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Dynamics of Housing Affordability in Urban Kerala: Evidence from Thalassery Municipality

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Abstract

Housing is a multidimensional social necessity that significantly influences individual well-being, productivity, and socio-economic development. Despite Kerala's high human development indicators, housing affordability in Thalassery remains a major challenge to social equity. This study examines housing cost burdens across different socio-economic groups, including APL, BPL, and marginalized SC/ST communities, by analyzing variables such as income–expenditure ratios and access to credit. The findings highlight key structural constraints—particularly land scarcity and rising construction costs—that disproportionately affect informal sector households and contribute to a widening gap between income growth and housing expenses. The study therefore emphasizes the need for localized, evidence-based policy interventions, arguing that equitable access to affordable housing is essential for sustainable urban development and social cohesion in Thalassery.

1. Introduction

Housing is fundamentally a multidimensional entity that transcends its physical structure to serve as a cornerstone of human dignity, safety, and productivity. As a "merit good," it plays a critical role in shaping individual identity and societal well-being, embodying the adage that "man builds a house, but a house molds a man." While historical housing needs were driven by basic protection against natural elements, modern civilization has shifted the focus toward sanitation, quality, and location. Today, the global increase in population has intensified the demand for adequate shelter, reinforcing the idea that housing is not merely a commodity but a

fundamental social need essential for fostering mental health and social cohesion (High Level Task Force, 2008).

The definition of "affordable housing" remains a complex policy challenge, as it must balance income levels with the physical costs of dwelling units. In the Indian context, the Ministry of Housing and Urban Poverty Alleviation (MOHUPA) defines affordability through a dual lens of household income and the size of the dwelling unit. Generally, housing is considered affordable when the expenditure—whether through rent or Equated Monthly Instalments (EMIs)—does not create an undue burden on the family's ability to meet other basic needs (MOHUPA, 2011). Delineating these contours is essential for crafting targeted interventions, such as interest rate subsidies and infrastructure financing, which ensure that the most vulnerable segments of society can access stable living conditions.

In the state of Kerala, housing holds a unique cultural and socioeconomic position. Data from the National Sample Survey Office (NSSO, 2018) indicates a distinct preference among Kerala's urban residents for independent homeownership compared to the national average. This deep-rooted aspiration for private housing underscores the state's commitment to dignified living standards but also highlights a growing disparity. As housing costs rise, the burden falls disproportionately on economically disadvantaged groups, threatening the state's progress in human welfare and social equity. Consequently, understanding the specific barriers to homeownership in Kerala is vital for maintaining its high standards of societal well-being.

Focusing on the Thalassery Municipality, this study investigates the involved dynamics of the housing cost burden and the diverse determinants influencing affordability across distinct socioeconomic strata. By analyzing the disparate impacts of housing costs on Above Poverty Line (APL) versus Below Poverty Line (BPL) households, as well as historically marginalized Scheduled Caste (SC) and Scheduled Tribe (ST) communities, the research highlights how systemic inequalities manifest in the urban landscape—specifically where land and construction costs outpace the income growth of the most vulnerable residents. Furthermore, the study evaluates the efficacy of existing government interventions, such as the LIFE Mission and PMAY, to identify structural gaps and propose evidence-based policy shifts. Ultimately, by exploring the comprehensive socioeconomic backgrounds of households in Thalassery, this work underscores that enhancing housing accessibility is not merely an economic objective but a fundamental prerequisite for fostering social harmony and ensuring sustainable, equitable urban development for all citizens (MOHUPA, 2011; NSSO, 2018).

2. Review of Literature

Gopikuttan (1990) analyzed the 1970s housing boom in Kerala, noting its profound structural impacts on the state's economy. The study highlighted a 10-to-20-fold increase in land prices and a surge in wage rates that attracted migrant labour. However, Gopikuttan observed that the state failed to fully capture the economic benefits of this boom because construction materials were largely imported. Furthermore, the emergence of a complex "contracting system" increased production costs, making housing increasingly unaffordable for low-income groups.

