



Research Article

The Interplay Between Urban Political Economy and Formal Homeownership: Evidence from Ethiopia

Efa Tadesse Debele^{1*}, Taye Negussie², Solomon Mulugeta², Kassahun Asres²

¹Samara University, Semera, Afar, Ethiopia

²Addis Ababa University, Addis Ababa, Ethiopia

KEYWORDS

housing
homeownership
political economy
structural barriers
urbanization

ABSTRACT

This study aimed to examine the nature of the urban political economy and its impacts on formal homeownership in Ethiopian cities. A mixed-methods research design was employed, integrating qualitative and quantitative data. Quantitative data were collected through surveys from 384 randomly selected urban residents, while qualitative data were gathered via in-depth interviews and focus group discussions. All data were analyzed using SPSS 26 for quantitative analysis and thematic analysis for qualitative data, with findings triangulated for interpretation. The results revealed significant statistical relationships between structural factors and housing status. Specifically, the multinomial logistic regression model indicated that residents with structural support (mortgage availability, political favor) were 3.2 times more likely to achieve formal homeownership (Odds Ratio = 3.21, $p < 0.01$). Conversely, high-risk housing market dynamics and the adaptive capacity of residents to cope with them were negatively and significantly associated with formal homeownership ($\beta = -0.45$, $p < 0.001$). Furthermore, the data showed a positive correlation between the weak socio-economic capacity of residents and housing segregation ($r = 0.61$). Thematic analysis highlighted that the regulatory and interactional dimensions of the rental housing market are major explanatory variables contributing to a problematic rental scenario. It was also found that informal housing has become the most common housing market type, fraught with social and economic controversies. The findings suggest that paradoxes inherent in the urban political economy, driven by weak structural support and negative market dynamics, have caused the bleakness and inaccessibility of formal homeownership for the majority of urban residents. The authors recommend the formulation of a housing policy that is sensitive to local socio-economic realities and the prevailing urban political economy.

*CORRESPONDING AUTHOR

Efa Tadesse Debele; Samara University, Semera, Afar, Ethiopia ; Email: efa.tadesse@aau.edu.et

ARTICLE INFO

Received: 10 December 2025 | Revised: 29 December 2025 | Accepted: 30 December 2025 | Published Online: 31 December 2025

DOI: <https://doi.org/10.65773/ure.2.1.60>

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1. Introduction

Ethiopia is currently experiencing rapid urbanization, placing immense pressure on its urban housing supply and creating a severe affordable housing crisis. Since 1991, the government has adopted a market-oriented political economy approach to housing development, favoring leasehold tenure and removing subsidies on building materials [1]. This shift, including the implementation of large-scale projects like the Integrated Housing Development Program (IHDP), aimed to address housing shortages. However, despite these efforts, more than half of urban residents continue to live in inadequate or unwelcoming housing conditions [2,3]. The prevailing housing policy context, characterized by high demand, constrained supply, and policy paradoxes, necessitates a comprehensive understanding of the factors frustrating residents' housing ambitions, particularly the goal of formal homeownership.

While existing literature acknowledges that housing status is influenced by individual socio-economic characteristics such as income, education, and family size [4,5], there remains a critical empirical gap in linking these dispositional factors to the structural political economy dynamics governing Ethiopia's housing market. Research has suggested that the overall political economy and its institutional manifestations, including housing segregation [6,7] and structural bias [8], are more likely to impact housing development than personal resources alone. Specifically, there is limited in-depth analysis on how the interplay between structural barriers, actors' power dynamics, and market mechanisms shapes an individual's aspiration for, and mobility toward, formal homeownership amidst Ethiopia's fast-changing urban landscape.

This article aims to examine the nature of the urban political economy and its corresponding impacts on formal homeownership ambition and attainment in Ethiopia. To achieve this aim, the study addresses the following five specific objectives: To address the dispositional power and socio-economic factors associated with residents' current housing status. To evaluate how existing structural and institutional barriers challenge housing mobility or the realization of formal homeownership. To observe and analyze how urban residents cope with the turbulent dynamics of the housing market. To examine why the rental housing market is becoming increasingly problematic and unsustainable for urban dwellers. To analyze why informal housing persistently prevails despite the state's efforts to control it.

This paper contributes significantly to urban housing studies by grounding the Ethiopian housing question explicitly in a political economy perspective. By moving beyond a focus solely on individual socio-demographic and economic constraints, this research offers a more comprehensive framework that integrates dispositional power, structural barriers, and actors' agency in determining housing outcomes. The empirical findings provide evidence of the complex and often paradoxical relationship between government policy, market mechanisms, and citizen aspirations, which is crucial for addressing the bleakness of formal homeownership. Ultimately, this study offers policy-relevant insights that can inform the development of more socio-economically sensitive and politically realistic housing policies to promote equitable urban development in Ethiopia.

2. Literature

2.1. Defining the Conceptual Framework: The Political Economy Lens

The manuscript adopts a political economy perspective to analyze the urban housing question. Political economy, in this context, is defined as the study of how political and economic forces interact to shape the production, distribution, and consumption of resources—specifically, urban land and housing—and how this interaction reinforces or challenges structural inequalities [9,10].

