tribunal, letters were being sent to the police to advise it to investigate; to tenants and landlords, reminders of rent arrears or as pleas not to evict their tenants, respectively. Comparing the number of rental housing in Buru Buru, these cases were still insignificant. There were only about twenty-three such correspondence in 1979 and about six in 1980. The rent Tribunal had very little business in Buru Buru before 1981. The only significant business was during 1973-74 when thirty-five (35) units or (3.8%) of the dwelling houses in phase one were assessed.

Rent Control Operation after 1981

With amendments of the Rent Restriction Act 1981, two provisions with major relevance to the study were affected and more houses were brought under the ambit of the Act. The first relevant provision was that all those dwelling houses whose rent did not exceed Shs2,500/= per month were controlled, unless exempted. Those exempted included service tenancies and Government owned houses. The standard rent, would be that rent at which a dwelling unit was lawfully let on 1st January 1981. The Act defines the standard rent to include some of these: .

- (i) if on the 1st January, 1981 it was let unfurnished, the rent at which it was lawfully let, landlords paying all outgoings¹⁷
- (ii) If on the 1st January, 1981 it was let furnished the rent at which it was lawfully so let, less a sum at a monthly rate not exceeding 1% of the value (as may be determined by the tribunal) of the furniture.¹⁸
- (iii) If on the 1st January, 1981 it was not let or not erected...a rent to be assessed by the Tribunal at a monthly rate of not less than $1\frac{1}{4}\%$ and not more than $1\frac{1}{2}\%$ of the cost of construction and the market value of the land, the landlord paying the outgoings.¹⁹

Phase	Before 1981	After 1981
	$\frac{1}{12} (0.15 \times \text{Cost})$	$\frac{1}{12} (0.14 \times \text{Cost} \times 0.15)$
I	450 - 687.5 (1087.5) *	630 - 1120 (1531.25) *
II	812.5 - 1350	1137.5 - 1890
III	875 - 1251.25	1225 - 1737.75
IV	1962.5 - 2687.5	1962.5 - 2687.5
V	-	2875 - 3500
v "infill"	-	3500 - 4000

Table 3-2 Range of assessable standard rents for dwelling houses in Buru Buru before and after 1981

Source: Own Analysis From Table 3-1

* Houses in phase one which were extended in 1978.

In 1982, Akwara found that average rents for phase one to four were between Shs.1,000/= and Shs.2,500/= . And since 57%²⁰ of these units were rented, about 2084 units were controlled as the result of these amendments. The other provision which alters the rent situation in Buru Buru is section 3(d) of RRA 1981 on the cost of construction. This section provides that: "Where construction was completed between 1st January, 1963 and 31st December, 1979 cost of

construction is increased by 40%." ²¹ With this section the assessable rent would increase for all rented housing units which were completed before 1980. In Buru Buru all houses were constructed after 1973. Phase one, two and three which contain a total number of 2800 dwelling units were completed before 1980 and when assessing rent, the costs were adjustable by 40% as provided by section 3 of the Act. Phase four and five having been completed after 1979 do not have any adjustment in the costs. The effect of this provision is illustrated in Table 3-2. The assessable rents for houses in phase one, two and three changed after these amendments. The minimum assessable rent for phase one house changed from shs 450/= to shs 600/=. The maximum assessable rent, for the same phase also changed from shs 687/50 to shs 1,120/=. After the amendment of 1981, all dwelling houses in phase one, two and three and some of phase four would fall within the ambit of rent control. Some houses in phase four, all houses in phase five and extension of phase five would not fall within the scope of the Rent Tribunal by assessment. However, all house rents in Buru Buru were not more than shs 2,500/= per month. By virtue of existing rent structures all houses fall within the ambit of the Rent Tribunal.

In case of second hand buyers, the assessment would depend on the prices offered. If the prices are thought to be excessive and unreasonable, the rent tribunal would determine the reasonable price. Generally the resell prices tend to be high. This led to decontrolling when fair rent is determined by assessment.

Activities of Rent Tribunal After 1981

The activities of the Rent Tribunal as related to Buru Buru after 1981 were as few as before 1981. There were only 13 recorded assessment applications for Buru Buru houses between 1981 and 1983. Ten of these were disposed of. Five assessments were done in 1981 four in 1982 and only one in 1983. The low level of activities were due to residents not approaching the Tribunal. There was however more case load than before 1981. Most of these cases were concerned with rent arrears. The number of cases instituted to recover rent arrears annually were as shown in table 3-3

<u>Year</u>	<u>No. of cases recorded</u>
1981	7
1982	19
1983	22
1984 (Jan - Sept)	13

Table 3-3 Number of cases instituted against tenants to recover Rent Arrears

Source: Case Register at the Rent Tribunal Office.

To some extent, landlords have used the rent tribunal to recover rent arrears from the tenants. They have some financial stake. But mainly because landlords have access to lawyers. This might be the reason why these cases are handled legally and sometimes promptly by the rent tribunal. General correspondence was not a lot. There were a range of correspondence from residents, owners, police officers to the Tribunal and vice versa. The correspondence issues included

eviction threats, arrears, theft and so on and so forth. The tribunal cooperated with the police in many instances. Some of the issues which arose between landlords and tenant could have been solved by police without reference to the rent tribunal.

The workload at the rent tribunal arising from Buru Buru and from many other middle income housing areas was very little. The rent tribunal officers likewise expect very little problem to arise from such neighbourhoods like Buru Buru.²² The situation at the rent tribunal offices could only indicate that rent control has not been popular among the middle income residents. Another possible situation is that tenants are satisfied and do not have to go to the Rent Tribunal Chambers. Many questions cannot be answered by merely looking at the activities of the Rent Tribunal. The cause of this situation found in the offices of the Rent tribunal; role of rent control in determining tenure, and so forth can only be answered by finding out from the house suppliers and consumers.

Field Survey Analysis

A random sample of 4% was taken. The reason for this was because the Estate has been found to be homogenous according to a study carried out in 1982.²³ In that study the same percentage was taken. The other reason was however

that of time and cost. Since this earlier study found that all the estate irrespective of the phases was homogenous, there was no necessity of having a stratified sampling. We took the population as a whole and then chose the required sample size from a randomized population of the dwelling. The probability of choosing a dwelling unit was $1/4170$ irrespective of the number of dwelling units in a phase.

A number of dwelling units which were chosen was 193 units in order of the randomised list. Questionnaires were distributed and in most cases filled in the presence of the interviewer. Other questionnaires were left behind to be filled. And because of possible disregard by residents in cases of where questionnaires were left behind another twenty units were chosen and included in the sample. In the sample of 193 dwelling units, 13 were vacant and a questionnaire on those dwelling units was administered to the neighbour or agent where the dwellings were advertised.²⁴ This was to find out whether houses which fell vacant were sold. So for the occupied dwelling units we were concerned or aiming for 180 units which were considered for further analysis. The final sample distribution of dwelling houses by phase was: phase I, 41 units, phase II, 42 units, phase III, 35 units, phase IV, 40 and phase V, 33 units. In some cases the questionnaires were partly answered others were unreasonable answers especially the quantifiable answers. So some totals varied due to

incomplete questionnaires. Other questionnaires could not be used. On some aspects we based our analysis on only those which had complete answers. These are mostly the questionnaires which were filled by residents with help of the interviewer. Data collection was done between October, 1984 and January, 1985. Most of the collection was during weekends and late in the evening, so as to get the head of the household. The data collected from the field was then compared with data from the financier in an attempt to reconcile and add attributes for the owner- occupiers. Also some data from the financier was relevant in comparison of landlords and owner-occupiers. Data obtained from the financier was helpful on the aspects which are confidential especially income.

Data collected was analysed, mainly using simple descriptive statistical methods such as frequencies, simple averages, and ranking. Multitabulation was done on some data and simple hypotheses tests were carried out. The tests carried out were for testing the differences²⁵ in Arithmetic means and standard deviations of these categories. For example, in our case we have two categories of owner-occupiers. There are those who are willing to let their dwelling houses (Y) and those who would not (N). Various attributes of these two categories can be compared and there may be differences in the means and standard deviations. The means and standard deviations of all owner-occupiers in these

two categories Y and N respectively are μ_1 and μ_2 and σ_1 and σ_2 . These are population parameters corresponding to sample statistics \bar{x}_1 , \bar{x}_2 , s_1 and s_2 .

The hypotheses to be tested in such cases are:

$$H_0: \mu_1 - \mu_2 = 0 \text{ ----- (i)}$$

$$H_a: \mu_1 - \mu_2 \neq 0 \text{ ----- (ii)}$$

The null hypothesis (i) implies that the population parameter μ_1 and μ_2 are equal and that any difference between the sample means is due to chance of sampling error. The alternative hypothesis (ii) implies that the sample means differ significantly and that population parameters μ_1 and μ_2 differ or are unequal. These hypotheses are based on assumptions that the two random samples are independent and both sample sets are normally distributed.

The sampling distribution of the difference in means of these samples $\bar{x}_1 - \bar{x}_2$ has a mean of $\mu_{\bar{x}_1 - \bar{x}_2}$ and Standard deviation of $\sigma_{\bar{x}_1 - \bar{x}_2}$; where

$$\sigma_{\bar{x}_1 - \bar{x}_2} = \sqrt{\frac{\sigma_1^2}{n_1} + \frac{\sigma_2^2}{n_2}} \text{ ----- (iii)}$$

In our tests we approximate the population standard deviation as well as the standard error (s estimates σ).

$$\text{The standard error is } = \frac{s_{\bar{x}_1} - s_{\bar{x}_2}}{\sqrt{\frac{s_1^2}{n_1} + \frac{s_2^2}{n_2}}} \text{ ----- (iv)}$$

After determining the standard error (iv) a decision rule and significance level are determined. The significance levels of 0.05 and 0.01 were used. In testing differences in means, we have a two point test. In case of significance level of 0.05 it means that we are 95% sure. On either side of the limit of confidence we have 47.5%. The Z value is 1.96. The limits are therefore ± 1.96 . To determine the limits (iv) is multiplied with Z. At this level the decision rule is stated as -

$$\begin{aligned} \text{If } \bar{x}_1 - \bar{x}_2 \text{ is less than } \{-1.96x(iv)\} \text{ or} \\ \bar{x}_1 - \bar{x}_2 \text{ is greater than } \{1.96x(iv)\} \text{ ----- (vi)} \end{aligned}$$

We reject the null hypothesis. We only accept (i) if the difference of means falls between the two limits provided in (v). If we accept (i) then we cannot conclude that the population is unequal. Testing of means was done on Age, income, household size if the two owner-occupiers categories N and Y.

In the minor sub-study of dwelling units whose rents have been assessed once, we extracted the dwelling units from the application for assessment registration book taking all the Buru Buru cases which have been assessed. There were mostly concentrated in year 1973/74 with 35, and very few cases brought and disposed off during periods 1975/77. In period 1978/84 only 23 dwelling units in Buru Buru were disposed off. Some of the disposed off cases in period 1978/80 were not assessed. Cases were merely treated as though their rents would exceed

the ceiling of cost for unfurnished rental houses at that time. We chose only those dwelling units which were assessed between period 1978-84. From the 23 cases, 12 dwelling units were randomly chosen. A questionnaire to ascertain rent, tenure and year of occupation of present residence was administered on these dwelling units.

In the other study of the dwelling units which were re-sold, a sample of 10% of the 190 dwelling units which had been resold was chosen. 10% was considered adequate since this was mainly to ascertain a few conditions. A questionnaire was used to ascertain the tenure, conditions of tenancy and the purchase price. The data base was from the Lands Office and only from year 1977 to 1984.

