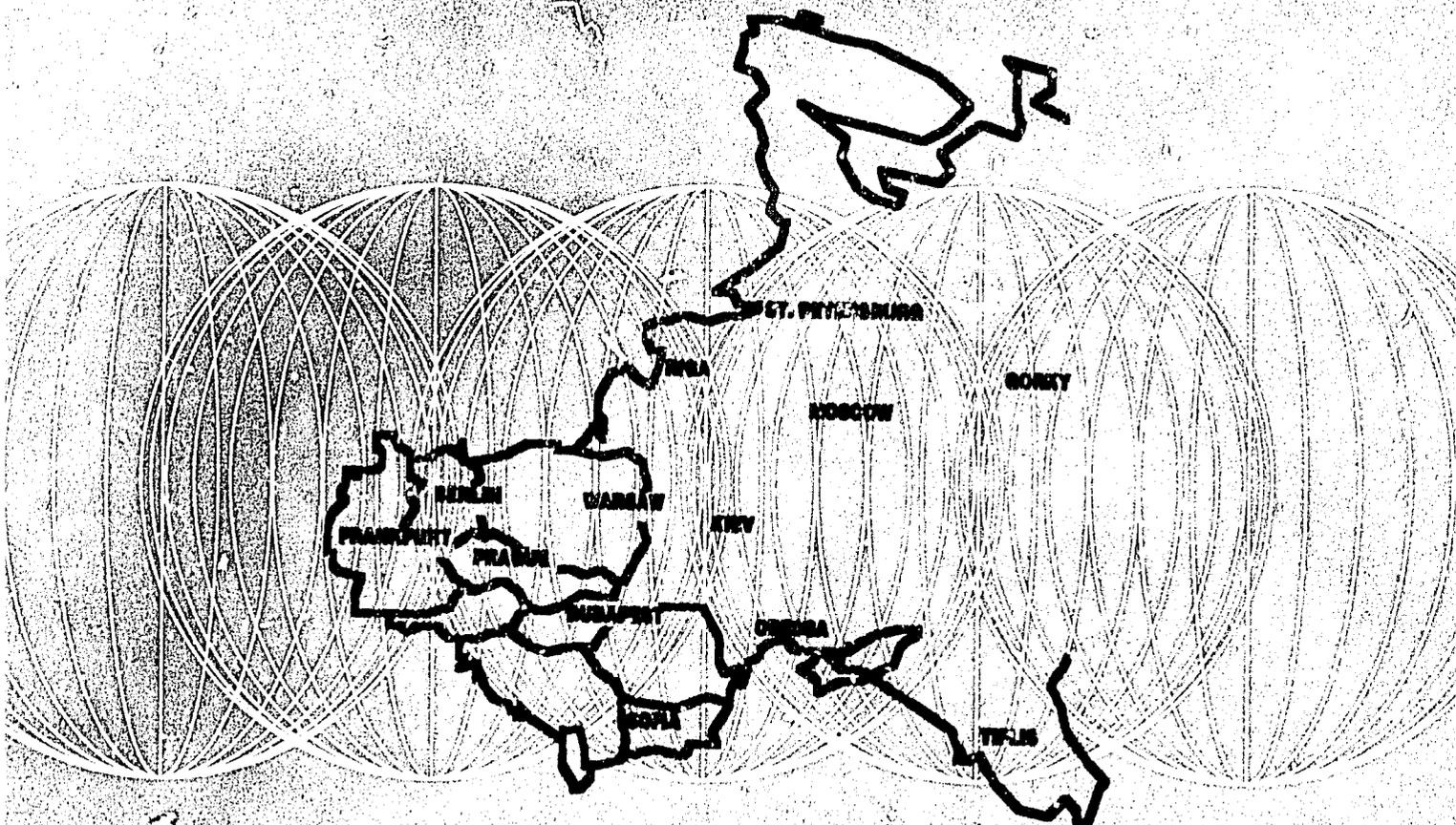
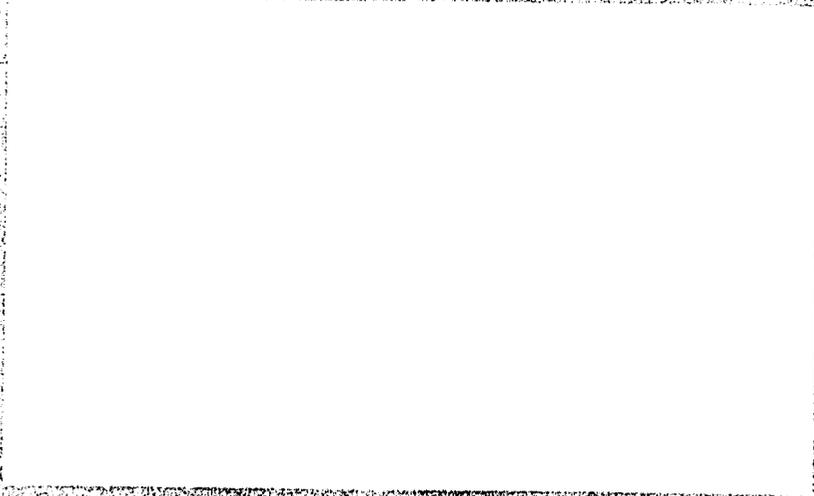