This framework is critical because it moves beyond individual choices to analyze how macro-level power structures influence micro-level outcomes. Within the Ethiopian context, the political economy dictates several key housing dynamics:

- **Mortgage Access and Housing Land Distribution:** State control over land combined with liberalized finance means that political favor and elite influence often shape who receives access to subsidized land and favorable lending conditions, severely limiting mortgage access for the urban poor.
- **Structural Inequality:** The interplay of market liberalization and state regulation creates structural inequality, where policy paradoxes enable rent-seeking and weak land management, leading to the growth of the informal sector.
- **Informal Housing:** Informal housing is not merely a sign of poverty, but a direct result of a political economy that fails to provide formal, affordable housing options for the majority, forcing a reactive, rather than preventative, state response [11].

Understanding the political economy is essential for analyzing the dispositional and structural power dynamics that determine homeownership aspiration and attainment, which this study visually summarizes in its conceptual model.

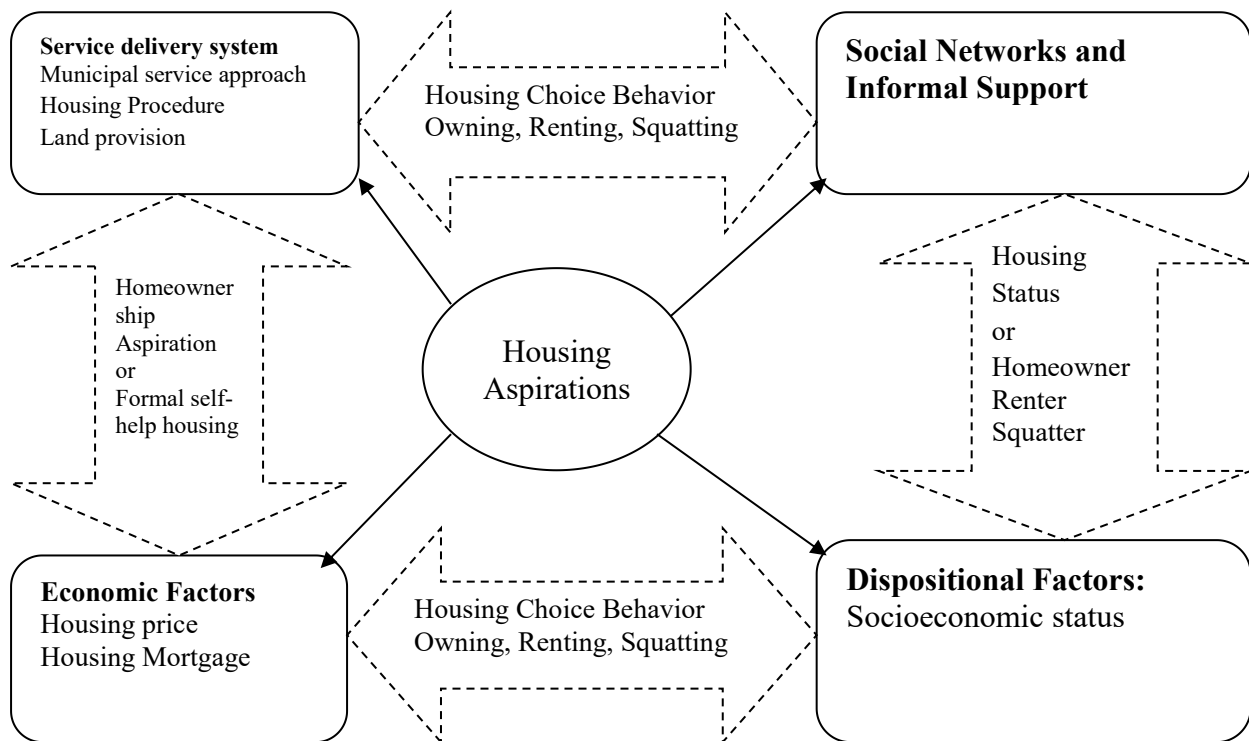


Figure 1. A conceptual model figure showing relationships among dispositional factors, structural barriers, rental dynamics, and informal housing.

2.2. Dispositional Factors Affecting Homeownership (Gender, Migration, Networks)

The attainment of a certain type of housing reflects an individual's personal resources, dynamism, and capacity to cope [12]. The aspiration gap—where housing preferences differ significantly from current living situations—is

often most pronounced among individuals with low socioeconomic status who desire affordable housing but face mobility barriers.

While factors such as income, job opportunities, family size, and educational level are recognized determinants of housing development [4,5], recent global research highlights the critical role of dispositional factors mediated by structural power. For instance, ethnicity, gender, and family structure can predispose individuals to housing exclusion and eviction [8]. Furthermore, research on Ethiopian cities and the broader Global South/LMIC context suggests that social networks and migration status are crucial factors, as they significantly impact access to housing opportunities and socioeconomic mobility [13]. Ultimately, the ability to transition to homeownership is highly dependent on both personal resources and coping abilities against precarious housing [14].

2.3. Structural Constraints and Political Economy

Despite formal housing policies intended to promote equitable development, structural constraints—often rooted in the political economy—actively challenge formal homeownership. In Ethiopia, the main factors underlying urban housing problems are financial shortages, land provision constraints, and procedural restrictions associated with standardization [15]. This echoes findings across the Global South, where urbanization outpaces governmental capacity, leading to similar structural challenges [16,17]. Within the established political economy framework, a host of interconnected structural barriers hinder equitable housing: weak land management, high rent-seeking tendencies in the land market, lack of community participation, and structural segregation based on economic status and place of origin [18,6]. These unsupportive structures prevent the unprivileged and politically unorganized from realizing homeownership aspirations [19]. The result is a society where dynamics in the housing market and the structural power imbalance between housing providers and seekers determine tenure outcomes [20].