REFERENCES

- 1 B. E. Akwara, "Politics in Urban Housing: A case study of Buru Buru Housing Scheme", (M.A. Thesis, University of Nairobi, Nairobi, 1982)
- 2 Ibid
- 3 The Daily Nation [Nairobi] May 22nd, 1980 p.11
- 4 B.E. Akwara "Politics in Urban Housing"
- 5 This condition is contained in the application forms filled by applicants for Buru Buru houses. The forms were prepared by Commonwealth Development Corporation
- 6 The Daily Nation [Nairobi] October 19th, 1984
p.13
- 7 See New African Magazine [London] January, 1985
p.49
- 8 Ibid
- 9 B. E. Akwara, "Politics in Urban Housing"
- 10 Ibid
- 11 Discussion with Mr. Lane, Managing Director of Buru Buru Housing Estate, November, 1984
- 12 Information from Pioneer Building Society Offices. Pioneer Building Society developed the neighbourhood estate "Pioneer": It is located North of Buru Buru. The rental values for these houses are also in the range of shs 1,800/= - 2,000/= per month.
- 13 Akwara, "Politics in Urban Housing" p.94
- 14 Ibid p.62
- 15 This is the typical percentage fee for preliminary expenses charged by members of Architectural Association of Kenya
- 16 The Register for assessment applications, case register and correspondence files were studied. All matters relating to Buru Buru were studied and noted. The number of correspondence and cases could not be ascertained. A few cases could have been unnoticed or recorded with no indication of the Estate name.

17 Republic of Kenya, The Rent Restriction Act, Revised Ed (Nairobi: Government Printers, 1982)

18 Ibid

19 Ibid

20 See Akwara, "Politics in Urban Housing"

21 The Rent Restriction Act, Revised Ed. 1982 Sec 3d.

22 This was the opinion of one officer at the Rent Tribunal who did not wish to have his/her name disclosed.

23 Akwara, "Politics in Urban Housing" p.38

24 This idea of conducting a questionnaire for vacant house is not my personal idea. The source of idea and some questions were from S. Malpezzi, M. Barnberger and S. Mayo: Planning an Urban Housing Survey. Key issues for Research and Program Managers: Discussion paper WUDD 4, New York: WUDD, World Bank, 1982 p44

25 For the explanation of this tests means see Hamburg, Statistical Analysis for decision Making, (3rd Ed) (Newyork Harcourt Brace Jovanovich, 1983) pp 275 - 79

CHAPTER 4

TENURE AND PROPERTY VALUES IN BURU BURU

Tenure in Buru Buru An Introduction

There are two aspects of tenure, one of them concerns the relationship of ownership or interest the tenant has in the land, such as leasehold or freehold. The other relates to the legal arrangements existing between properties and their owners and inhabitants, and this is what our study focuses on. Tenure in this case has two forms, either the dwelling house is owned and occupied by the same person hence known as owner-occupier. Alternatively the dwelling is occupied by a person who is paying rent or some consideration but not owning the dwelling unit, who is called a tenant. This kind of tenancy is rented tenancy. These two forms can only be treated in a binary form for any particular household. A particular household can only enjoy either of the two tenancy but not both. They are mutually exclusive, and choice of either will depend on the evaluation of the benefits and obligations of both. However, a single dwelling house may have these two forms co-existing. This is in case of a resident landlord who occupies a part and leases a part. This leads to a mixture of tenure within the same dwelling house, but all the same this will contain two dwelling houses, after all even a room under the Rent Restriction (Amendments) Act, 1981 may be considered a

dwelling-house. However, the dwelling house may contain two households or more.

In the context of the rented sector various opportunities arise, hence various forms of tenancy can be enjoyed. In the legal sense there are various forms of tenancy. These include statutory tenancy, where a tenant has full protection of his contractual tenancy for so long as that tenancy continues. Even when the contractual tenancy ends, he is entitled to retain possession.¹ This kind of tenancy is only determined on giving up possession. The other form of tenancy is service tenancy. This is where the dwelling house is let to an employee by the landlord as an employer. This is exempted from control under the Rent Restriction Act.² There could be a composite tenancy.³ Where the tenancy comprises more than one dwelling house. A single rent is expressed to be payable in respect of all these dwelling houses. However, under the Rent Restriction Act, each dwelling house is treated as a separate tenancy.⁴ Even in terms of period we may have various tenancy forms such as monthly tenancy, permanent or temporary tenancy and so forth.

However, our findings on tenure are presented without classification of different forms of tenancy. For analysis, only two types of tenure are considered - Rental tenancy, and Owner occupation.

Rental Verses Owner-Occupation

The Buru Buru Housing Development has a mixture of tenure. In every phase there are either tenants or owner-occupiers. The distribution of this in percentage is presented in table 4-1.

<u>Tenure</u>	I	II	<u>Phase</u> III	IV	V	Total
Owner occ.	44	29.5	34.3	45	39.4	38.3
Rented	53.7	63.7	57.1	50	48.5	55
Voids	2.3	6.8	8.6	5	12.2	6.7

Table 4-1 Per centage distribution of tenure in Buru Buru
Source : Own Field Study Analysis, 1984

It can be seen from table 4-1 that in all the phases, there were more rental units than those owner-occupied. In the units which were surveyed, 55% were under rental tenure, and 38% were owner-occupied. Vacancy and voids accounted for 6.7% of all the dwellings surveyed. In terms of dwelling units which were occupied, that is taking those rented and owner-occupied, 59% were rented and 41% were owner-occupied. Further more, all the dwelling houses which were vacant were for renting and some were even advertised for rent. In that case, the percentage of rental units, whether occupied or not would account for 61.7% of the housing units in

Buru Buru. The percentage of rented units is therefore very high; especially considering the fact that this development was initiated with a view of encouraging owner-occupation. This estate has attracted private landlordism instead, and has defeated the original development objective - emphasis on tenant purchase and mortgage housing. Our findings are not very far from Akwara's (1982)³ whose sample resulted in 57% of dwelling units he surveyed in Buru Buru phase one to four being rented and 43% were owner-occupied. He however, did not consider or take into account the vacant houses. Our findings in relation to the earlier studies of Akwara indicated that rented sector has not declined. In theory, it has been stated that, rent control restrains supply of rental housing. New dwellings would not be released to the controlled market. However, as it can be observed, phase V where houses were completed in 1982 has more rented houses than owner-occupied. 39.4% of the dwelling houses were owner-occupied as opposed to 48.5% rented. 12.2% were found to be vacant. This vacancy level was high when compared with the overall vacancy level for Buru Buru of 6.7%. This may be due to higher rents in this particular phase. However, it could also be due to the landlords being more reluctant to let their dwelling house at the market rents which are considered to be very low. Typical rent in phase five is Kshs 2,000/= per month; yet the mortgage repayment is approximately shs 3,000/= per month. It is

observed that even new housing units are being rented in the situation of rent control. Considering the houses which have been once resold 73.7% of the dwelling were rented and only 26.3% owner-occupied. So houses resold are not sold for owner-occupation in Buru Buru as it has been shown in theory.

Tenants were asked whether the landlords had shown interest of re-possessing the dwelling units. Only 5.6% of the tenants expected their landlords to repossess. So approximately 5.6% of the present rented dwelling houses may be turned to owner-occupation. Yet many units at one time were once owner-occupied and later released to the rented sector. The tenants did not have a clear knowledge of whether their landlords had ever occupied those units. But at least 28% of the rented sector were once owner-occupied. From the time of completion of the housing units 43.3% were rented from the start. The injection into rented sector is more than the withdrawal since more houses were owner-occupied originally and only 5.6 is the potential loss from the rented sector.

If we consider the two sectors, rented and owner-occupied we find that there is still more houses that have been released to rented sector after being withdrawn from owner-occupied than are entering the owner-occupier sector from the rented sector. For example as opposed to an injection of 28% to rented from owner-occupied, there was only 12.2% of the currently owner-occupied which had been withdrawn from the

rented. That is, 25% of the tenants in the case study were occupying dwelling houses they were sure were occupied by the owners, and 12.2% of the Owner-occupiers had let their dwelling houses previously. This significant difference in percentage terms was confirmed by the fact that the owners have a more clear mind of the history of tenure of their dwelling units than the tenants. From similar sources it is clear that many of those units which are occupied by tenants could earlier have been occupied by the owners. However, most tenants said that they did not know or were not sure of whether their units had ever been owner-occupied. 28% is only from those cases where the landlords have recently moved out, or discussed the history of tenancy with the tenants. This tendency of increasing the rented housing through withdrawal from owner-occupation while the rent control exists can only be explained by looking at the suppliers of housing and their behaviour under different economic circumstances. The houses which were vacant were all for renting, as opposed to the popular hypothesis that homes falling vacant would be either re-possessioned for owner-occupation or would be sold. So rental housing stock has not declined, and more owners are willing to let their properties. The houses falling vacant are not withdrawn from rental market. They are rented and not sold.

Tenure preference \

It has been found out that the owner-occupiers are ready to release their dwelling houses to rental sector. Also tenants are protected and would be expected to prefer rental housing since it would be cheaper than owning. However, the tenure preferred by residents is still owner occupation. Table 4-2 shows the preferences of tenure by Buru Buru residents.

Housing Sector Preference in percentage

	owner-occupied	Rented	Indifferent	Total
Tenants	71.7	23.6	4.7	100
Owner-occupiers	86.4	12.2	1.4	100

Table 4-2 Preferences of Tenure by Buru Buru Residents.
Source Own Field Survey, 1984.

From the table 4-2 it is realised that residents prefer to owner-occupy 71.7% of the tenants and 86.4% of owner-occupiers preferred owner-occupied sector to rented sector. Tenants had an idea that it was expensive to own, or that mortgage finance was very expensive. Owner-occupiers as well were experiencing hardship in mortgage repayment. However, the hardship experienced by residents did not restrict their desire to own property. Reasons for wanting to own were also investigated

and the frequency of occurrence in percentages is presented in table 4-3.

1. owning with no financial stigma attached	41%
2. As long term investment	36%
3. Security of tenure	13%
4. For Owner-occupation allowances	4%
5. Other	6%

Table 4-3 Reasons for wanting to own by tenants
Source: Own Field Study, 1984

It can be shown in table 4-3 that in considering to own housing units in Buru Buru, tenants do not look forward to rent they may collect, but aim at mere house ownership for long term security and capital appreciation reasons. The most important reason given is non-economic. It indicates that people have pride in ownership. A number of verbatim comments from residents showed that they do not own property for commercial reasons.

Some of these are:

"A person without land is not a man"

"This is what we fought for (Land), We were not allowed to own before independence. Now Africans can own, and Buru Buru has enabled us to own"

"I bought this house for my children and it does not matter even if they do away with food and luxury dressing, they at least own a house"

"In tradition you can only marry in your own house, not your brother's or some one else. I had to struggle to fulfill my ambition".⁵

Some of the reasons why there is high demand for property ownership ties up with the history of Kenya, especially the colonialism. During the colonial period, "natives" were restricted from urban areas. They could not own properties. Others from districts neighbouring Nairobi did not own even land. So land became a very important issue and source of power. After independence many people saw it as the time to enjoy freedom. Land ownership, and a house in town were some of the expectations. The desire to own in such cases is political and historically induced. It may not be taken away from investors by regulations or unfavourable returns. Other verbatim statements indicate that prestige, cultural and family ties influence property ownership demand in Buru Buru.

Potential creation of Rented Sector by owner-occupier

Current owner-occupiers were asked of their plans and

intentions on their units. With three possible alternatives of what they could do, their response is presented in table 4-4. In table 4-4, the percentages are presented for each phase. Row 8, shows the percentages for the whole sample of the owner-occupiers in Buru Buru without reference to the phases.

