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How do people select their residential locations in Egypt? The case of Alexandria

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ABSTRACT

Affordable housing unit is still a rare resource in Egypt, despite the active role of the government to reform housing policies. The deficits of affordability and housing supply have been addressed intensively in the framework of the Egyptian housing policies. Indeed, housing prices and market conditions can be among the factors that influence the choices of the people to select certain residential locations. However, there are still no significant impacts that show affordability as the primary factor in the self-selection process of residential locations in Egypt. This complicates housing development scenario in Egypt. This paper highlights various debates concerning some of the current assumptions regarding housing development in Egypt. Focusing on Alexandria, Egypt, the main factors influencing current residential location choices are shown to be the availability of public transportation, followed by living in a good neighborhood and housing affordability.

1. Introduction

We know little about how people select a particular location to live in the less developed world. Housing affordability and market conditions in Egypt have been researched by different scholars (Abu-Lughod, 1971; Fahmi & Sutton, 2008; Sims, 2010, 2015; Soliman, 1992a), however, the factors of housing location choices and the self-selection process remain ambiguous in the context of Egyptian cities. Housing affordability and market conditions can be among the factors that influence individual attitudes towards housing allocation, however, there is still no significant research that shows affordability as the key factor for selecting a current housing location. This leaves the scenarios of housing development in Egypt ambivalent. Hence, this research aims to highlight the different factors that influence the decision of choosing a certain residential location in Egypt. Specifically, it underscores the role of public transportation and travel behavior in the process of self-selection, through the case of Alexandria in Egypt.

1.1. The Egyptian housing market in the global context

The dual responsibility of the governments in the rapidly urbanized developing world is to supply land and affordable dwellings to house the increasing population, while improving the living conditions in the existing informal settlements and eliminating their expansion. During the last decades, some governments have succeeded in initiating large-scale public housing programs with a strong economic growth, such as Hong Kong and Singapore (Bredenoord & van Lindert, 2010; UN-Habitat, 2007). Egypt launched its National Housing program (NHP) in 2005 (Hussein, Darwish, & Salem, 2014). Still, there are many constraints for the low-income population to access the housing market and secure shelter (UN-Habitat, 2007). Building new cities to deal with the massive urban growth was not exclusive for the case of Egypt. Indeed, this was also the case in China, India, and Iran. Scale, vision, and resources may have been significantly different. But, what has remained the same is the question of how to target the population (Nirmal, 2014; NUCA, 2016; Shaw, 1995; Sims, 2015; Xue, Wang, & Tsai, 2013; Zamani & Arefi, 2013; Zhou, 2012). Although building new cities was imperative for the case of Egypt, i.e. serving national and food security (Sims, 2010) over the last three decades, the Egyptian new cities have shown significant drawbacks in attracting a significant population within their boundaries (UNICEF, 2010). The overall population of all new cities represented less than 1% of the total population in Egypt in 2000 (Sims, 2010), while the vacancy rates in most of these new cities are higher than 40% (World Bank, 2008).

1.2. The logic of housing development in Egypt

Within the dilemma of the growing demand and the need for quick housing solutions, the Egyptian government has focused more on the

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side of housing supply rather than enhancing the deficiencies of the housing policies. Despite the different attempts of the government to shift its role from a direct supplier to enabler in the housing market, the government has supplied almost 36% of all the dwellings, at an estimated cost of 26.4 billion EGP; these houses are constructed on publicly owned land on the periphery (World Bank, 2008). In fact, the existing methods to target the right groups have made subsidized housing units prone to becoming assets rather than shelters for many inhabitants who applied for them. Even though the government attempts to provide job opportunities where most of the new cities are backboned with industrial development (NUCA, 2016; Sims, 2010), it remained more cost-effective for many workers to leave their families back in the cities, or villages, and commute to work in the new cities (Sims, 2010). Thus, it does not alter either the structure of the housing market or the traffic congestion.

Unlike any housing markets in an emerging economy, the Egyptian housing market faces a puzzling phenomenon of large scale vacancies of housing units in inner cities, despite the shortage of housing supply and the rising demand (CAHF, 2014; World Bank, 2008). The estimated number of housing units that could cover the shortage of housing in Egypt is approximately 3.5 million (CAHF, 2014). Although there are around 7.8 million units that are unused, these units are either out of reach of middle and low-income households due to high prices, or they are inadequate units with no proper infrastructure and facilities. These unused units are either vacant[1] or closed[2] (World Bank, 2008), as a result of two main factors. First, almost 42% of the rental housing units in Greater Cairo are frozen under the old system of rent control[3] (Sims, Kamal, & Solomon, 2008; World Bank, 2008). Consequently, the housing market and consumption patterns were distorted by the rent control in different ways (Soliman, 1996a). On the one hand, the quality of housing has declined as a result of the absence or the lack of maintenance by the landlords. On the other, there were no incentives for the homeowners to offer their housing units for rent in the housing market. Subsequently, the number of the rental units has dramatically declined (Allam, Ahmed, & Abdel Azeem, 2004; El Kafrawy, 2012). Second, holding unused housing units for children after marriage represents another crucial factor that depletes the current Egyptian housing stock. For instance, 77.9% of households owning unused units in Egypt do so for their children, whereas only 8.6% is for long-term investment (Sims et al., 2008; World Bank, 2008).