2.4. Rental Housing Dynamics and Regulatory Gaps

Renting remains an essential, though often problematic, form of tenure in Ethiopia, with nearly two-thirds of urban households renting from private owners [15]. The high cost of construction and rental costs severely limit the access of poor households to decent accommodation. A primary driver of rental housing problems is the regulatory gap, which has disempowered renters. Across many LMICs, rental markets are characterized by informality and a lack of protective legislation, leaving tenants vulnerable. The absence of clear laws and institutions to balance the bargaining power of landlords and tenants results in a market driven by self-interest and lacking accountability, contributing to substandard and congested living conditions. Addressing this regulatory gap is crucial to establishing conducive conditions that enforce the rights and duties of both parties, thereby alleviating the severe pressure caused by high rental prices [21].

2.5. Informal Housing and Governance

The persistent growth of the informal housing market is a direct function of the failures within the formal housing and land management systems [15]. Informal housing is a common practice that often goes undocumented by local administration, yet it provides many residents with a sense of secure tenure and ownership absent in the formal rental market [11].

However, the state's response to informal housing has historically been reactive, often resulting in demolitions rather than proactive inclusion. It is crucial to recognize that informal housing is deeply rooted in the political economy and governance failings, rather than being solely a matter of individual non-compliance. By catering

effectively to the demand for affordable urban housing through inclusive policies, governments can reduce the need for and prevalence of controversial informal settlements.

3. Methodology

3.1. Description of the Study Area

The study was conducted in Sheger City, formerly the Oromia Special Zone, located approximately 24 km southwest of Addis Ababa, Ethiopia. Sheger City, comprising three sub-cities—Sebeta, Furi, and Gelan Guda—is characterized by rapid residential expansion and significant housing market dynamics due to its proximity to the capital and accelerated urbanization.

3.2. Research Philosophy and Design

This research utilized a pragmatic research philosophy, which guided the selection of a mixed-methods research design. The pragmatic approach was chosen to maximize the utility of the findings by focusing on solving the practical housing problem through the triangulation of multiple theories, data sources, methods, and investigations. The study design employed both descriptive and explanatory components. We strictly adhered to value-free research ethics and used unbiased questions to ensure impartiality and fairness throughout the investigation.

3.3. Study Population and Sampling Techniques

Quantitative Sampling

The target population for the quantitative component comprised urban residents of Sheger City involved in various housing statuses (owners, renters, informal settlers) and related professions (brokers, officials). The sample size was 384 respondents, calculated using the standard single-population proportion formula based on a 95% confidence level and a 5% margin of error. A multi-stage sampling technique was employed to ensure proportional representation.

1. Stratification: The three sub-cities (Sebeta, Furi, and Gelan Guda) were treated as the primary strata.
2. Random Selection: Within each sub-city, specific *kebeles* (neighborhoods) were selected using simple random sampling (lottery method).
3. Systematic Sampling: The 384 respondents were then selected from the identified *kebeles* using systematic random sampling, based on household lists, to ensure a representative distribution across the study area.

Qualitative Sampling

The qualitative component involved 90 participants selected through a purposive sampling technique. This non-probability method targeted individuals with specialized knowledge or direct experience related to the urban political economy and housing crisis, including: key municipal officials, housing experts, land management brokers, long-term renters, formal homeowners, and leaders of informal settler communities. This method ensured rich, in-depth perspectives from critical actors across the housing spectrum.

3.4. Data Collection Methods, Reliability, and Analysis

Data Collection and Reliability

Primary data were collected via structured questionnaires (for quantitative data), in-depth interviews, focus group discussions (FGDs), and field observations (for qualitative data).

- Reliability: The internal consistency of the quantitative instrument (questionnaire) was assessed using Cronbach's Alpha
- . The composite reliability score for the main constructs was $\alpha = 0.82$, confirming the instrument's high reliability.
- Validity: Content validity was ensured through expert review by senior urban planning and sociology faculty, and construct validity was addressed through statistical factor analysis.

Quantitative Data Analysis

Quantitative data were meticulously entered, cleaned, and analyzed using the Statistical Package for the Social Sciences (SPSS) Version 26.

The analysis involved:

- Descriptive Statistics: Frequencies, percentages, means, and standard deviations were used to describe the socio-economic and housing status characteristics of the respondents.
- Inferential Statistics: Chi-square (χ^2) tests were employed to examine associations between categorical variables (e.g., housing tenure and socio-economic support).
- Regression Analysis: Multinomial Logistic Regression was the primary analytical tool used to assess the magnitude and significance of the effects of the structural and dispositional factors (predictors) on the choice of housing tenure (formal homeownership, rental, informal housing).

Qualitative Data Analysis

Qualitative data from interviews and FGDs underwent transcription and subsequent thematic analysis. The analysis explicitly followed the six phases outlined by [22]:

1. Familiarization with the data.
2. Generating initial codes.
3. Searching for themes.
4. Reviewing potential themes.
5. Defining and naming themes.
6. Producing the report.

This systematic approach ensured that the core findings regarding the political economy, structural constraints, and coping mechanisms were derived rigorously. Findings were presented using verbatim quotes to capture the participants' voices and enrich the interpretation.

4. Results

The results section is dedicated solely to presenting empirical findings, supported by statistics, tables, and short, descriptive analytical conclusions.

4.1. Dispositional Factors and Housing Status Distribution

This section presents the statistical correlations and descriptive findings related to socio-demographic, socio-economic, political, and personal factors that influence a resident's housing status (Formal Ownership, Renting, Squatting/Informal).