Phase	To sale	To rent	Neither sale nor rent	Total
I	-	27.7	72.2%	100
II	-	46	54	100
III	16.6	33.3	50	100
IV	16.6	44.3	38.8	100
V	-	69.2	30.8	100
Total	6.75	43.24	50	100
Average of totals	6.4	38.3	55.3	100

Table 4-4 Intended Transaction by Owner-occupiers
Source: Own Field Study, 1984

It can be seen from table 4-4 that nearly 50% of owner-occupiers would be willing to undertake some form of transaction on the dwellings they are currently occupying. 38.3 of the owner occupiers in Buru Buru would be renting their dwelling units. Those considering selling were 6.4% of the owner-occupiers in the sample. So despite the fact that rental housing is already dominant, more houses are to be added to the rental sector. This is contrary to what the rent control theory suggests. The

theory suggests that supply of rental housing would decline. Reasons for this disparity from theoretical expectation that are easily visible from field observation include:

- (a) length of stay,
- (b) household structure and income
- (c) whether dwelling house is owned jointly or by a single person (mode of ownership).

Length of Stay

The first observation after considering the distribution of the response by phase among the tenure alternatives shows that those people who have stayed longest, are more committed to remain in their dwellings units. Houses in Phase one have been occupied for the last 10 years, 72.2% of the owner-occupiers were not intending to release their dwellings to another sector. Table 4-5 presents the percentage distribution of transactional behaviour of owner occupiers in relation to their length of stay.

<u>length</u>		<u>Some transaction</u>	<u>No transaction</u>
less than	4 years	69.2	30.8
	4 to 6	61.2	38.8
greater than	6 to 8	50.0	50.0
greater than	8 to 10	46	54
greater than	10 years	27.6	72.2

Table 4-5 Transaction as opposed to no transaction in relation to length of stay

Source : Own Field Study Analysis, 1984

As table 4-5 indicates, those who have stayed for shortest time in their houses were considering to do some transaction (selling or renting). Among those who have stayed longest, more were intending to remain in their houses and neither rent or sell their properties. This behaviour might be attributed to the fact that after buying, owners are likely to decide on selling or renting. But more owners prefer to rent and wait for some substantial appreciation so that they can get some capital gain. For example among those who have occupied their dwellings for less than 4 years none was planning to sell, yet 69.2 were prepared to rent. 30.8% were not expected to undertake any transaction.

When this situation is compared with those who have occupied their dwelling for more than 9 years, we find that

72.2% of the owners would not release their dwelling units to the rented sector and would not undertake any form of transaction. This clearly shows that the longer owner-occupiers stay in their houses, the more they get committed to the houses. The owners develop such strong sentimental attachment that they would not like to leave the units. The length of residence therefore becomes a major factor in determination of the property tenure. The length of residence is independent from monetary factors. It is in view of this that we can assert that rent control may not affect the number of houses being released since it is not strongly related to the years a person has owned and stayed in the unit. Yet length of stay affects the behaviour of the owners.

Also the length of stay affects the owners' preference regarding wanting or not wanting to sell. For example those who have occupied their dwelling units for a period of 4 to 8 years would be more willing to sell than those who have stayed for a shorter period. Which means that the attractiveness of a house as an investment increases as one approaches the time when there is no encumbrance on the title. The owners then are more and more reluctant to sell. So it may not necessarily be financial interest which would lead to reselling, because if it were so those with more financial stake on the units would be the ones selling. In our sample only 6.4% said that they would sell, and all of them had stayed in Buru Buru for more than 4 years but less than 8 years.

Household structure

Age of the head of the Household

Owner-occupiers were asked to relate their plans regarding their dwellings: Whether they would like to sell, rent, or owner occupy. Answers given depended on the age of the respondent. Those who considered renting their dwelling units had average age of 34.94 and those who considered no transaction at all were of an average age of 42.62. Using a simple test at 95% confidence level, it was found that these means of age are significantly different. It was therefore concluded that the ages of those who would rent their dwelling units is different from ages of those who would not take any transaction. Those more senior in age may prefer to remain in their houses. They would not like to become landlords in Buru Buru.

Household size

The sizes of households of owner-occupiers in Buru Buru was also considered in relation to the kind of plans they had in connection with their dwelling units. The findings indicate that those families which were bigger in size are more likely to remain in their dwelling units than to move. The

average family size of those who would not plan to release their dwelling units was 6.86 members as opposed to 5.784 members for those intending to release their dwellings either by renting or selling. Using simple hypothesis testing of means, the above samples means of household are different at 99% confidence level. So we reject an hypothesis that the sizes of families of those who would not rent or sell their dwelling units are the same with those willing to undertake some form of transaction. When we compare the household sizes of those owners of properties who are landlords with those of owner-occupiers, considering the number of dependants declared at the time of buying the houses, we find however that there are no significant difference in the average size of their household.

Household income

The questionnaire was also designed to find out the incomes of the owner-occupiers as well as those of the tenants. Bearing in mind that indicated incomes by respondents in a social survey is usually not reliable, we based our analysis on the house cost-annual income ratio. This ratio is the cost of housing in shillings divided by the annual income in shillings: that is:

Cost of dwelling house

----- = house cost: annual income ratio (C/I)

Annual income indicated

C/I ratio indicates the number of annual incomes required to be able to buy a house. Conventionally a person should not purchase a dwelling house whose cost is more than 2.5 times the annual income. 2.5 is the C/I and the highest ratio conventionally. This ratio is calculated by the financier in an attempt to select successful applicants for mortgage finance. The applicants are expected to show evidence of their incomes. So this ratio is more reliable than if owners were to be asked how much they earn per month. It is related to period or year of purchase. So it does not require adjusting for inflation or wage increases. The owners who were experiencing mortgage difficulty in 1975 of say an equivalent of 2 years' income may be in the same situation as those who experience the same ratio currently, as long as the housing services which were provided are the same in both cases. In the case of Buru Buru the services have not varied significantly.

The average house cost-annual income ratio for owners who would not undertake any transaction was 2.12 . In otherwords, the cost of the houses was 2.12 times the income of the owners who would undertake any transaction: while that of those who would not undertake some transaction was 2.23. Since the average cost of Buru Buru housing in 1981, was found to be Kshs 242,500/= then the average income of those who would not undertake any transaction is estimated to be;

Ksh 242,500 X .9

----- = Ksh 104,221 per annum.

2.12

The average cost is multiplied by 0.9 because most buyers take mortgage of 90% of the cost of the house. It is on the basis of mortgage finance that financiers calculate the C/I ratio. The average income of those who would undertake renting or selling their dwelling houses was estimated at Ksh 97,870/= per annum. At 99% confidence level it was found that these means of the cost annual income ratio are not statistically different. This was expected since in the first instance the buyers had to qualify and one of the factors of consideration was income. Also when the cost annual income ratio of the current owner-occupiers was compared with the present landlords, it was found at the same significance level that their means do not vary. The respective sample mean are shown below.

Landlords	Owner occupiers
$n_1 = 65$	$n_2 = 57$
$\bar{x}_1 = 2.157$	$\bar{x}_2 = 2.163$
$s_1 = 0.473$	$s_2 = 0.374$

where n_1 and n_2 is the size of the sample of landlords and owner-occupiers respectively, \bar{x}_1 and \bar{x}_2 their average of house cost income ratio and s_1 and s_2 the standard deviations of landlords and owner-occupier respectively.

It is therefore unlikely that income affects the choice of tenure.

Further we examined the rates of return on equity. Buyers were expected to have deposited and hence expected some form of return on these deposits. This is what is regarded as equity investment. Owners of dwelling units with highest equity return were not considering renting their dwellings. Moreover, those dwelling units which could not command profitable rents were likely to be released to the rented sector. The finding was as a result of comparing the plans of owner-occupiers in phase one with those in phase five. Equity return in phase one was estimated at 233% and that of phase five houses was estimated to be negative (-48).⁵ However, more owner-occupying in phase five considered renting as contrasted to the owner-occupiers in phase one. Therefore this means that the returns on investment do not seem to play any role in reaching tenure related decisions. More so, those who have stayed longer and have acquired more sentimental attachment to the units tend to hold on their properties. This suggests that social forces end up determining the action of owners more than financial related forces. Also those who release their dwelling houses may be doing so for other reasons other than profit, since they do not seem to get any sufficient returns. It may not matter whether the rents are restricted at a given point or not. Those willing to rent or sell or neither

will do any of those irrespective of the rental market situation. So tenure on the side of suppliers will not be affected by profit motives at all. Therefore as far as individual suppliers are concerned, rent control seems to play no role in effecting tenure change.

Mode of Ownership

Mode of ownership is the way properties in Buru Buru are owned. Dwelling houses can be owned by a single person or jointly. Joint ownership as a mode may be between wife and husband, brother and sister, among brothers and so forth. Most houses were owned by single individuals. In a sample of owner-occupiers 4.3% were owned by women, 17.0 owned jointly by man and woman and 78.7 of the dwelling units were owned by men. Among those owned jointly, 70% of the owners would not undertake any transaction, and 30% would only consider renting. Behaviour of households seem to be influenced by the mode of ownership or by who owns. When there are joint buyers, especially wife and husband, the couple gets more committed to their property. This is a social factor and not a financial one. It is therefore unlikely to be affected by policies like rent control. Despite the fact that by considering the percentage of the different mode of ownership it seems as if there is a difference in behaviour, the mode of ownership does not seem to affect their action.

Residence of present landlords and Direction of flow of owners

Owner-occupiers who wish to rent or move out of Buru Buru desired to move to better areas or better housing. They are planning to release their dwelling so that they can move to better housing. We tried to find out the areas of residence of the landlords to confirm whether the movement is to better housing. Tenants were asked a question to this effect. The areas were classified in four categories:

(i) Low income areas: these are areas where a landlord was expected to be consuming lower housing services. Areas which were classified under this category included, Umoja, Uhuru, Kariobangi, Dandora, Kangemi and Jericho.

(ii) Middle income areas: these were those areas of similar standards to Buru Buru. The landlords were expected to be consuming similar services. These areas included other Buru Buru phases, Harambee, Kimathi, Nairobi West and Ngei Estate.

(iii) Upper income areas: These included those areas thought to be providing more services of superior type compared to Buru Buru area. The type of residences include Lavington, Kileleshwa, Upper Hill, Westlands, Plainsview, Kilimani and Muthaiga.

(iv) Rural Areas: These included rural areas and even other residential areas in other towns other than

Nairobi. Such areas included Thika, Nyeri, Kiambu, Eldoret, London and Mombasa. These people were thought to be enjoying some form of housing resulting from either retiring or transfers in jobs, and having less income connections.

The distribution of landlords within these four categories as informed by tenants who knew where their landlords were staying is presented in table 4-6.

<u>Areas</u>	<u>Percentage</u>
Low Income Areas	22
Middle Income Areas	8
Upper Income Areas	43
Rural and others	<u>27</u>
Total	100

Table 4-6: Distribution of Landlords in various Housing categories

Source: Own field Study, 1984

More Landlords were reported to be living in areas classified as better than Buru Buru. Those living in the Upper income areas were 43% of the landlords whose residence are known by the tenants. As many as 27% were living in rural or other towns. This may be due to transfers or retiring from service. Another 23% was living in conditions which are less favourable than those of Buru Buru. These could be occupying these

dwelling houses so that they can make income. It was not known whether they were renting or owner-occupying. It is likely that those occupying low and middle income housing were occupying their own houses. They had more than one house. A few landlords were staying in Council houses. Those in upper income had moved up for better services or were senior Government Officials. A few had never occupied their dwellings. Such may be investors or speculators. But there was no indication of their incomes. We can however state that those owners moving out of Buru Buru mostly move to upper income areas and other areas of the country. Similarly those who have already moved, more have moved to upper, rural and other parts of the country.

Tenants and security of tenure

Tenants enjoy security of tenure through contract law and reasonableness of landlords. This can be assured by the free market; but the assurance from Rent Restriction Act is excessive in most cases. The tenure security is enjoyed either by paying certain reasonable amount of rent or by being able to continue occupying the dwelling units without fear of being evicted by the landlords. There was no expressed fear of eviction among the respondent tenants. Reference to the rent tribunal was insignificant as we mentioned in chapter 3. From our sample of 193 dwelling units only 2 units were ever assessed. Taking a separate sample of houses which were

previously assessed we tried to find out the existing tenure. Of all the units which have ever been assessed between 1978-84 in Buru Buru 52.2% was used as a sample to ascertain the tenancy conditions. Table 4-7 shows these cases and their current rental and tenure, year of occupation and person who made the request to assess. It can be seen that most of those dwelling units which were assessed have different rents. Some landlords have reduced the rents from the assessed and in only one case where the present tenure is owner-occupied (O/O), the others being rental (R) as shown in table 4-7.