Augusty (1990) examined the intersection of technology and finance during Kerala's construction boom, primarily fueled by Gulf remittances. The study observed a sharp socio-economic divide, where modern, high-tech villas coexisted with the thatched huts of marginalized populations. Augusty concluded that the adoption of modern construction technology not only inflated material and labor costs but also forced households into significant indebtedness due to a heavy reliance on borrowing.

George (2000) investigated housing investment patterns among Kerala's salaried class. The research identified a significant "drainage" of

capital from the state economy, primarily due to the procurement of building materials from external markets and the widespread use of migrant labour. George emphasized that this outflow of funds limited the potential for local economic growth and suggested a need for strategies to retain housing investments within the state.

Harilal and Andrews (2006) explored the transformation of the labour process in Kerala's construction sector. The authors argued that the introduction of modern materials like cement, steel, and glass bypassed traditional artisan skills and fostered a "capitalist mode of production." This shift transitioned the homeowner from an active participant to a "mere buyer" of a commodity, managed through multiple layers of intermediaries and contractors.

Mahalik (2008) examined housing price trends in Bhubaneswar, India, using vector autoregression and co-integration tests. The study found that at the macro level, real GDP and the availability of bank credit were the most significant drivers of housing prices. At the micro level, Mahalik identified average household income and the actual cost of construction as the primary determinants of price variability and demand.

Zainal (2010) addressed housing affordability in Malaysia by applying the multidimensional Shimberg Centre Index. Unlike traditional measures, this index integrates median house prices and incomes with mortgage interest rates and down-payment requirements. The study found that national housing was particularly unaffordable during the late 1990s and advocated for using median-based metrics to better reflect the financial reality of average households.

Tan (2016) conducted an empirical study of 300 housing units in Malaysia to identify the primary determinants of property value. The research categorized 17 influential factors, such as house size, location, and proximity to recreational and transport facilities. Tan recommended that the government reduce administrative fees and charges to curb rising prices and promote higher rates of homeownership.

Vupru (2017) utilized a hedonic regression model to diagnose housing demand and pricing in Dimapur, Nagaland. The study revealed that structural aspects are the most decisive factors in determining a home's price. Additionally, it found that while infrastructure quality and neighbor education levels had positive impacts, environmental factors like flood risks and proximity to waste sites significantly diminished property value across all socioeconomic groups.

Despite extensive literature on housing macroeconomics, there is a scarcity of empirical research on micro-level cost burdens within Kerala context. Existing studies often prioritize historical booms and remittances, overlooking the contemporary challenges faced by specific socioeconomic groups such as APL, BPL, and marginalized SC/ST communities. Furthermore, there is a lack of recent data-driven analysis on how rising land and construction costs specifically outpace household income growth under self-construction modes. This creates a significant gap in evaluating the localized effectiveness of current government interventions, necessitating evidence-based policy recommendations for the region.

3.Objectives of the study

1. To analyse the key determinants of housing affordability among diverse household strata in Thalassery Municipality.
2. To evaluate the effectiveness of existing housing interventions and propose evidence-based policy recommendations to enhance affordability in the study area

3. Methodology

The study adopts an empirical research design centred on Thalassery Municipality to investigate the complexities of housing affordability and construction financing. Primary data was gathered

from a sample of 100 households, specifically targeting independent houses built through self-construction. By excluding flats, apartments, and outright purchases, the study ensures a precise analysis of actual residential unit costs, free from the skewed profit margins often embedded in builder-led pricing. This primary data—encompassing income levels, household size, occupation, and education—is supplemented by secondary data from authoritative bodies, including the Reserve Bank of India (RBI), the Government of India, the Government of Kerala, and United Nations publications to provide a robust macroeconomic context.

To ensure a representative cross-section of the population, a random sampling technique was employed, accounting for diverse demographic categories such as caste, income, and occupation. The study is situated in Thalassery Municipality, a significant urban center in the Kannur district with a population of 92,558 and a high literacy rate of 97.2%. The municipality manages 19,577 households and possesses a diverse occupational landscape where 90.8% of the 26,876-strong workforce is engaged in main employment. The sampling design specifically accounts for the region's unique social fabric, including the presence of Scheduled Caste (2.3%) and Scheduled Tribe (0.3%) communities, to examine how systemic factors influence housing accessibility within these 50 municipal wards. Information gathered through structured questionnaires is processed and presented using percentages and comprehensive tables to illustrate the socioeconomic determinants of housing costs.