Gender and Housing Tenure

Gender showed a significant association with housing status ($\chi^2 = 45.98$, $p < 0.001$). Only 19.3% of female respondents owned a home, compared to 43.8% of male respondents. Conversely, 70.2% of females reported renting, compared to a lower percentage of males.

"As a single woman, it is impossible to secure a loan or land from the government. I will always be a renter." (Female, Renter, Aged 35).

Female residents face significantly higher barriers to formal homeownership, relying heavily on the rental market, reflecting gendered structural inequalities in housing access.

Socio-Economic Factors (Income and Occupation)

Educational level showed no significant direct effect on housing status, but income and occupation categories were strongly correlated ($\chi^2 = 78.41$, $p < 0.001$). Government employees (51.2% ownership rate) and self-employed individuals (48.9% ownership rate) demonstrated the highest tendency for homeownership, while non-government private employees (75.8% renting rate) were most likely to rent (See Table 1).

"Without a regular government salary slip, banks won't even talk to you about a mortgage. The private sector is too unstable for formal ownership." (Male, Private Employee, Aged 40)

Formal employment security and higher income are strong enablers of housing status mobility, suggesting that the housing market largely excludes precarious employment sectors.

Political and Personal Factors

Political affiliation and informal social networks demonstrated significant correlations with homeownership ($\chi^2 = 32.11$, $p < 0.01$).

Respondents with parents who owned a home had an 84.1% homeownership rate, significantly higher than those with renter parents (17.6% ownership rate). Similarly, individuals with more brokering experience had a 73.2% homeownership rate.

"My father's connections helped me get the first land allocation paperwork; without that push, I'd still be waiting." (Male, Homeowner, Aged 52)

Beyond income, inherited wealth (parental status), political alignment, and specialized local knowledge (brokering experience) act as powerful, non-market capital resources that significantly unlock formal homeownership.

Table 1. Dispositional Factors and Housing Status Distribution.

Variable	Category	Housing status			Chi-square Tests		
		Homeowner	Renter	Squatter	Chi ²	df	P-value
Gender	Male	43.8%	34.0%	22.2%	48.65	2	.000
	Female	19.3%	70.2%	10.5%			
Migration status	Indigenous	77.9%	3.5%	18.6%	172.65	2	.000
	Migrant	12.9%	71.8%	15.3%			
Ethnic ity	Oromo	17.9%	73.2%	8.9%	68.29	10	.000
	Amhara	41.2%	30.9%	27.8%			
	Tigrayan	57.1%	28.6%	14.3%			
	Gurage	50.0%	29.6%	20.4%			
	Silte	48.3%	34.5%	17.2%			
	Others	42.9%	28.6%	28.6%			
Variable	Category	Housing status			Chi-square Tests		
Income	Low-income earner	5.6%	89.9%	4.5%	76.68	4	.000
	Middle-income earner	50.0%	21.6%	28.4%			
	High-income earner	62.6%	9.6%	27.8%			

Education	Elementary	35.7%	48.6%	15.7%	10.85	8	.210
	High school	26.3%	49.5%	24.2%			
	Diploma	31.1%	55.5%	13.4%			
	Degree	46.2%	42.3%	11.5%			
	Masters and above	36.4%	45.5%	18.2%			
Occupation	Government employee	44.1%	29.4%	26.5%	35.03	6	.000
	Non-government employee	19.6%	69.6%	10.8%			
	Self employed	41.0%	39.1%	19.9%			
	Other	28.6%	64.3%	7.1%			
Variable	Category	Housing status			Chi-square Tests		
Political affiliation	Ruling Party	61.3%	19.8%	18.9%	100.	4	.000
	Opposition	27.6%	39.5%	32.9%			
	Nonaligned	18.3%	73.7%	8.1%			
Job ties with housing office	Affiliated	75.0%	8.3%	16.7%	167.08	4	.000
	Supportive office	44.1%	24.3%	31.5%			
	No job connection at all	16.7%	74.3%	9.0%			
Informal social support	More supportive	85.9%	7.8%	6.2%	124.62	4	.000
	Less supportive	50.4%	4.3%	45.2%			
	Not applicable	4.2%	93.2%	2.6%			

4.2. Multinomial Logistic Regression Results (Predicting Housing Status)

A **Multinomial Logistic Regression Model** was executed to determine the most significant predictors of housing status (Formal Ownership vs. Renting, with Renting as the reference category).

The model significantly predicted housing status, explaining **94.0% of the variance** (Pseudo $R^2 = 0.94$, Nagelkerke R-Squared).

Only two variables were found to be statistically significant predictors of the choice between Homeownership and Renting: **Income Level** and **Parental Housing Status**.

Table 2. Multinomial Logistic Regression Results (Predicting Housing Status).

Predictor Variable	Category	Coefficient (β)	Odds Ratio ($\text{Exp}(\beta)$)	Significance (p)
Parental Housing Status	Owned Home	1.89	6.62	< 0.001
Income Level	High Income	1.45	4.26	< 0.01
Income Level	Low Income	-2.12	0.12	< 0.001

Interpretation:

- Parental Housing Status: Residents whose parents owned a home were 6.62 times more likely to prefer owning a home than renting, compared to those with renter parents.
- Income Level: High-income individuals were 4.26 times more likely to choose ownership over renting. Conversely, low-income individuals were significantly less likely to prefer ownership (Odds Ratio 0.12) compared to high-income individuals.

4.3. Structural Barriers and Homeownership Aspiration

This section presents the results concerning the institutional and economic structural factors challenging homeownership.