Case no	Assessed Rent	Applicant	present tenure	rent charged currently	Year of moving in
34/1978	585	Landlord	R	1800	1980
258/1978	490	Landlord	R	1800	1983
237/1980	700	Tenant	R	1800	1979
22/1978	1250	Tenant	R	1800	1983
96/1981	680	Tenant	R	1700	1983
195/1981	1550	Landlord	R	1800	1982
253/1981	1200	Landlord	R	1700	1982
94/1982	2366	Landlord	O/O	-	1981
60/1982	2000	Landlord	R	1800	1982
225/1982	1560	Landlord	R	2000	1983
254/1982	2340	Landlord	R	2000	1981
15/1983	1500	Landlord	R	1800	1984

Table 4-7: Tenure conditions of Assessed Dwelling Units.

Source the first three columns are from the Rent Tribunal Board files, the remainder are from the field study, 1984.

The rents charged for all dwelling houses in the sample for assessed houses were market rents. No tenant was paying assessed rent as seen in table 4-7. Most of the applicants for assessment are landlords. It seems when the assesment is not in their interest then it will not be effected and they do ask for excess rent even though it is an offence. In the cases where tenants applied for assessment, at the time of survey there was only one still occupying the same unit but paying more than twice the assessed rent. The reason he gave for occupying the same unit was that, after all it was very fair rent putting into consideration of accomodation of four bedrooms. 58.3% of the tenants had moved in the dwelling units after they had been assessed, and they were relatively new tenants. But this is the general tendency in Buru Buru where tenants rarely stay for more than three years. For example in the main study 66% of the tenants had not stayed in their present dwelling units for more than two years. So because of this mobility the tenants are not likely to enjoy the benefits of rent control. They also rely on what the housing market has to offer. This can be seen by the behavior of landlords in cases 254/1982 and 60/1982 as shown in table 4-7. Also tenants adjust in relation to the market as it can be seen in case 237/1980.

Relationship between landlords and tenants

Most tenants had the opinion that their landlords were reasonably good and caring. For example among the tenants who knew their landlords, 81.5% classified them as good, 18.5% as fair and only 9% were classified as bad landlords. Tenants were of opinion that landlords have to care in order to guarantee security of their investments. The falling of vacancy of dwelling house may lead to unnecessary expenses. The occurrence of vacancies in Buru Buru was found to be 6.2% and vacancy period average three (3) months. So safeguarding the occupancy of dwelling unit is a duty and goal of the owner. Owners were found to be buying houses not specifically for the rents they can recoup but for some other reasons, and this may make their behaviour differ from what is expected from landlords. The relationship existing between landlords and tenants is cordial and may not require regulations. Likewise regulations may not work since tenants and landlords may collude or merely agree on most issues.

Potential Use of Rent Tribunal by Tenants

Due to the good relationship between landlords and tenants the use of rent tribunal board in solving disputes of landlord and tenants seemed to be unpopular in Buru Buru.

Tenants were asked objectively what they would do in case rent was increased by about 10-15%. The alternative choices were given and table 4-8 presents the result from that specific question. It is interesting to note that despite the knowledge of the existence of the Rent Tribunal Board only 7.5% of all the sample of tenants would seek protection from the Tribunal.

Responses in percentage

Options	(1) Move out of Buru Buru	(2) Move within Buru Buru	(3) Negotiate and Pay	(4) Seek Protection from R.T.B.
Phase				
I	25	25	45	5
II	20.7	51.7	20.7	6.9
III	5	70	25	0
IV	25	45	15	15
V	17.6	53	17.6	11.8
Total	19	49	24.5	7.5

Table 4-8: Response of tenants on the course of action in case of Rent Increase of 10 to 15%.

Source: Own Field Study, 1984

It can be seen in table 4-8 that almost half of the current tenants shown in the sample would look for alternative accommodation within Buru Buru and 19% would seek alternatives but most probably out of Buru Buru. This means that a total of 68% would move from their dwelling units to some other alternative.

On the other hand only 32% would like to remain in their present dwelling units. However, tenants in phase one where at a 50 : 50 ratio when asked whether to stay or move. The response to increase in rent indicate that most tenants would move within Buru Buru. This shows that they are committed to the neighbourhood. Those who said they would use the rent tribunal were around 7.5% of the tenant population.

Reasons for Not Using The Rent Tribunal

Those who would not take their disputes to the Rent Tribunal were asked to enumerate their reasons for not choosing to use the Rent Tribunal. The reasons and their relative frequencies are presented in table 4-9.

	<u>Reasons</u>	<u>Percentage Occurance</u>
1.	Time wasting	30.5
2.	Good relationship with landlord	26.0
3.	There are alternatives	24.0
4.	Rent Tribunal useless	11.7
5.	Knowledge deficiency	4.6
6.	Unnecessary Expenses	2.3
7.	Lack of evidence	0.8

Table 4-9 Reasons for not using the Rent Tribunal by Buru Buru tenants.

Source: Own Field Study, 1984

The major reason for not using the rent tribunal according to the tenants is time wasting as seen in table 4-9. Going to the rent tribunal is seen to be consuming a lot of time for no use. The tenants do not expect any help. This factor of time ties up with the existence of alternatives and that of regarding the tribunal as useless. It can be observed that in order to have tenants use the rent tribunal the procedures of rent tribunal should be time saving. There should be no vacant houses as well. The other important factor for not taking recourse, with the rent tribunal is the good relationship existing between landlords and tenants. The tenants did not lack knowledge of the rent tribunal and its operation. However, the relative importance of this factor could have been more if tenants were to be very sincere. Educated tenants sometimes may not like to express their ignorance.

Examining the responses in case of rent increase, we found that there was a tendency for tenants preferring to remain in Buru Buru. So there is a strong commitment to the neighbourhood which may affect the behaviour of tenants in case rent was increased, or some disputes arising.

Factors for consuming Housing in Buru Buru

Factors of consumption have some relationship to the operation of policies like rent control. If tenants consider dwellings very important, they are likely to resist any action

which might jeopardize their tenancy in that dwelling unit. If rent is considered most important by tenants then the landlords may find it very difficult to increase rents. So knowing the factors considered by tenants in reaching a decision of where to stay is necessary in any policy study. We tried to find out the main factors which induce people into consuming housing services in Buru Buru. The factors considered by the tenant were classified in three main categories:

- (i) Neighbourhood factors which include security, layout of the estate, shopping facilities, cultural and social amenities, residential composition, distance in relation to other places such as Central Business District.
- (ii) dwelling related factors which included factors like, rooms, facilities, position of the dwelling, buglar proofing, availability, design, and availability of telephone.
- (iii) rental or price related factors; such as affordability, no need to pay deposit, and reasonableness of owner.

The percentage occurrence of these three factors was, as shown in table 4-10:

<u>Factors related to</u>	<u>Percentage of occurrence(%)</u>
neighbourhood	48
dwelling	38
rental and price	<u>14</u>
	100

Table 4-10: Factors inducing consumption of Buru Buru Housing Services

Source: Own Field Study, 1984.

It is shown in table 4-10 that tenants put more consideration on the neighbourhood than individual dwellings. Rent as a factor is less significant. In this instance tenants would resist any action which would affect the neighbourhood more than the action which would affect the dwelling units. Rent control is dwelling based and price-oriented. Most of the tenants are neighbourhood oriented therefore fewer tenants would be affected by rent control.

The residents were asked further how much satisfied they were with the dwelling houses they were occupying. They were also asked how satisfied they were with the present neighbourhood. The findings are presented in table 4-11. The residents would either be very satisfied, somewhat satisfied, indifferent or not satisfied for either of the two situations. There were those who were indifferent of the two situations. That is those who placed the same weight for both, such as, not satisfied with both or indifferent with both neighbourhood and dwelling. These accounted for 64.9 % of all owner-occupiers

and 54.7% of all tenants. However, , there were more residents satisfied with the neighbourhood than with their present dwellings. This is in line with our finding on the factors of consuming houses in Buru Buru; where neighbourhood was more important than dwelling factors.

	Satisfaction			Total
	Indifferent	More with <u>dwelling</u>	More with <u>neighbourhood</u>	
Owner-occupiers	64.9	13.5	21.6	100
Tenants	54.7	14.1	30.2	100

Table 4-11 Residents' satisfaction with dwellings and neighbourhood

Source: Own field study, 1984

Taking those who were not indifferent of the two situations, relative weight of satisfaction was calculated. 'Very satisfied' was assigned 5 points, 'somewhat satisfied' assigned 3 points, 'indifferent' assigned 1 point and 'not satisfied' assigned -1 point. The total points scored for each category are as shown in table 4-12.

	<u>dwelling</u>	<u>Neighbourhood</u>
owner-occupiers	54	78
tenants	<u>94</u>	<u>146</u>
Total	148	224

Table 4-12 Comparison of Residents' satisfaction in points with present neighbourhood and dwelling unit.

Source: Own field study, 1984

It can therefore be concluded that the level of satisfaction by residents with the neighbourhood was higher than that of the dwellings. The residents are more committed to neighbourhood than to dwellings. This is the same tendency as was shown in tables 4-8, 4-10 and 4-11. We can also conclude that a policy affecting the dwellings, such as rent control may not be as effective as the one based on the neighbourhood.

Rental Values in Buru Buru

Rental value, hence investment value would be affected by rent control because rental fluxuation is restricted; because those units which were assessed would be very low compared to the ones left on free market rents. On the other hand the assessable rents may be higher than free market rents where

there is over-supply. Under the Rent Restriction (Amendment) Act, 1981, the rental values are expected to be as shown in table 3-2. However, actual rents in Buru Buru were found to be different. Table 4-13 presents the average rents in Buru Buru.

Phase	I	II	III	IV	V
No. of Bedrooms					
2	1266.66	1540	1466.66	-	-
3	1616.66	1850	1716.66	1887.5	1981.25
4	2000	1933	-	2066.66	2050

Table 4-13: Average Rents in Buru Buru 1984
Source: Own Field Study, 1984.

Irrespective of phases the average rent for the two bedroomed housing units was found to be 1445.45, 1789.58 for the three bedroomed and 2011.10 for the four bedroomed units.

These average market rents do not vary so much as compared to assessed rents. The Rents in Buru Buru were found to be steady, with only 12.3% of the tenants in the sample experiencing any change in rents they were paying, 11.3% experienced a rise while 1% experienced a reduction in rents by the landlords. Those who experienced rent change, the real average increase was 25.5%. This change in rent came during

the long stay of these tenants because the average length of stay for these tenants was 4.3 years, as compared to the average of length of stay of all residents of about 1.707 years. In this way only those people who have resided for as long a period as 4 years have experienced rent changes. However, rental values which are supposed to be affected by rent control continue to rise in some dwelling units on re-letting.

While discussing tenure, it was seen that actual rents of the dwelling units assessed were different from that fixed by the Rent Tribunal. In some cases actual rents were higher and sometimes lower. Assessed rents and thus controlled rents are mainly based on the construction costs. In other cases, controlled rents are based on the rents which the property was fetching on 1st January, 1981. Many houses which did not have their rents frozen, such as those which were rented for the first time after 1st January 1981, had lower rents than the cost of construction based rents would be. In deciding on what rent a house is worth, most landlords were not considering the rate of return. The owners had not shown any interest in the earning capacity of their property investments.

