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Abstract

The rent gap refers to the difference between the capitalized rent realized from a plot of land and the potential rent possible if it were developed to its "highest and best" use. Introduced by Neil Smith in 1979, the rent gap provides a systematic production-side theory of urban rent and inner-city transformation. The concept, however, has been critiqued for dismissing the role of individual agents and consumption preferences in explanatory accounts of gentrification.

Main text

Rent gap theory is a Marxian explanation of gentrification introduced by Neil Smith in 1979. The rent gap denotes the disparity between the actual ground rent being capitalized on a plot of land and the potential ground rent that could be realized if the site were developed to its "highest and best" use. The theory refers to the value of land (separate from improvements made on it) as appropriated through economic transactions in the form of ground rent. Potential and capitalized ground rents align immediately following the development of a site since land is employed in an optimal manner and intensity. Yet over time, the depreciation of capital fixed in the built environment and shifts in the social or physical condition of the surrounding area may prompt changes in a given location's highest and best use. As the proportion of ground rent able to be capitalized under current uses diminishes, landlords disinvest in or abandon their buildings to avoid losses arising from rebuilding or maintenance costs. When capitalized ground rent falls sufficiently below potential ground rent, renewed opportunities for profitmaking challenge rates of return available elsewhere and incentivize capital to flow back into devalored inner city neighborhoods. According to Smith, rent gaps represent a historical discrepancy arising from uneven patterns of investment and disinvestment in the built environment. They are a structural product of capitalist land markets that provide the necessary economic conditions to catalyze processes of revalorization, rehabilitation and renewal, including gentrification.

The theoretical and empirical validity of rent gaps have been broadly contested, notably in a series of debates between Smith and his critics in the 1980s and 1990s. Chris Hamnett (1991) criticized rent gap theory for dismissing the role of individual agents in shaping gentrification while reducing demographic factors and structural changes in (post-industrial) employment to consumption preferences. Feminist scholars further pointed to the need to account for a diverse variety of processes in explanations of inner city redevelopment, opposed to identifying a single causal mechanism. Critics including David Ley and Steven Bourassa were

more critical of Smith's conceptual foundation, claiming that the rent gap lacked antecedents in Marxist analysis of land rent and failed to offer any significant insights relative to neoclassical land economics. In response, the theory's proponents asserted that it should not be reduced to a simple deterministic economic model, but rather ought to be contextualized within a more general theory of uneven development (Clark 1995). Smith (1996) refined his account of the rent gap to address the intertwined cultural, political and economic processes unfurling along the "gentrification frontier". His reformulations stressed that housing and other preferences are socially and collectively constructed and expressed by real social individuals. The rent gap does not then determine property development, but reflects on-going social and political struggles over the appropriation of value from the built environment within capitalist space economies.

SEE ALSO: Gentrification, Marxist Geography, Urban Uneven Development

References and Further Readings

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Key Words

Capitalism, Neighborhoods, Property, Restructuring, Urban Geography