Financial Accessibility and Mortgage

The results indicate a significant negative perception of financial institutions' support. The odds of homeownership versus renting increase by 12.194 when mortgage services are accessible (Odds Ratio = 12.194, $p < 0.001$).

"The eligibility criteria and the 16% interest rate are designed to keep the urban poor out. It's not a service; it's a barrier." (Male, Factory Worker, Aged 30)

Financial inaccessibility is the single most significant structural barrier; while access strongly incentivizes homeownership, the high cost and restrictive criteria actively depress aspiration and attainment.

Housing Affordability and Procedural Favoritism

Housing prices and procedural serviceability were strongly associated with homeownership outcomes.

The odds of preferring homeownership over renting increase by 9.624 when housing is perceived as more affordable (Odds Ratio = 9.624, $p < 0.001$).

"The land supply and housing regulatory framework are designed by and for the rich. Poor people are treated with suspicion and delay." (Municipal Expert, Aged 48)

Price inflation and procedural bureaucracy (land supply, regulatory framework) structurally favor high-income groups, resulting in housing discrimination and segregation against the urban poor.

4.4. Coping Mechanisms and Housing Market Dynamics

This section presents the findings related to residents' strategies for dealing with the housing crisis.

Housing Options and Viability

The viability of housing options was analyzed against structural support.

Private rental housing and informal housing were reported as the most significant housing types (with 68.4% and 25.1% of respondents utilizing them, respectively), far surpassing public/social housing (less than 5%).

"If I wait for the government, I will die a renter. Informal construction is illegal, but it's the only way to build equity and feel secure." (Male, Informal Settler, Aged 45)

The formal, state-led housing options (social/cooperative) have failed to meet demand, forcing the majority of residents into coping strategies dominated by the expensive, insecure private rental market or the controversial informal market as the most viable path to tenure security.

Consequences of Commodification

The commercialization of housing was linked to severe social and economic outcomes.

Renter respondents reported spending, on average, 48.2% of their monthly income on rent and brokering fees (shelter poverty status).

"The biggest problem is exploitation by private landlords and brokers. There is no law to protect us from rent hikes or sudden eviction." (Female, Renter, Aged 28)

The commodification of housing has led to high shelter poverty, economic inequality, and negative social consequences (e.g., exploitation, eviction, decline in social capital), indicating a severe failure of market regulation.

4.5. Rental Housing Scenario and Pitfalls

This section details the empirical findings regarding the challenges and dynamics of the private rental housing sector.

Rental Housing Stress and Perception

The data confirms that the majority of residents perceive the rental market as dysfunctional.

65.78% of respondents perceived their rental housing experience as "problematic" (Figure 1), while only 26.0% believed the sector could be improved. This highlights the severity of the crisis.

"The landlord can raise the rent whenever they feel like it. There is no law to protect us. It is just constant stress." (Female, Renter, Aged 32)

The high rate of negative perception stems from the unregulated nature of the market, which creates an environment of insecurity and exploitation.

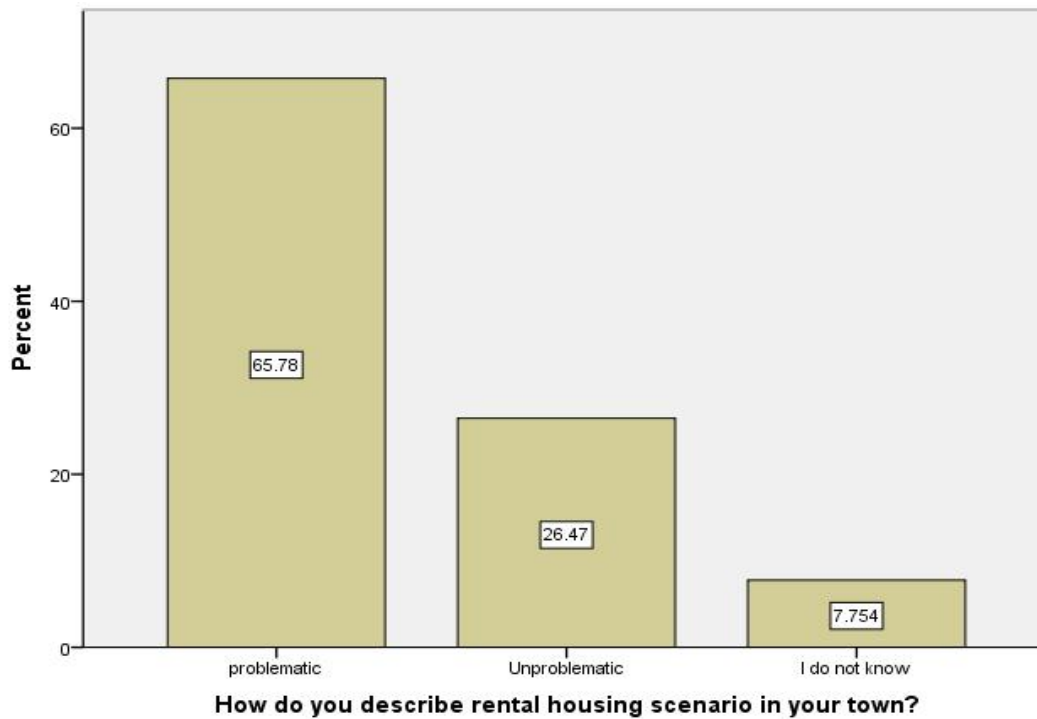


Figure 2. Descriptive statistics of Rental Housing Stress and Perception.

Rental Affordability and Exploitation

Financial analysis reveals significant shelter poverty among renters.