The effect of neighbourhood on Rental value

The dwelling houses in Buru Buru are of varied age. Consequently their cost of construction and purchase prices and the rents would be expected to vary. This is one reason why assessed houses have varied rents. However, as it can be seen in table 4-14 rents seem to adjust to a level which is common for all the phases, especially when a new phase is completed. For example houses of three bedrooms have almost the same rent charged irrespective of age. When newer buildings are put up in the neighbourhood, the rents of old phases adjust upwards and the rents of newer phases adjust downwards with time thereby establishing an equilibrium rent. The adjustment in rents of the older units is due to improvement, and also due to new entrants in the market who see houses of Buru Buru providing the same services and being homogenous. So they are willing to pay rent for dwelling units with no consideration of the cost of construction. Rent adjustment also results from the fact that some residents of Buru Buru move to the newer phases, thereby creating a vacancy chain which is filled by new entrants in the market. The extent of this vacancy chain was not of interest in our study. But 16.1% of the current residents had lived in other dwelling units within Buru Buru before. This movement harmonises the differences which exist between the different dwelling units - that of cost and age.

Rents charged for 3 bedroomed units in Ksh per month

Year /	Phases				
	I	II	III	IV	V
1974	800	-	-	-	-
1975	800	-	-	-	-
1976	950	1000	-	-	-
1977	1100	1100	-	-	-
1978	1300	1300	1400	-	-
1979	1500	1500	1500	-	-
1980	1500	1700	1800	2200	-
1981	1800	1800	1800	1900	-
1982	1800	2000	2000	2100	2300
1983	1800	1800	1800	1800	2000
1984	1800	1800	1800	1800	2000

Table 4-14 Typical asking rents for Buru Buru Houses between 1974-1984.

Source: Mostly from East African Standard and The Standard for the month of May and June for each year in the pages of classified Advertisement section of "To rent".

Rate of Return in Buru Buru.

The rate of return provides the principal criterion for most investment decisions. With rent control, there is limit on future rent mobility. The landlords cannot adjust

their rental income. Endangered income simply is more risky and has to yield a higher rate of return to attract investment. But in our study it has been found out that buyers of Buru Buru houses rarely consider the rate of returns. The purchase prices for dwelling units do not reflect the rent the houses fetch in the market. Yet this has not discouraged buyers in Buru Buru. A possible explanation could be obtained if we seek answers to the question: why properties with negative cashflow sell. Despite the fact that rents have remained constant and less attractive, there were more willing buyers than sellers. The rate of ownership change has been at a rising trend despite the rising prices. Data from the Land Office was considered regarding the properties which had been declared as sold for the period 1977 - 1984. The percentage of dwelling units which has been resold in Buru Buru are presented in table 4-15. Owners were asked whether they bought their houses new or old. 3.06% of the owner-occupiers had bought their houses second hand. On the other hand almost the same percentage of houses have changed hands in phase One. More houses have been resold in phase two than in any other phase. Despite the fact that houses in phases five have been on market for about two years, already 1.28% have been resold. Excluding phase V, phase one has the least number of houses resold. Houses in phase one have the lowest assessable rents. If it was due to rent control, then more sales could have been experienced. The houses are oldest in Buru Buru, yet there is comparatively low property selling activities.

In terms of returns, phase one and two houses fetch more profit. Repayments are very low for the original allottees. The reason for houses in phase two changing hands most may be due to the returns. Also it is not because that those houses have had long period to change hands (say over 10 years for phase one houses and 9 years for phase two houses). The houses have only been sold recently. In terms of year of sale, the distribution is as shown in table 4-16.

<u>Phase</u>	Units sold	Percentage of sold
I	28	3.04%
II	66	6.67%
III	44	4.8%
IV	42	4.9%
V	10	1.28%

Table 4-15: Houses changing ownership in Buru Buru Housing Estate between 1977 and 1984.

Source: From the Land Office, Ministry of Land and Settlement, Nairobi.

Dwelling Year:	Units resold	Percentage of. those sold
1977	5	2.63%
1978	1	0.005%
1989	5	2.63%
1980	3	1.57%
1981	3	1.57%
1982	28	14.73%
1983	53	27.9%
1984	92	47.4

Table 4-16: Number and Percentage of houses resold per year between 1977 and 1984 in Buru Buru.

Source: Lands Office, Ministry Of Land and Settlement, Nairobi

It can be seen that most houses have been resold in 1983 and 1984. It is in this period when the returns from houses in Buru Buru were below the purchase value of houses. If these dwelling units were resold for owner-occupation, the question of rate of return would not be that important. But as we have mentioned, most of these resold houses were rented. In the sample of 19 dwelling units resold, 14 of them were rented. The purchases prices and rents currently charged for these units are shown in table 4-17. An estimate of investment value

using the capitalization rate of 12% and sinking fund of 3% is estimated for each property. It can be seen in 4-17 that the purchase prices are higher than the estimated investment value. The investment value reflects a years purchase (YP) of approximately 8 or the rate of return of 12% with assumed sinking fund of 3% since the main interest are leaseholds.

Taking the acceptable rate of return as 15% of the purchase price, only one dwelling unit was commanding some profit at a years purchase (YP) of 4.5. For all the other cases the returns are so low that the year purchase range from 9.5 to 12.5. The purchase prices do not reflect the earning capacity, and in some cases owner's are incurring out-of-pocket costs to meet mortgage repayment and servicing. The motive of owning houses in Buru Buru therefore ceases to be seen as that of profit making or cashflow. Asked about the reasons why they bought their houses, most owner-occupiers were of a very strong opinion that owning is always better than renting. They were merely chose to own their houses with no other consideration. They chose to own their houses for social reasons. There were a few who owned houses because they felt they could resell for a capital gain in future. These two major motives make rent values of less importance in influencing the decision of tenants, on whether or not to invest in Buru Buru Housing.

Rent control has a role to play in instances where property owners are motivated by profit. To profit maximisers rent control would definitely affect their activities and goal. However, if profitability is not considered then restricting by way of rent control, will not change the position of property owners who merely wish to own.

term of lease unexpired years (a)	Year of Sale (b)	Purchase Price KSH (000) (c)	Assessable rent per year. Ksh (d)	Actual rents charged per annum less 5% outgoing (e)	Estimated Investment Value (e) X YP at 12 + 3%*2 for (a) yrs (f)
90	1977	110	23,100	22,800	186,495
92	1982	230	34,500	20,520	168,036
94	1983	230	34,500	20,520	168,215
90	1983	190	28,500	19,380	158,521
90	1984	270	40,500	22,520	167,854
94	1984	265	39,750	20,520	168,215
88	1984	220	33,000	19,380	158,328
94	1984	270	40,500	21,638	177,380
96	1984	280	42,000	22,800	187,090
92	1984	250	37,500	20,520	168,036
94	1984	230	34,500	20,520	168,219
88	1984	200	30,000	18,240	149,015
92	1984	250	37,500	20,520	168,036
88	1984	230	34,500	20,520	167,642

Table 4-17: Purchase value of second hand houses as compared with their estimated investment value.

Source: For columns (a), (b), (c), source Land Office, columns (d), (e), (f) as result of own analysis.

*1YP = Years purchase (present value of one shilling per annum)

Capital Value

Capital values have been seen not to relate to the investment value. But capital value; may still be affected by rent control and are expected to fall when rent control is imposed. The situation in Buru Buru has been found to be very different, and capital values have been going up. Considering the cost of construction which has been rising at an average of 5% per annum, the developers' prices have been rising. A dwelling house which was sold for Ksh 52,000 in 1973 sold for Ksh 280,000 in 1984. Considering that the cost of construction has risen at 5% per annum, the change in prices represents a rise by 217% taking the 1973 price as the base year.⁷. There are various ways capital values may be affected. After rent control, also the decline in capital value may be caused by the fact that owners stop maintaing their properties regularly.

Maintenance of dwelling houses in Buru Buru

Tenants were asked of how the physical conditions of their dwelling units were, compared to the time they first occupied them. The answers to this question are presented in table 4-18, and show that most tenants were satisfied with the maintenace of their dwelling units. This aspect was measured in qualitative terms based on opinion of the tenants.

Phase Average per phase.

	I	II	III	IV	V	Total %
Improved	9	10.7	15	30	37.2	20.44
No Change	82	75	70	60	56.25	68.65
Worsened	9	14.3	15	10	6.25	10.9
Total	100	100	100	100	100	100

Table 4-18: Level of tenants' satisfaction with repairs in Buru Buru, 1984.

Source: Own Field Study, 1984

The total units which were improved as the tenants stayed in were about 20.44 % of all the sample. Most improvements were in terms of provision of burglarproofs, new fencing, stronger gates, paving of yards and provision of stores. These improvements are mainly meant to attract tenants who will pay more rent.

68.65% of the sample felt that the dwelling units were well maintained and only 10.9% felt that the dwelling units were in disrepair. The determination of whether the conditioned have been improved or not was subjective. However, this was thought a reasonable judgement, because after all tenants would be expected to be less sympathetic and grateful to their landlords in relation to repair works. In most cases tenants undertake the repairs on behalf of their landlords.

They recover the money by deducting from the rents before remitting to the landlords. Tenants do the repairs with or without prior authorisation by the landlords. Tenants do not postpone the repair work. Houses are also normally repainted at end of leases. There were more improvements in phase four and five according to the tenants. This is because these tenants were occupying newer units. These new dwelling units require some improvements and alterations to suit each individual taste. The improvements included those which are not provided sufficiently by the developers, such as burglar proofing and landscaping. However, there is also excitement by owners so they make 'improvements' to satisfy their social desire of caring for the properties. It is because of this social feeling that some landlords and owner-occupiers may undertake repairs. Improvements of this nature may not depend on the amount of rent a landlord gets from a property. This is indicated by the fact that more improvements were done in phase five than in any other phase. Whereas, landlords in phase five pay more for the mortgage than what they receive in rents. Typical rents were around shs 1,800/= per month and repayments for mortgage was about shs 3,000/= per month.

In comparison to the owner-occupied dwelling units, there was less visible improvement of the type predominant in the rental sector; Owner-occupied dwelling units were, however, also well maintained. But owners did not have the same

level of satisfaction as tenants. That is what tenants considered well maintained may not be the same for owners. The question posed to the tenants could not be answered thoroughly by the owner-occupiers. The majority were more worried about the condition of their dwelling on structural terms especially whether it will stand for its estimated life expectancy. They were concerned with a long-term investment, so the maintenance level may not be the same as that expressed by the tenants. There were however, owner-occupiers who get owner-occupier's allowance. The amount of allowance one gets depends on the cost of construction and improvement. Some owners take this as an incentive to make some structural improvements so as to qualify for more allowances. However, the owner-occupiers sometimes had no urge to do maintenance immediately.

The theories of rent control indicated that rent control lead to fall in property values, either through non-maintenance or because of fall in the income from such properties. Houses in Buru Buru are maintained. Landlords have very little influence on what should be repaired. The tenants do the repairs and deduct the cost from rent. So even if rent control was effective, the landlords would not cut on the repair expenditure. The level of maintenance of owner-occupied housing may not be different from that in rented sector. The repairs in Buru Buru seem to depend on who is occupying the house.

REFERENCES

1 The Rent Restriction Act, Laws of Kenya Chapter 296, 1982 sec 24.

2 Ibid sec .4

3 Ibid Sec 3

4 Ibid

5 These were some verbatim conversation between investigator and residents of Buru Buru recorded on questionnaire in the general comments section. (1984 Survey).

6 UNCHS and Republic of Kenya, Expanding the Role of the Private Sector in Housing p. 16

7 The Percentage rise is calculated as

$$\frac{280,000 - 52,000}{52,000} (1.71)$$

where 1.17 is the amount of £1 for 11 years compound interest. at 5%.

See A.N. Davidson Parry's Valuation and Conversion Table

(London: Estate Gazette, 1978) p.96

CHAPTER FIVE

MAIN FINDINGS AND RECOMMENDATIONS

Introduction

In this chapter we discuss the main findings which include those on the motive of buyers, behaviour of tenants in case of rent increases by their landlords, factors of consumption, and the relationship between property value and investment value. We show the implication of those findings in relation to rent control. It is on this basis that we observe policy implications and make recommendations on policy modification. We also explore areas of further research.