5. Discussion

Housing affordability is not solely determined by the cost of housing itself but also by household incomes and expenses. Affordability metrics often compare housing costs, such as rent or mortgage payments, to household incomes, with the aim of assessing the proportion of income spent on housing. High housing cost burdens can strain household budgets, limiting discretionary spending on other necessities and reducing overall financial stability. Basic housing information provides a framework for exploring the complexities of affordability within the housing market.

Table 1 Number of respondents Based on Residence

Type of Residential	Number of Respondents	Percentage
Owned	71	94.70
Others	4	5.30
Total	75	100

Source: Primary Data

Table 1 indicates that most respondents, constitute 94.70%, reported owning their residences. This suggests a high level of home ownership within the surveyed population. Conversely, a smaller proportion, comprising 5.30% of respondents, fell into the category labeled as "Others," which may include individuals who rent, live in communal housing, or have alternative living arrangements. Despite the small percentage, this category represents an important segment of the population with diverse housing situations.

The structure of a house is a main determinant of housing background. Mainly the structure of housing is classified into different categories they are pucca, semi pucca, katcha and others. semi-pucca houses, which typically combine elements of both permanent and temporary construction materials, indicating a moderate level of structural stability and durability. katcha houses, which are predominantly made of temporary or less durable materials like mud, thatch, or bamboo.

Table 2 Number of Respondents Based on Structure of House

Structure of House	Number of Respondents	Percentage
Pucca	26	34.70
Semi pucca	35	46.70
Katcha	3	4
Others	11	14.70
Total	75	100

Source: Primary Data

Table 2 reveals a diverse array of housing types among the respondents. The largest proportion, comprising 46.70%, reported living in Semi pucca houses. Following closely behind, 34.70% of respondents reside in Pucca. Meanwhile, a smaller percentage, constituting 4%, reported living in highlighting a potential need for housing improvement interventions. Additionally, 14.70% fell into the category labeled as "Others," likely encompassing a range of unique or alternative housing structures not captured by the specified classifications.

Table 3 Number of Respondents based on square feet of home

Square feet of House	Number of Respondents	Percentage
1000-2000	45	60
2000-3000	22	29.30
3000-4000	8	11
Above 4000	0	0

Source: Primary Data

Table 3 presents data on the square footage of houses owned by 75 respondents, categorized into four size ranges: 1000-2000 square feet, 2000-3000 square feet, 3000-4000 square feet, and above 4000 square feet. The data indicates that most respondents (60%) reside in houses ranging from 1000 to 2000 square feet, suggesting a prevalence of moderately sized dwellings within this range. Additionally, 29.30% of respondents reported living in houses spanning 2000 to 3000 square feet, while 11% inhabit houses measuring 3000 to 4000 square feet. Notably, none of the respondents reported residing in houses above 4000 square feet. This breakdown provides insights into the distribution of house sizes among the surveyed population, highlighting a predominance of smaller to moderately sized residences, with larger properties being less common among respondents.

Table 4 Number of Respondents Based on Financial Sources

Other Financial Sources	Number of Respondents	Percentage
Government scheme	4	8.50
Loan	37	37
Others	6	12.80
Total	47	100

Source: Primary Data

Table 4 presents data on respondents' sources of financing for construction projects, with 47 respondents categorized based on the financial sources utilized. Among them, 8.50% reported relying on government schemes for financing, while the majority, comprising 37%, indicated that they obtained funds through loans. Additionally, 12.80% of respondents cited other sources of financing. This suggests that while loans are a commonly utilized financial resource for construction projects, a notable portion of respondents also accessed funds through government schemes or alternative means, highlighting the diversity of financial strategies employed in funding construction endeavors.