The study revealed a severe financial burden: on average, renters reported spending nearly 50% of their disposable income on rental fees and associated broker costs (high shelter poverty status).

The model predicting the "Problematic Rental Scenario" explained 66% of the variation (Pseudo $R^2 = 0.66$). Higher rent and less accessible services in rental housing significantly increase the likelihood of a problematic scenario.

The inverse relationship between residents' income and escalating, uncontrolled rent prices confirms that the private rental market acts as a major engine of economic exploitation, further debilitating the financial capacity of low-income groups to save for homeownership.

Landlord-Tenant Relations and Insecurity

The lack of a formal regulatory framework leads to frequent conflict and insecurity.

A positive correlation was found between the frequency of daily contact with the landlord and the likelihood of conflict occurrence ($\rho = 0.58$, $p < 0.01$). Participants frequently reported issues like unreasonable rent increases, chronic evictions, and restrictions on social life.

"I have been evicted three times in five years. They [landlords] treat us like temporary guests who have no rights. We are not free." (Male, Renter, Aged 48)

The absence of rent control and a formal authority to mediate disputes creates an unbalanced power dynamic, leading to high insecurity, alienation, and constant risk of eviction for tenants.

4.6. Informal Housing Dynamics and Controversial Issues

This section presents the findings on the prevalence, drivers, and perceived security of informal (squatter) settlements.

Preference and Perceived Security

Informal housing is paradoxically viewed by many as more secure than formal options.

50.0% of respondents perceived informal housing as providing secure tenure, compared to only 30.0% who felt the same about formal housing (Figure 2).

"Formal housing is expensive and bureaucratic; informal land is fought for, but once you build, you have security until the bulldozer comes. The land is yours." (Male, Informal Settler, Aged 55)

This preference indicates a severe lack of faith in the formal system. Informal housing, despite its legality risks, offers a sense of autonomy and tangible equity, making it a viable coping mechanism for homeownership aspiration.

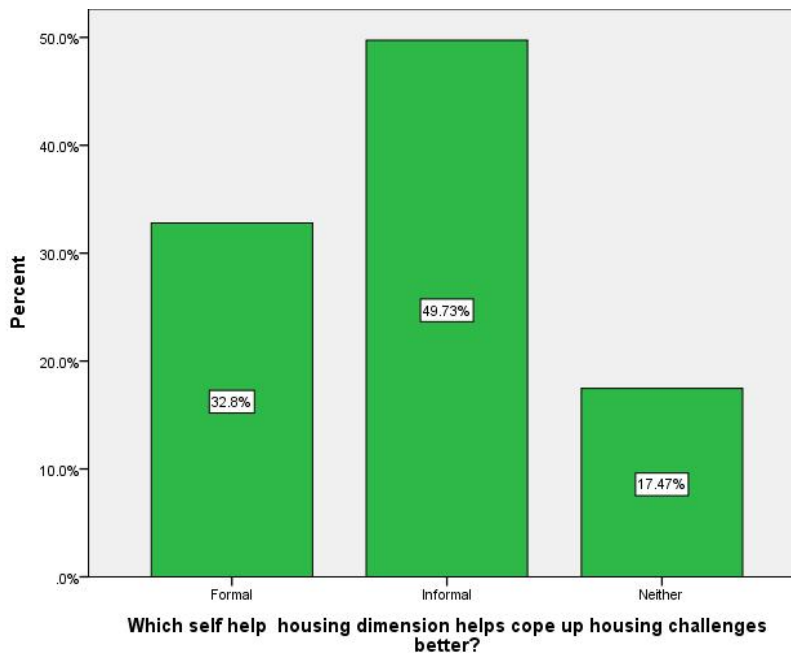


Figure 3. Preference and Perceived Security and the dimension of the self-housing mechanism.

Drivers of Informal Housing

The findings point to structural and governance failures as the primary motivators for squatting.

The main factors cited for engaging in informal housing were unavailability of regulated land (82.1%), high land value and market inflation (75.5%), and the ineffective formal housing sector (68.0%).

"The governors and brokers are involved in this. They know where the land is and who to pay. It's a hybrid governance of lawlessness." (Municipal Expert, Aged 42)

Informal housing is not simply driven by poverty but by structural inaccessibility to formal land, compounded by hybrid governance involving political and economic actors who profit from land speculation and regulatory failure.

Consequence of Informal Housing Approach

The state's reactive approach has not deterred the growth of informal settlements.

The study revealed an inverse relationship between the perceived strictness of regulation and the rate of informal housing (i.e., strict regulation did not reduce informal housing), suggesting a crisis where informal housing is the only helpful strategy.

Punitive measures like demolition are often discriminatory and fail to address the root causes (unmet housing demand). The prevalence of informal housing, despite the risks, suggests that a policy of upgrading and legalization may be the only realistic way to encourage homeownership efforts and infrastructural growth.

5. Discussion

This section interprets the empirical results within the context of the political economy framework and existing literature.

5.1. The Primacy of Political Economy over Dispositional Factors

The study's finding that Parental Housing Status (Odds Ratio 6.62) and Income Level (Odds Ratio 4.26) are the most significant predictors of homeownership strongly supports the political economy perspective.

While previous literature often concentrated on personal resources [4], our results reveal that these individual factors are fundamentally linked to structural access to capital. Parental homeownership acts as a form of inherited capital, providing access to knowledge, informal networks, or direct financial support, which aligns with [23] 's assertion that wealth accumulation and social prestige heavily influence resource control.