Discussion of Main Findings

It was found out that the motive of most prospective owners and factors influencing the decision whether or not to own by tenants in Buru Buru is not the viability of investment in property, but for social satisfaction derived from property owning or property acquisition. For example the owners who are planning to release their dwellings to the rental market are in the phases where houses are not fetching any profitable rent, at the time of research, whereas, those in position to get sufficient returns were not intending to release their dwelling units. The people releasing houses into the rental market could

have moved to better employers providing housing, purchased better housing in higher income localities or become senior income-wise, and family-wise and moved to large units elsewhere. The moving of owners is not induced by rent receivable. On the other hand, tenants who are wishing to own did not have any financial motive attached to that desire; instead they merely wanted to own for the simple prestigious fact of being house owners. There is pride in homeownership. Since the owners are not after cashflow or rent, controlling the rents will not have any significant effect on their behaviour. Rent control will not lead or encourage the present landlords to owner-occupy their properties merely because rents have been controlled or because rents receivable are not favourable. In the same way owner-occupiers will not become landlords just because their dwelling units will fetch profitable rents or decide to become tenants just because rents are controlled. The decision of where and what kind of people to live next to is a social one rather than economic. The tenants for example choose to stay in a neighbourhood after consideration of social factors. Some of the factors are composition of neighbourhood and security. Tenure choice by owners of either letting or owner-occupying their houses being social, will not be affected by a policy which attempts to restrict the amount of rent to be let at. Rent control may only influence the tenure if it was to affect the future appreciation of property or if it was to affect the social desire to own a home or property, of these

middle income housing consumers. Rent control is a price-oriented regulation yet consumers are influenced by social-sentimental oriented factors and that is why rent control may not have any effect or role in this housing category.

At individual level, tenure would have been affected if landlords withdrew their dwelling houses from the rental market to the owner-occupation. Our findings do not indicate that this has happened in Buru Buru. The supply of rental housing has not been affected at the micro-level. Instead more houses were likely to be released for renting than be withdrawn from the rental market. It can be estimated that 38.3% of the currently owner-occupied dwelling units will be released to rental sector despite the fact that originally the scheme was for owner-occupation. In contrast it can be estimated that only 5.6% of the current dwelling units which are rented will be withdrawn from the rental market. However, through discussion with developers and financiers, it was found out that rent control will discourage investors from developing rental housing. However, developers in Nairobi normally build to sell to individuals; and there are hardly no estates privately developed for rent. What the developers do is to sell to individual buyers who later let out, thereby making individuals the most significant suppliers of rental housing. Therefore, the eventual situation can only be determined at

individual level or micro-level of supply. The supply of rental housing is likely not to be affected even in case of rent control. This is because the supply of rental housing depend on decisions of individual owners. The individuals have been found to be owning property for social satisfaction. The decision to let a property does not depend on the rent collectable. Controls on rent will not affect the decision to release a house for rent. Supply can only be affected if developers were to invest in rental housing other than selling to individuals. Because of the nature of suppliers of rental housing in middle income category, rent control has not and is not likely to affect the supply of rental housing. Rent control is not expected to influence the distribution or proportion of rented to owner-occupied houses in this housing category.

The study indicated that investment value does not correspond to purchase price, that is; the existing house rents, when capitalised at an appropriate rate of return do not amount to figures approximating the prices owners buy the houses at in all the sales and transfers examined. In other words prices bought at do not correspond to gainful returns. It follows that since rent control is supposed to affect the earning capacity of these dwellings, then purchase prices or capital values of rental housing will not be affected by these regulations. This is because capitalised rent is not the same as the purchase or capital value.

It was found out that capital values or prices of dwelling houses were the same irrespective of whether any house rented or owner-occupied. The houses initially were sold and the same price irrespective of who would occupy them. Likewise, those who are buying them second hand, buy irrespective of who is currently occupying them. They buy them as Buru Buru Houses. Also our findings show that the level of maintenance of rental housing units in Buru Buru was more satisfactory than that of the owner-occupied units. Maintenance of middle income rental housing did not depend on the action of the landlord; but depended more on the actions of tenants. The tenants in this housing category were more concerned with the way they live, and were found to have strong bargaining power that could influence the level at which a dwelling unit could be maintained. They could withhold some rent if the house is not properly maintained. They were also other vacant houses where they could move to. The tenants undertook the repair work and deducted whatever expense incurred from the rent they are supposed to pay to the landlord; this could be done whether the landlord was willing or not. Therefore depriving the landlord a right to increase rent through Rent Control does not affect the level to which the properties would be maintained. The tenant will maintain the dwelling whether rent was economic or not. The only level at which such dwelling unit may not be maintained to the

optimum level is if the gross rent was less than the operating costs.

Most landlords acquired houses for social satisfaction or for speculative purposes. They have to protect the dwelling units by regularly repairing them; so that when a chance arises to sell, sufficient profit can be realised. Social satisfaction can only be achieved if the property owned looks impressive; and this results in some improvements being done, irrespective of the revenue. The improvements that were found during site visits included new fences, burglar proofing, and laying of new driveways. It was found to have become a fashion to do some form of improvement on one's property and all this was either neighbourhood or socially induced and had nothing to do with the rent the property fetched. So all these actions could not be affected by the rent policy. After all, dwelling houses in phase five of Buru Buru were not commanding any profitable rent, landlords were forced to incur out-of-pocket expenditure. This is because average mortgage instalments in this phase is shs 2,940/= per month as opposed to typical rent receivable of shs 2,000/= per month. Yet landlords continued to undertake improvements, let alone repairs. So having rents controlled may not lead to a decline of property values, nor to decline in the level of maintenance. There would not therefore be a consequent decline in property values as a result of rent control.

It was found that tenants in Buru Buru were paying rents they thought to be reasonable. Rent paid for three bedroomed houses ranged from shs 1,500/= to shs 2,000/= per month. Many tenants were young people, newly graduated sharing the dwelling units; thereby splitting the rent between two or more people. In this way expenditure on housing as a proportion of their income was much less as compared to that of owner-occupiers. The tenants especially those sharing rental housing were paying approximately 20% of their monthly income for housing. Some of the owner-occupiers were found to be spending over 40% of their disposable income on housing. These people would be considered homeless and economically unable to acquire their own homes, since they spend more than 20% of their income on housing.¹ More people are encouraged into home ownership by social factors; The government also encourages homeownership for political reasons such as having a stable population.² Tenants end up spending extensively on housing at the expense of other needs.

It was found out in this study that tenants were not interested in the Rent Tribunal, yet they are supposed to be protected. Of all the tenants in the sample, only 7.5% said that they were likely to report their rent disputes to the Rent Tribunal. The dwelling houses which were once assessed were found to be renting at market rents. The rents were reviewed by owners without reference to the rent tribunal. Tenants were

paying the market rents either in agreement with landlords or because they did not know of whether the rents were previously assessed. It was established that tenants have not availed themselves to the services of the Rent Tribunal Board because they feel that the exercise is time wasting and useless. The exercise is seen to be a waste of time because there are vacant houses available. Others are disillusioned with rent tribunal. They feel rent control is a symbolic measure and cannot give any assistance to them. They rather negotiate with the owner of the houses rather than involving government institutions. Another finding related to the rental aspect of dwellings touched on the factors which Buru Buru residents considered important in making decisions on whether or not to stay in Buru Buru. The tenants consider neighbourhood and social factors important. Therefore, the unpopularity and underutilization of the rent Tribunal results from the fact that tenants do not consider rent as the main factor of housing consumption. Protecting tenants from excessive rents via rent control when they do not consider rent as a main factor influencing housing consumption indicates bad economic planning, and goal formulation. It was also found out that, while the cost of construction and age of structure may vary, the neighbourhood forces harmonise the differences and force the rents to go up in the older dwelling units above the possible assessable rents; and makes the rents of the newer

dwellings, to fall thereby establishing some form of equilibrium rent. Otherwise the newer dwelling units would have had higher assessable rents than this equilibrium rent. This indicates that rent control is brought into effect better opportunities of lower rents in the Private Sector may be affected. However, in the rental market the main housing issue is whether the same basic services are provided in houses of equal rents in the neighbourhood whether the dwelling units are new or old. Therefore, the age of the dwelling unit is less important. The long term investors or buyers may consider the age of the structure, but tenants are only deriving utility for a much shorter period and cannot be particular on the age of the structure. Despite this fact, the determination of rent under the Kenya Rent Restriction Act puts into consideration the year of construction. This has led the assessed rents to vary unrealistically in Buru Buru. The assessed rents range was between Shs 490/= and Shs 2,366/= in Buru Buru before 1981. At the time of research the assessable rents ranged from shs 630/= per month to Shs 3,500/=. In Buru Buru area the market rents ranged between Shs 1700/= and Shs 2,000/=. Such disparity in rents caused by considering cost and age of construction makes the operation of the Rent Restriction Act difficult; and the assessable rental values unrealistic.

Recommendations

Housing Policy Issues

Generally, tenants have shown no interest in the rent control mechanism, and rent control seems not to be an answer to homelessness. On the other hand, developers and financiers, despite their absence in the rental market, feel that rent control might discourage them in entering the middle income housing market because they fear the potential actions of the protected tenants. In view of the fact that rent control does not benefit the tenants it was meant to benefit, it is recommended that it should be scrapped from the middle income housing to allow the market operate freely. The decontrol will not affect the tenants in middle income housing because they are not financially handicapped, but would create a psychological atmosphere which may induce more rental housing supply from the investors and financiers. There should be a policy that works through incentives rather than through regulation. The Government should adopt strategies which maximise use of private initiative. Investors should be encouraged to participate in rental housing, and in so doing to increase the supply of housing. This meets the objectives of rent control. This may also reduce the irrational need for home ownership. In that way, the tenants will be in better position to buy their homes

if they are spending less on housing rent at the beginning of their earning lives. It is felt that there is no reason for protecting tenants from landlords if both categories are equally placed. In the middle income housing category, tenants, landlords and owner-occupiers were equally placed with respect to their negotiating power; though in some cases tenants had an upper hand. Abolishing rent control would remove this existing anomaly, whereby those well placed enjoy the benefits of rent control at the expense of those who are hard pressed and in dire need for housing. This results from the fact that those already well placed are in position to use their influence in order to enjoy subsidised housing. These may even be landlords somewhere charging excess rents for the houses they own. This leads to a situation where weaker tenants are often squeezed out of cheaper houses and forced into much more expensive housing. Also since the tenants seem not to care about the existence of the Rent Tribunal, the financial expense incurred by the Government of Kenya in supporting this Institution does not seem to be justified. Tenants were found to prefer more rental housing to cheaper housing; because when there is more rental housing, the large supply will cause the rents to be lower. Landlords are also careful not to treat tenants roughly for fear of losing them.

However if the Government feels that rent control should continue to exist on social grounds, then the Government

must remove the weakness revealed through the experience of its application. The tenants felt that going to the Rent Tribunal was a waste of time. Therefore functions of the Rent Tribunal should be performed with least delay; in such a way that it does not consume a lot of tenant time for virtually nothing.