The nature of the Egyptian economy has pushed good quality housing stock far beyond the access of the middle and low-income households (CAHF, 2014). "House prices in Egypt relative to income are more expensive than in Western Europe, double most Gulf countries, and four times more expensive than the USA" (CAHF, 2014, p.16). 26.3% of the total population of Egypt, for the year 2012/2013, were below the national poverty line (UNICEF, 2014), whereas the income of one in every five Egyptians is below US $ 2 per day (CAHF, 2014). 68% of households in Egypt have no direct access to mortgage credit without the provision and support of the state (El Kafrawy, 2012). Housing affordability is often defined by subjective normative statements that do not take into account the location of the house, and the estimated target group (Kreckler, 2015; Sims, 2010). In fact, affordability is often linked only to the urban poor, without considering it as an essential factor for others, particularly, the middle class. According to LEED (2015), the housing unit is affordable when "the new rental and/or for-sale dwelling units priced for households earning less than the area median income (AMI)". The household median income in Egypt is 1046 EGP per month (Sims, 2010). The median rental price is estimated to be 200 EGP per month in Greater Cairo, whereas in the case of units under rent control, it is estimated to be 30 EGP per month. The average price of the low-income housing unit is estimated to be around 100, 000 EGP – US $ 13, 946 (CAHF, 2014; Sims, 2010).

Some can perceive informality as deficiencies in principle, but in practice, it is rather a logical path that tends to oppose the partiality of housing policies in Egypt towards modernization and westernization (Dorman, 2013; Sims, 2010; Tarbush, 2012). In other words, informal housing becomes a way of life for those who cannot afford the cost of modernity (Bayat & Denis, 2000). The informal settlements in Egypt, so-called Ashwa'iat,[4] represent 70% of Cairo's inhabitants, more than 40% in Alexandria, and even more in smaller cities in Upper Egypt (CAHF, 2014). Despite informality, what makes Ashwa'iat a desirable housing option is its responsiveness to the ingenuity of locals (Sims, 2010; Tarbush, 2012). The informal market has provided pliable housing solutions and expanded the housing stock in Egypt to include the low-income class (Arandel & El Batran, 1997; Soliman, 1992b, 1996b). The small size of land subdivision and the low price per square meter represent the main assets of this tenure choice. This incremental process starts from land acquisition till it reaches the construction phase, which makes it possible for low income households to carry on the entire process relying on their assets (Sims, 2013; Tadamun, 2014).

Urban mobility becomes an added labyrinth to the puzzle of housing development in Egypt. The uneven distribution of population growth between new and old cities exacerbates the distorted supply of public transportation. Nevertheless, the lack of the overlapping vision between the different sectors of development hinders dealing with current mobility issues (El Araby, 2013). Therefore, informality becomes a solution that not only affects the supply of housing but also, with the limited coverage of formal public transportation, becomes a significant factor in the observed traffic patterns of the Egyptian cities. For instance, the microbus, a para-transit mode, represents on average 57% of all trips within certain districts of Cairo (Sims, 2010). Also, car ownership and the density of the city are often linked. Whereas car ownerships tends to be low in cities of higher densities (JICA, 2011), within the high densities of the Egyptian cities, the increase in car ownership per capita represents another crucial issue in the traffic patterns of the Egyptian cities, such as Cairo (El Araby, 2013). Consequently, air pollution, high rate of road accidents, and the quality of provided services (Hussein, 2015; Kaysi & Chaaban, 2011; World Bank, 2006) appear to be related to housing location choices as well.

1.3. Residential mobility and location choices

Residential mobility in Egypt is considered to be low compared to Western countries. Around 4% of households in Egypt change their residential places every year, while 19% change within five years. 80% of the residential mobility is within the same area, or the same city (Sims et al., 2008). As Nasr Eldin, Khalil, and Kamel (2014) mention, income, life events, family size, the level of education, household characteristics, marital status, and stage of the life cycle are significant factors when it comes to housing relocation. Moreover, according to Caldera Sánchez and Andrews (2011), the housing markets and the related policies play an effective role in the relocation of households. They are affected by the local and national conditions of the market that are regulated by the government. Change in housing prices, and taxation may lead to the modification of residential mobility rates.

There are various factors that may explain such a low rate of residential mobility in Egypt. One can be due to the large stock of frozen housing units under the old rent control. Second, proximity to family and friends may influence the self-attitude towards housing allocation (Sims et al., 2008). Moreover, the housing tenure maybe another factor,

[1] Vacant represents the housing units that are unsold or unrented in the housing market.

[2] Closed represents the housing units that are sold or rented but they are unoccupied

[3] During the social time after the 1952 revolution, rent control was introduced as a step forward to ensuring housing affordability. The main goal was to set a fixed rent throughout the lifetime of a housing unit which could cover the construction, maintenance, and operating costs without allowing the landlord to make a profit (El Kafrawy, 2012; Allam et al., 2004; Soliman, 1996a, 1996b).

[4] Random or unplanned settlements which represent a wide range of informal or semi-formal areas in Egypt, including slums.