The observed gender disparity, where only 19.3% of women own homes, is not merely a dispositional issue; it reflects a structural inequality where access to land and formal finance is often mediated through male-dominated institutional and political networks [8]. This confirms that the urban housing question is not about individual aspiration failure, but systemic structural exclusion.

5.2. Structural Constraints and the Bleakness of Homeownership

The overwhelming structural challenges identified—specifically the high odds ratios associated with financial accessibility (12.194) and affordability (9.624)—demonstrate that inaccessible mortgages and inflationary housing prices are the definitive barriers to formal homeownership. This aligns with [24]'s argument that structural factors make affordable homeownership unlikely in rapidly urbanizing areas.

The failure of key municipal structures (Land Management, Housing Office) to facilitate self-help housing, instead favoring the high-income group, is a clear manifestation of the neoliberal political economy [25]. The system, while nominally market-oriented, is distorted by rent-seeking and procedural barriers, effectively making the formal process functional only for the politically connected or financially established. This institutional malfunction drives the decline in homeownership aspiration, confirming the bleak scenario reported by respondents [26].

5.3. Rental and Informal Housing: A Consequence of Regulatory Failure

The high reliance on private rental and informal housing is a direct consequence of the structural failure to provide adequate, affordable formal options. The finding that renters face 48.2% shelter poverty highlights the severity of the regulatory gap [15]. Private rental housing, lacking strong legislative oversight, has become a mechanism for exploitation and segregation, fueling the "generation rent" phenomenon [27].

Crucially, the study confirms that informal housing is not an aberration but a necessary coping mechanism chosen by those excluded from both the formal market and the state's failed social housing programs. While the state reacts with demolition [28], residents view informal settlement as the only viable path to self-actualization and tenure security, demonstrating the erosion of public trust and the failure of housing structures to meet basic needs [14]. The commercialization and speculation within the informal sector further underscore the extent to which the political economy penetrates and distorts even self-help strategies.

5.4. Conclusion on Structural Dynamism

The overall discussion confirms the premise that the paradoxes inherent in the urban political economy—a blend of market liberalization, state land control, and weak regulatory enforcement—are the root cause of the housing crisis. The lack of structural dynamism and the prevalence of unsupportive commercialization create a market characterized by segregation and inequality. To address the problem, policy reform must shift from treating housing as a simple economic commodity to recognizing its social function, requiring strategic intervention to design mortgage and land allocation services that intentionally target the politically and economically disadvantaged urban poor [4].

5.5. The Rental Market as a Vehicle of Exploitation

The empirical evidence that 65.78% of renters find the market problematic and face up to 50% shelter poverty highlights the failure of the market-oriented approach to regulate the private rental sector.

The lack of rent control, coupled with high broker fees and arbitrary evictions, demonstrates a significant regulatory vacuum where the state has withdrawn, allowing private interests (landlords and speculators) to extract untaxed wealth. This confirms the notion of deinstitutionalization leading to severe class relational evils [29]. The rental market is thus not a temporary stop gap but a perpetual engine of economic disparity, actively sabotaging the financial capacity of low-income citizens to transition to homeownership [30].

This scenario aligns with global concerns over neoliberal housing policies that prioritize privatization, leading to rental exploitation and exclusion [31,32]. The findings emphasize the urgent need for state intervention to promote tenure security and balance the power dynamics between owners and renters.

5.6. Informal Housing as a Reaction to Structural Inequity

The finding that 50% of respondents feel informal housing is secure—surpassing formal housing—is the most telling indictment of the institutional failure of the urban political economy.

Informal housing is a rational political and economic response to a system that structurally denies access to land and finance for the majority, a reality highlighted by the high consensus on unavailability of regulated land (82.1%) and market inflation (75.5%) as primary drivers. The presence of "hybrid governance" where political figures and brokers facilitate squatting confirms that the issue is not lack of enforcement, but selective enforcement driven by

rent-seeking and private gain [33]. The political economy of land, therefore, causes informal settlement rather than reacts to it.

Informal housing allows residents to bypass prohibitive formal barriers and begin their own homeownership efforts, often providing a sense of self-actualization that the formal system cannot [34]. By lowering the initial barrier to entry, squatting is seen as a viable first rung on the housing ladder, even with the inherent risks of demolition. This paradox demands a shift away from a punitive approach to one that incorporates and upgrades existing informal settlements.

5.7. Synthesis: The Cycle of Exclusion

The results from Sections 4.4 and 4.5 confirm a vicious cycle driven by the urban political economy:

1. Exclusion from Formal Homeownership: Structural barriers (inaccessible mortgages, procedural favoritism) prevent the majority from achieving formal status.
2. Forcing into Exploitative Rental: The excluded population is channeled into an unregulated rental market, where exploitation leads to high shelter poverty and zero equity gain.
3. Turning to Informal Housing: The inability to save and the lack of faith in the formal system push residents toward the riskiest, yet most accessible, option for achieving homeownership security: informal settlement.

This process demonstrates that the lack of structural dynamism [35,36] and the prioritization of private interest over social equity actively perpetuate housing segregation and inequality, severely limiting the homeownership aspirations of the urban poor [37-40].

6. Conclusion

This study aimed to examine the nature of the urban political economy and its impacts on formal homeownership and housing status in Ethiopian cities. The core findings revealed that the urban housing crisis is not primarily due to the lack of individual aspiration but results from a structural failure to provide equitable access. The Multinomial Logistic Regression showed that Parental Housing Status (Odds Ratio 6.62) and Income Level (Odds Ratio 4.26) are the strongest predictors of homeownership, confirming that access is tied to inherited capital and formal political-economic security. Furthermore, structural barriers like inaccessible mortgages and a deregulated private rental market (characterized by 50% shelter poverty) actively channel the majority of residents into exploitative rental arrangements or the informal housing sector, the latter of which is paradoxically perceived as providing greater tenure security than the formal system.