It was also found out that the tenants were more concerned with the neighbourhood quality than quality of the dwellings themselves. It is suggested that rent control should be at a grass root level, such as at estate level so that the amount of rent a tenant expects to pay relates more to the neighbourhood other than the cost of construction. The assessment of rent should not be based on individual dwelling but on neighbourhood. This means that even before an Investor undertakes the development he is aware of what range of rent to expect in a subject neighbourhood. However, these rents should be occasionally adjusted to reflect the on going development or neighbourhood change. Neighbourhood based or ward-based assessments will make the work of the Rent Tribunal fast and clear, the publicity will also be easier. In addition, tenants will be able to know what residential zone is affordable, so that whether the house has been physically assessed or not, they will have an idea of what amount of rent is expected. This will make the work done by the Tribunal meaningful and appreciable by the tenants and the public at large. Moreover, the existing provision for adjustment of landlord costs to

reflect a dwelling's age should be dealt away with, because tenants consume housing not because of age but because of what they consider as space requirements and affordability when renting a home in any neighbourhood as long as adequate services are provided. Therefore, adjustment provision should be made to reflect various utility services and also the amount of accommodation provided. For example a three bedroomed flat in any neighbourhood should have rents falling within the same range as other three bedroomed houses irrespective of what it cost to put up. This corrects the existing anomaly where it is possible to find assessed rents of a recently built one bedroomed house and those of three bedroomed houses built 10 years ago being equal.

It was found out that middle income people in Nairobi (Buru Buru) have a very strong desire to own a house or home of their own. But in doing so, some of these people were experiencing some financial hardship. Some were forced to change their spending habits on other family necessities, such as good food, education, recreation etc., as a sacrifice in order to acquire a home that would be enjoyed twenty years later; assuming they do not default in mortgage instalments. Some of these buyers might have been ill-advised or did not discuss the investment implication of home ownership with anybody. They merely sought finance. As long as they found a financier, they assumed that the cost of finance took care of

itself; and had no heavy implications on their spending habits. In view of this, we recommend an establishment of a public housing purchase advisory centre, where potential home buyers can go and get free advice and be enlightened on the benefits and implication of house purchase. This would minimize irrational house purchase, and would go a long way in ensuring that the tenants are able to service their loans, retain their homes and enjoy an acceptable standard of living. But if buyers start defaulting with repayments serious repercussions may arise. Financiers may be affected and may become more selective in mortgage financing. Likewise, the desire to buy houses may be eroded. That is, the people loose interest in home ownership. This in the end can affect the national goal - to have every Kenyan housed in a decent house.

It was further found out that tenants were able to share rental houses, thus significantly reducing their expenditure on housing. In view of this it is recommended that future dwelling houses or estates should be designed considering the possibility of tenants sharing or owners subletting some part of their dwelling while they live in another. Such dwellings should include servants' quarters which may be sublet by either tenants or owner-occupiers. These should have access to a bedroom from the outside. Maisonettes should have external staircase so that one household can temporarily occupy the lower part of a dwelling while the other

can occupy the upper floor. This way both tenants and landlords can afford either to rent houses or service their mortgages. This will help the achievement of one of the major objective of rent control - which is cheaper housing - without resorting to rent control.

Areas of Further Research

Although the objectives of this Study were achieved, it had some limitations and short comings. As it is always the case, time, cost and data constraints are the major limiting factors in any research. This study could have benefited from the inclusion of a bigger sample and more variables. For example we had to classify factors influencing the consumption of Buru Buru housing services in three main categories to eliminate some of the shortcomings. More categories could have been considered. Our analysis took only a sample of 193 dwelling units. Apart from that limitations, unexpected issues of interest always arose in the process of carrying out of a study. It is therefore recommended that further Research investigates the following:-

- (1) Effectiveness of rent control on low income housing. (this study dwelt on middle income housing.)

- (2) How rent control affects the natural filtering process or movement of consumers from one housing sector to the other, since there seems to be a tendency for those financially well placed moving into the controlled houses, squeezing out tenants of lower income brackets.
- (3) Finally owner-occupation should be studied in view of the encouragement it has been previously accorded by the government and social forces. The financial implications of home ownership require some form of study so as to see the viability and implications of urban home ownership in Kenya.

Footnotes for Chapter Five

1 Republic of Kenya The development Plan 1979 - 1983 (Nairobi: Government Printers, 1979)

2 B. E. Akwara, 'Politics in Urban Housing' p.58

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APPENDIX 1A

Survey of tenure conditions
in Buru Buru Housing Estate

OWNER OCCUPIER

House Number - - - - -

Buru Buru Phase I/II/III/IV/V

Accommodation type: Mortgaged

(i) Maisonette or bungalow?

(ii) 2 / 3 / 4 bedroomed.....

1. Head of household

 Sex.....

 Age.....

 Education .10 - 12/ 12 - 15/ 16 - 17/ over 17

1.1 How many people are members of the household?.....

1.2 When did you purchase this house? (year).....

1.3 Did you purchase this house new/old?

2. FINANCING

2.1 How did you finance the house purchase?

 Cash/deposit.....

 Mortgage

 Loan

 Other

2.2 If mortgage/loan

- 2.2.1 Value (amount)
- 2.2.2 Monthly repayments
- 2.2.3 Interest rate
- 2.2.4 Period (how long?)
- 2.2.5 For How much longer?

2.3 What proportion of monthly income do you spend on mortgage servicing?

- below 10%.....
- 10 - 20%.....
- 21 - 30%.....
- 31 - 40%.....
- above 40%.....

2.4 Have you ever let this house? ..Yes/No.....
If yes when did you move back?.....

2.5 Why did you decide to stay in the house rather than letting it out?.....
.....
.....

2.6 Where were you staying before you bought this house?.....

2.7 How much rent were you paying?

3 Demand/Preference

3.1 How satisfied are you with this house as a place to live?

- Very satisfied.
- Somewhat satisfied
- Indifferent
- Not satisfied.

3.2 What are the main factors or things you most considered before you bought this house? you may elaborate.

.....
.....
.....

3.3 What are the things you do not like about the house?

.....
.....
.....

3.4 How satisfied are you with Buru Buru Estate as a place to live:

- Very satisfied.
- Somewhat satisfied
- Indifferent
- Not satisfied.

3.5 What the main factors or things you most like about Buru Buru?

.....
.....
.....

3.6 In the near future do you have plans to
Sell the house?.....
Rent?.....
None.....

3.7 If you rented this house how much would it fetch
monthly?

3.8 How much could you sell this house
for?.....

3.9 Are property values in Buru Buru falling or rising?....
Why?.....
.....

3.10 Do you get some allowances (housing)?.....

3.11 Do you receive owner occupier allowance?.....

3.12 How far is your place of work?.....

3.13 Do you have any plans of buying another house?.....
Reasons.....
.....
.....

3.14 Do you have plans of moving to rented accomodation?
Yes/No.....

If yes: to which estate or area?.....

3.15 Do you feel you can pay more for something better?.....

4 Give your general opinion on Buru Buru.....
.....
.....
.....
.....

APPENDIX 1B

Survey of tenure conditions
in Buru Buru Housing Estate

TENANT

House Number - - - - -

Buru Buru Phase I/II/III/IV/V

Accommodation type:

- (i) Maisonette or bungalow
- (ii) 2 / 3 / 4 bedroomed.....

Household Structure

1. Head of household

Sex.....

Age.....

Approximate income

Marital status single ... Married....

If married wife/husband working?

if yes How much does he/she earn?..

1.1 How many people are members of the household?.....

1.2 When did you move to this house? (year).....

1.3 How many people were members of the household then?....

2 RENTAL

2.1 How much rent do you pay per month?.....

2.2 Do you pay the whole amount on your own? or share rent?

If you share, How many of you? What proportion of rent?

$\frac{1}{2}$ $\frac{1}{3}$ $\frac{1}{4}$

What proportion of your income do you spend on housing?

10 - 15

16 - 20

21 - 25

26 - 30

31 - 40

40+

2.3 Did you get your house through agents or directly from the owner?.....

2.4 Do you have a lease or contract with the owner? Yes/No

2.5 To whom do you pay the rent?

2.6 Did you pay a deposit when you moved in? Yes/No.....

2.7 If yes how much did you pay?.....

2.8 Will you get it back?...Yes/No.....

2.9 Since you moved in has rent been changed?

Yes/No....if no (skip to 2.11)

2.10 Fromto.....shs per month.

2.11 How satisfied are you with this house

- Very satisfied.

- Somewhat satisfied

- Indifferent

- Not satisfied.

2.12 What are the factors or things which you considered most to move to this house?

.....
.....
.....

2.13 What are the things which would make you move out of this house?

.....
.....
.....

2.14 How satisfied are you with Buru Buru Estate as a place to live:

- Very satisfied.
- Somewhat satisfied
- Indifferent
- Not satisfied.

What the factors you considered most in moving to Buru Buru?

.....
.....
.....

..

2.15 Would it be better to rent or to own a house in Buru Buru?.....

.....
.....
.....

2.16 Do you have plans of moving to another house within twelve month?..... Please tick one.

Yes definately....Yes probably.....Probably....No....

2.17 Why is it so?

.....
.....
.....

3 PREVIOUS RESIDENCE

3.1 What was your previous residence before?

3.2 How much were you paying?.....

3.3 Why did you move from your previous residence?.....

.....

3.4 Are ther houses which are vacant in Buru Buru?.....

None... few Many ... very many ... Don't know....

3.5 What are the reasons?.....

.....

4 RELATIONSHIP WITH LANDLORDS

4.1 How do you classify your landlord..(tick one)

..... Good

..... demanding

.... Caring

.... Careless

.... Flexible

.... cannot classfy

.... very rich

... none of these (your alternative).....

4.2 Where does your landlord stay?.....

4.3 Does your she/he undertake repairs and improvement?....

4.4 Since you moved in has the unit's conditions changed?..

- No change

- Improved

- Worsened

4.5 Do you spend any money of your own on this unit? Yes/No

If No skip to 4.7

4.6 How much do you spend per annum?

Do you recover the amount you spend?.....

4.7 Does your landlord ever show interest of occupying this house?.....

4.8 Does he wish to occupy this house?

4.9 Has he ever stayed in this house?.....

4.10 In case your landlord hiked rent by about 10% to 15%

what would you do? tick one

- Move out of Buru Buru

- Move within Buru Buru

- Negotiate rent

- object and refuse to pay

- seek assistance fro the rent tribunal

Reasons

Any other comment.....

4.11 What do you suggest to the Government to do to solve

housing problems?.....

.....

.....

.....

APPENDIX 1C

Survey of tenure conditions of previously assessed houses
in Buru Buru Housing Estate

1. House Number - - - - -
Present tenure: Rental
 Owner-occupied

2. If rented: when did you move to this house?.....
How much rent were you paying when you first rented
this house?
.....
How much do you pay currently?
- Is it reasonable Yes.....
 No.....
- If no how much rent is reasonable?
- Do you know whether this house has had rent assessed?
 Yes.....
 No.....
- If no why don't you find out?.....

- Why don't you have it assessed?.....

- Would it be cheaper if assessed?.....

APPENDIX 1D

Survey of tenure conditions of once resold houses
in Buru Buru Housing Estate

1. House Number - - - - -

Present tenure: Owner-occupied
 Rental

2. If rented: How much rent do you pay?.....

When did you move in?

Before you moved in who was occupying the house?

.....

- Was rented

- Occupied by owner

If owner-occupied

When did you move to this house?.....

Where were you staying before?.....

When you bought this house who was occupying
it?.....

How much do you pay back per month?.....

SURVEY OF HOUSING MARKET FORCES IN BURU BURU HOUSING ESTATE

QUESTIONNAIRE

FOR VACANT UNITS

Number.....

Buru Buru Phase.....

1 Type of Accommodation Maisonette Bungalow

2 Type of interview:

- (a) Landlord.....
- (b) Real Estate Agent.....
- (c) Neighbour.....
- (d) Developer.....

3 Is this Unit for Rent(1)..... for Sale(2).....

- 3.1 Vacant for Sale.....
- 3.2 Vacant for Rent.....
- 3.3 Vacant for Rent or Sale.....
- 3.4 Rented not occupied.....
- 3.5 Sold not occupied.....