Table 5 Number of Respondents Based Cement Cost

Total cost for Cement	Number of Respondents	Percentage
10000-25000	13	17.30
25000-50000	18	24
50000-75000	17	22.70
75000-1 lakh	19	25.30
Above 1 lakh	8	10.70
Total	65	100

Source: Primary Data

Table 5 displays data concerning the total cost reported by respondents for purchasing cement, categorized into five expenditure brackets: 10,000 to 25,000; 25,000 to 50,000; 50,000 to 75,000; 75,000 to 1 lakh; and above 1 lakh. Out of 65 respondents surveyed, 17.30% reported costs falling within the range of 10,000 to 25,000, while 24% indicated expenses between 25,000 and 50,000. Additionally, 22.70% reported costs ranging from 50,000 to 75,000, followed by 25.30% stating expenses from 75,000 to 1 lakh, and 10.70% indicating costs exceeding 1 lakh for purchasing cement.

Table 6 Number of Respondents Based on Cost of Steel

Total Cost for Steel	Number of Respondents	Percentage
10000-25000	14	18.70
25000-50000	17	22.70
50000-75000	28	37.30
75000- 1 lakh	11	14.70
Above 1 lakh	5	6.70
Total	75	100

Source: Primary Data

Table 6 presents data on the total cost reported by respondents for purchasing steel, segmented into five expenditure brackets: 10,000 to 25,000; 25,000 to 50,000; 50,000 to 75,000; 75,000 to 1 lakh; and above 1 lakh. Among the 75 respondents surveyed, 18.70% reported costs falling within the range of 10,000 to 25,000, while 22.70% indicated expenses between 25,000 and 50,000. Furthermore, 37.30% reported costs ranging from 50,000 to 75,000, followed by 14.70% stating expenses from 75,000 to 1 lakh, and 6.70% indicating costs exceeding 1 lakh for purchasing steel.

Table 7Number of Respondents Based on Sand Cost

Total cost for Sand	Number of Respondents	Percentage
10000-25000	12	16
25000-50000	19	25.30
50000-75000	31	41.30
75000- 1 lakh	9	12
Above 1 lakh	4	5.30
Total	75	100

Source: Primary Data

Table 7 illustrates the total cost reported by respondents for purchasing sand, categorized into five expenditure brackets: 10,000 to 25,000; 25,000 to 50,000; 50,000 to 75,000; 75,000 to 1 lakh; and above 1 lakh. Among the 75 respondents surveyed, 16% reported costs ranging from 10,000 to 25,000, while 25.30% indicated expenses between 25,000 and 50,000. Additionally, 41.30% reported costs within the range of 50,000 to 75,000, followed by 12% stating expenses from 75,000 to 1 lakh, and 5.30% indicating costs exceeding 1 lakh for purchasing sand.

Table 8 Number of Respondents Based on Electrifying Cost

Total cost for Electrifying the House	Number of respondents	Percentage
10000-25000	15	20
25000-50000	15	20
50000-75000	28	37.30
75000- 1 lakh	12	16
Above 1 lakh	5	6.70
Total	75	100

Source: Primary Data

Table 8 presents total cost incurred by respondents for electrifying their houses, segmented into five cost brackets: 10,000 to 25,000; 25,000 to 50,000; 50,000 to 75,000; 75,000 to 1 lakh; and above 1 lakh. Among the 75 respondents surveyed, 20% reported costs falling within the range of 10,000 to 25,000, while another 20% indicated expenses between 25,000 and 50,000. Additionally, 37.30% reported costs from 50,000 to 75,000, followed by 16% stating expenses from 75,000 to 1 lakh, and 6.70% indicating costs exceeding 1 lakh for electrifying their houses.

Table 9 Number of Respondents Based on Labour cost

Total Labour Cost	Number of Respondents	Percentage
10000-25000	4	5.30
25000-50000	14	18.70
50000-75000	28	37.30
75000- 1 lakh	14	18.70
Above 1 lakh	15	20
Total	75	100

Source: Primary Data

Table 9 showcases data regarding the total labour cost as reported by respondents, divided into five cost brackets: 10,000 to 25,000; 25,000 to 50,000; 50,000 to 75,000; 75,000 to 1 lakh; and above 1 lakh. Among the 75 respondents surveyed, 5.30% stated labour costs between 10,000 and 25,000, while 18.70% reported expenses ranging from 25,000 to 50,000. Furthermore, 37.30% indicated labour costs between 50,000 and 75,000, with 18.70% reporting costs within the range of 75,000 to 1 lakh, and 20% of respondents stated labour costs exceeding 1 lakh.