The research offers both theoretical and practical contributions. Theoretically, it fills a critical gap by providing a comprehensive empirical framework that explicitly grounds housing aspiration and tenure outcomes within a political economy perspective, demonstrating how macro-level structural barriers outweigh dispositional factors. Practically, the study highlights the detrimental effects of hybrid governance and rent-seeking within municipal service delivery. It provides concrete evidence that the neoliberal, market-oriented housing approach fails the urban poor by fostering inequality and exclusion, requiring an urgent shift in policy focus from simple unit construction to institutional and regulatory reform.

Moving forward, the authors suggest two key areas for future research and policy intervention. Future research should delve into the long-term implications of informal tenure on intergenerational wealth transfer and social mobility, expanding the political economy analysis. On the policy front, the findings demand an immediate policy shift toward regulating the private rental market through rent control and tenant protection laws, alongside the implementation of targeted, subsidy-backed mortgage systems designed specifically for low-income and precarious

workers. This intervention is necessary to dismantle the structural paradoxes that currently sustain the bleakness of formal homeownership.

7. Recommendation

Housing policy must explicitly embed objective selection criteria that prioritize gender, migration background, and economic vulnerability to address existing disparities. Only 19.3% of female respondents owned a home, reflecting severe gendered structural exclusion (Section 4.1).

Introduce legislation to tax untaxed rental income generated in the private rental market and dedicate the revenue to subsidizing affordable urban housing supply targeted at low-income groups. Renters face up to 50% shelter poverty, indicating massive untaxed extraction of wealth by landlords (Section 4.4).

Implement strict rules to remove political affiliation and informal networks from the housing allocation process to ensure housing is distributed based purely on need and objective capacity. Political affiliation and informal social networks were found to positively influence homeownership (Section 4.1), undermining equitable access.

Financial institutions must be mandated to provide accessible and affordable mortgage services for middle- and low-income residents, utilizing cross-subsidization where necessary. Inaccessible mortgages were identified as the single most significant structural barrier, with accessible mortgages increasing the probability of homeownership aspiration by 12.194 (Section 4.3).

Implement regulatory mechanisms to control inflation in housing prices and land speculation to reduce the financial barriers to entry for formal homeownership. Unaffordable housing prices were highly correlated with the inability to achieve ownership; the odds of homeownership increase by 9.624 when housing is affordable (Section 4.3).

The government must immediately implement rent control measures and formulate a Rental Relational Code of Conduct to protect tenants from exploitation and arbitrary rent hikes 65.78% of renters perceived the market as problematic, citing unreasonable rent hikes, exploitation, and abuse due to a lack of regulation (Section 4.4).

Establish a centralized rental housing database to formalize rental agreements, enhance tenure security, and facilitate the enforcement of rental rules. The current deinstitutionalization of the rental industry leads to conflict, insecurity, and high eviction rates (Section 4.4).

Immediately implement digitalization and a cadastral system in land management to improve transparency, efficiency, and accurate record-keeping. Flawed land supply procedure and inept bureaucratic practices were found to impede homeownership (Section 4.2), fueling the informal market.

Reform the housing office's service delivery system to prioritize social aspects and citizen satisfaction over purely commercial or image-focused goals, and clear corrupt elements. Municipal service orientation was found to be discriminatory and unwelcoming, resulting in low resident satisfaction and limited structural support (Section 4.2).

Adopt an official policy shift that prioritizes proactive upgrading and legalization of viable informal settlements over reactive demolition to address the housing deficit constructively. 50.0% of respondents perceived informal housing as secure, and the punitive approach has failed to deter the spread of settlements (Section 4.5).

Take political and administrative measures against the brokers, speculators, and governing officials involved in the illegal land market to remove the structural actors perpetuating informal settlements. The prevalence of squatting is driven by the involvement of political and economic actors and unavailability of regulated land (Section 4.5).

Ethical Approval

In this study, the researcher adhered to fundamental ethical principles to ensure the study's accuracy and relevance. Participants were fully informed about the study's purpose and nature, and no attempts were made to coerce them. The researcher upheld the participants' self-respect and dignity while promoting self-determination and stress-free freedom. Additionally, privacy and equity were secured in distributing the benefits of the research process among all participants. The researcher obtained authorization by seeking permission from local authorities and obtaining written consent from all participants, thus guaranteeing confidentiality throughout the study. Overall, the researcher exhibited exceptional respect and moral consideration toward all participants.

Funding

The authors declare that no funding was received for this research.

Data Availability Statement

The datasets generated during and/or analysed during the current study are available from the corresponding author on reasonable request.

Conflict of Interest

We state that this research work is the result of our efforts. We have properly credited all sources used in the preparation of this research article. Thus, there are no conflicts of Interest.

Acknowledgments

The authors would like to express their sincere gratitude to Samara University and Addis Ababa University for providing the institutional support and environment necessary to conduct this research. We are deeply indebted to the residents of Sheger City (Sebeta, Furi, and Gelan Guda) who generously shared their time and personal experiences during the survey, in-depth interviews, and focus group discussions; their voices are the core of this study. Special thanks are also extended to the municipal officials, housing experts, and community leaders whose professional insights into the urban political economy were invaluable. Finally, we thank the anonymous reviewers for their constructive feedback, which helped refine the theoretical and empirical rigor of this manuscript.

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