4 How many months has the Unit been vacant?.....

5 How much would this house sell for in the open market?
KSHS.

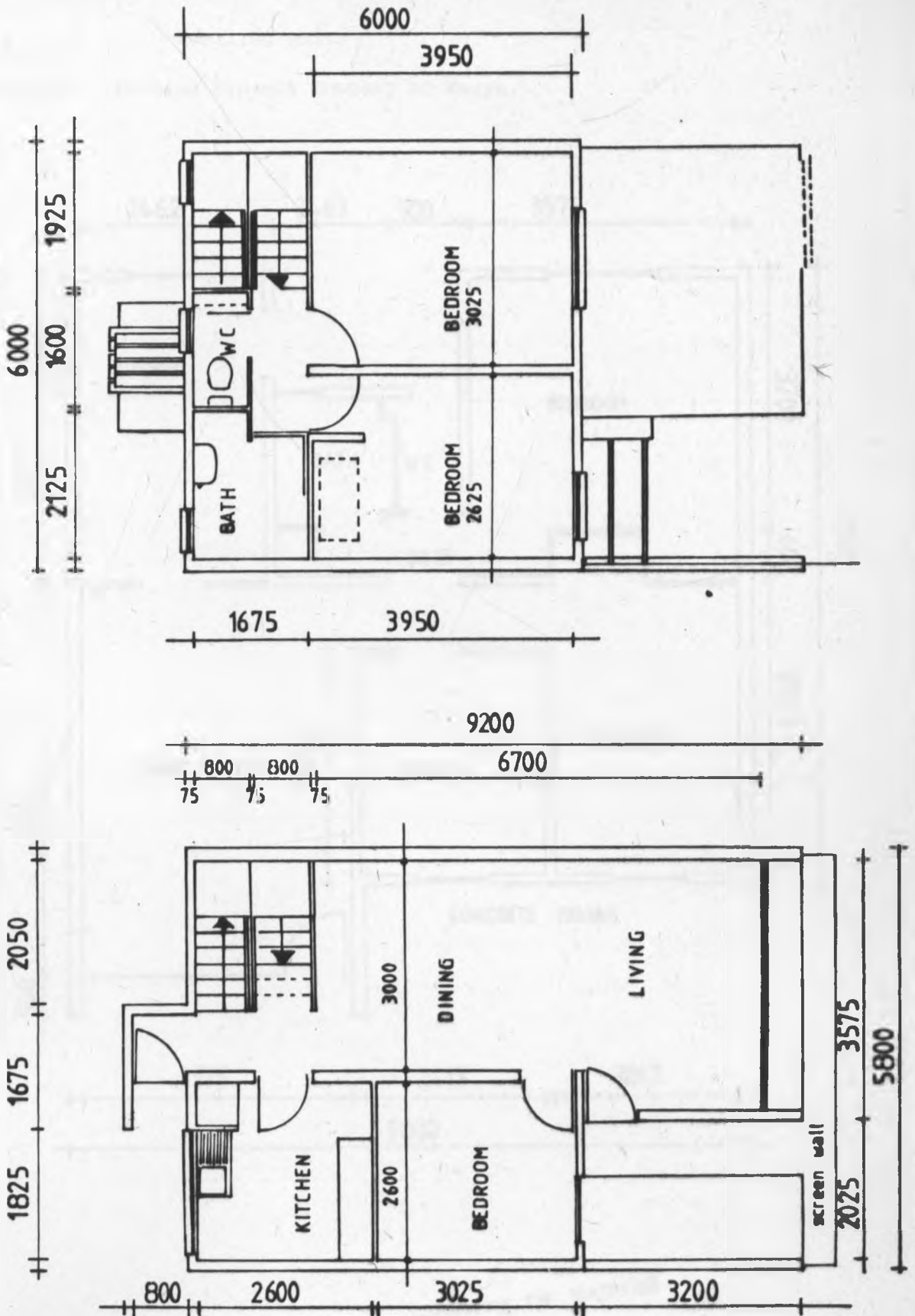
6 How much would it rent for?
KSHS.

7 Where did the previous tenant move to?

8 How much was he paying?

9 Why did he/she have to move (any idea)?

APPENDIX 2A: Typical plan of a three bedroomed maisonette.

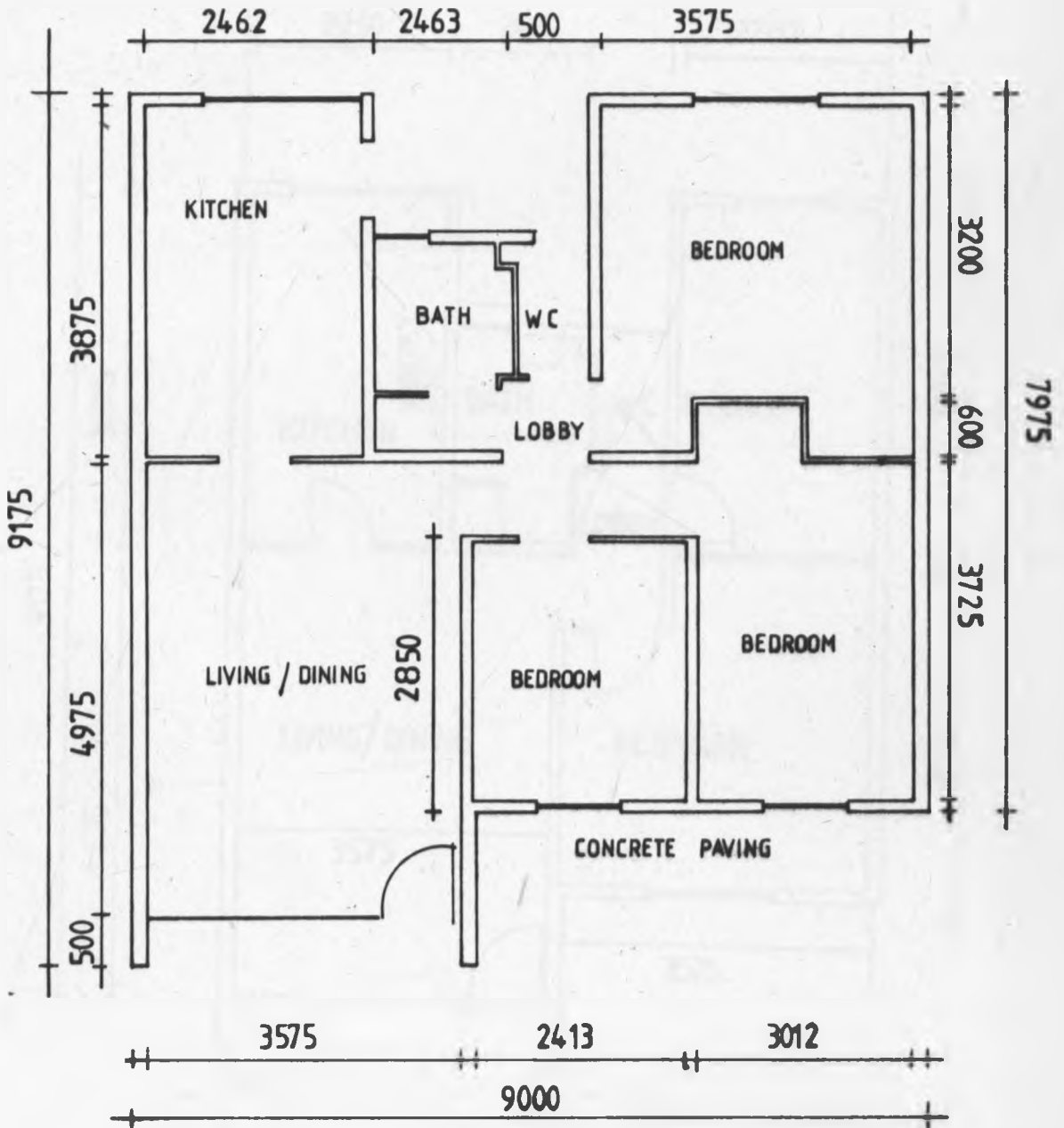


TYPE 4/2

Scale 1:50

APPENDIX: 2B: Typical plan of a three bedroomed single storey dwelling unit.

Source: Housing Finance Company of Kenya.



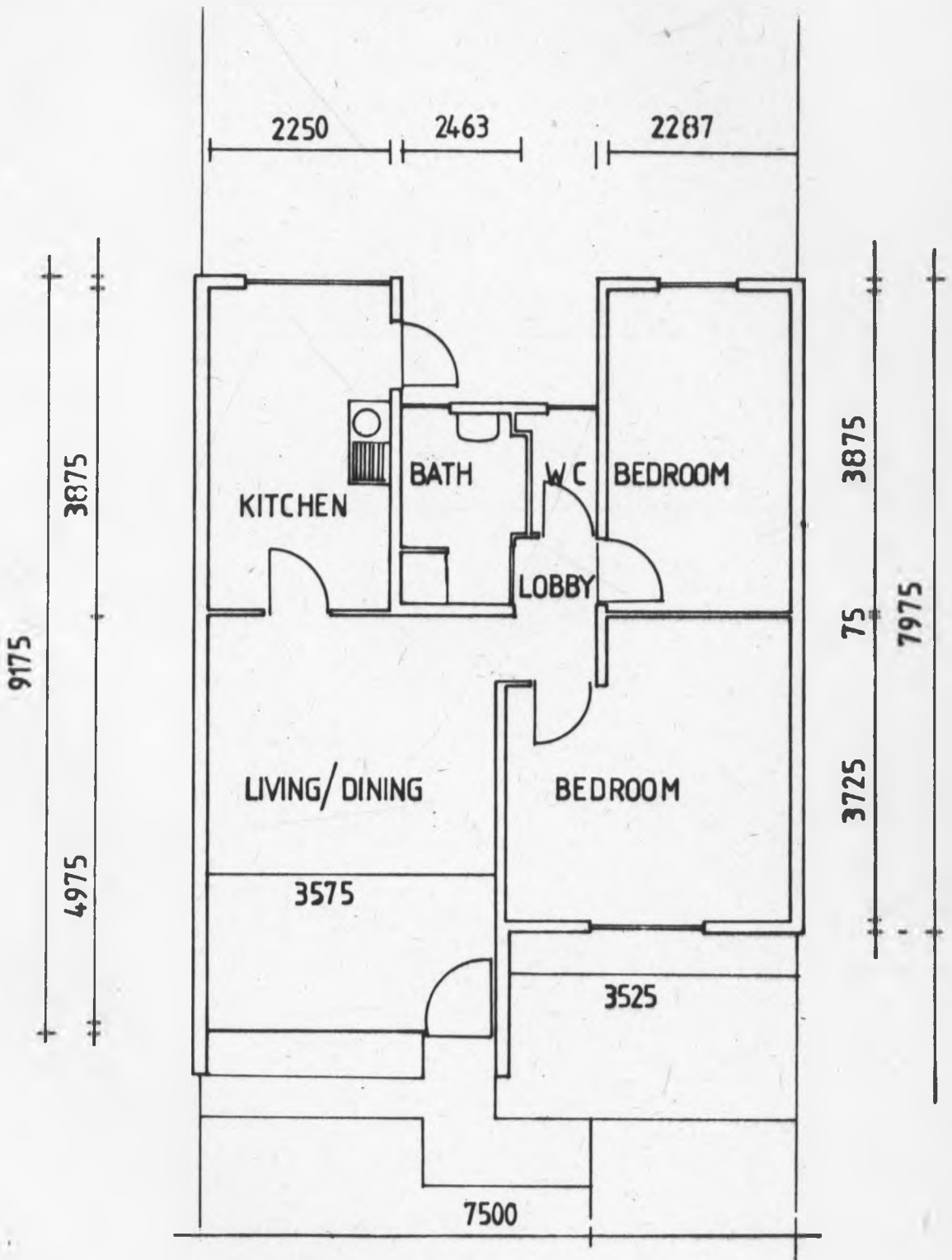
UNIVERSITY OF NAIROBI

BURUBURU PHASE 111
TYPE 4-1

Scale 1: 50

APPENDIX 2C: Typical plan of a two bedroomed dwelling unit.

Source: Housing Finance Company of Kenya.



TYPE 3-1

Scale 1:50