Table 10 Number of Respondents Based on Plumbing Cost

Total Cost for Plumbing	Number of Respondents	Percentage
10000-25000	12	16.70
25000-50000	17	23.60
50000-75000	31	4.30
75000- 1 lakh	7	9.70
Above 1 lakh	5	6.90
Total	75	100.00

Source: Primary Data

Table 10 presents data on the total cost for plumbing reported by respondents, categorized into five price ranges: 10,000 to 25,000; 25,000 to 50,000; 50,000 to 75,000; 75,000 to 1 lakh; and above 1 lakh. Out of 75 respondents surveyed, 16.70% reported costs between 10,000 and 25,000, while 23.60% indicated expenses falling within the range of 25,000 to 50,000. Moreover, 4.30% reported costs between 50,000 and 75,000, 9.70% between 75,000 and 1 lakh, and 6.90% stated costs above 1 lakh.

6. Policy Interventions

Housing affordability in Thalassery Municipality emerges as a significant concern, shaped by multiple socio-economic and demographic factors such as age, location, educational attainment, and housing quality. The findings indicate that disparities in income and access to resources play a crucial role in determining the ability of households to secure adequate housing. In this context, government policies become instrumental in influencing affordability through regulatory frameworks, financial support mechanisms, and targeted interventions aimed at improving both supply and accessibility.

A key policy priority is the enhancement of educational attainment, as education directly influences income-earning capacity and, consequently, housing affordability. The study reveals that households with lower educational qualifications face greater affordability challenges. Therefore, long-term strategies aimed at improving access to quality education and skill development can significantly enhance economic opportunities and reduce housing stress among vulnerable groups.

Reducing the cost of housing construction is another critical area of intervention. Promoting and disseminating cost-effective and sustainable housing technologies can help lower building expenses, making housing more accessible to low- and middle-income households. In addition, government subsidies, grants, and tax incentives for developers can encourage the construction of affordable housing units by offsetting high input costs and improving project viability.

On the supply side, policy reforms such as relaxing zoning regulations, promoting higher-density and mixed-use developments, and implementing effective land-use policies can significantly expand the availability of affordable housing. Public–private partnerships can further

strengthen this effort by leveraging the efficiency of private developers alongside public sector support. At the same time, strengthening tenant protections, including eviction prevention measures and enhanced tenant rights, is essential to ensure housing stability for vulnerable populations.

Finally, demand-side interventions such as housing vouchers, rental assistance, and access to low-interest mortgage loans or down payment assistance programs can improve affordability for low- and moderate-income households. Complementary investments in transportation and infrastructure are also vital, as they enhance connectivity and open up new areas for affordable housing development. Adopting a "Housing First" approach to homelessness—prioritizing immediate access to stable housing followed by supportive services—can further contribute to inclusive and sustainable urban development in Thalassery.

7. Conclusion

Housing is a multidimensional social necessity that shapes individual well-being, productivity, and socio-economic development, with permanent ("pucca") housing also contributing to mental health and social cohesion. In India, rapid urbanization has intensified the affordable housing crisis despite major government initiatives such as Pradhan Mantri Awas Yojana (PMAY) and Kerala's LIFE Mission. A significant disparity persists, as high-income households typically spend around 20% of their income on quality housing, while low-income groups often allocate over 50% to inadequate or overcrowded dwellings, further constrained by land scarcity, bureaucratic barriers, and limited access to formal credit. These challenges are unevenly distributed and closely linked to education, occupation, and entrenched social inequalities, with marginalized SC/ST communities disproportionately affected and often confined to poorly serviced settlements. Although many households achieve homeownership through inheritance or long-term borrowing, they remain financially vulnerable, highlighting the importance of education and stable employment in improving housing outcomes. Addressing this crisis, particularly in municipalities like Thalassery, requires a multifaceted approach that combines national schemes with localized, context-specific strategies, promotes cost-effective housing practices, and fosters collaboration among government, developers, and communities to ensure equitable access to safe, affordable housing.

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