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**RESIDENTIAL LANDLORD TENANT LAW
FOR PRIVATELY-OWNED FLATS**

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RESIDENTIAL LANDLORD TENANT LAW FOR PRIVATELY-OWNED FLATS

I. INTRODUCTION

This report describes landlord-tenant law applicable to privately owned rental units in Hungary and two nations with market economies, France and the United States.

It was prepared in response to a request from the Ministry of Justice for information about practices in Western Europe and the U.S. regarding rent setting, resolution of disputes between landlords and tenants, rent control, notice requirements and evictions.

The need for discussion and an examination of foreign models arises from the fact that current Hungarian landlord-tenant laws are not geared to privately-owned residential rentals. They were formulated for the purpose of governing the rental of state owned flats during an era when it was not legal for a household to own more than one flat.

II. THE PRIVATE RENTAL HOUSING MARKET IN HUNGARY

Before 1989, almost all Hungarian households either lived in housing units that they owned or lived in state-owned flats. Single family ownership of more than one unit or in excess of a specified number of rooms was severely curbed.

In the early 1950's, the state expropriated excess space and created state controlled rentals at minimal prices. In 1971, ownership by a family of more than one unit was prohibited. There were exceptions to the ownership restrictions and loopholes through which they could be avoided. But, private renting was subject to restrictions that gave tenants permanent occupancy rights and nominal rents.

However, a landlord could avoid landlord-tenant regulations by renting under a "hotel" category.¹ Under the auspices of the "hotel" exemption from regulation, a whole rental market developed in which rents were completely free and evictions could be performed by landlords without any procedural requirements. This market consisted mainly of room rentals for tourists, but also included longer term rentals.

¹ 14/1979, Sept. 17. Ministry of Justice, Decree IM rend. 67 Sec.4. Hotel units and commercial units were exempted from a requirement of having to provide replacement housing for tenants who were evicted.

Hotel units were defined as units in which the contractual relations with the tenant were made through a travel agent.

In 1989, the limit on number of housing units that a family could own was repealed and rents were freed for rentals established after the adoption of the law.

As a result of the regulations in effect prior to 1989, the private rental market in Hungary has far different owner and tenant characteristics than that of the western nations with market economies. Due to the limitations on private ownership under the Communist regime and the fact that state owned rental units have been sold to their occupants, it has not been possible for individuals to accumulate a substantial number of units within one building. In essence, the landlord class for private residential rentals consists mainly of owners of only one rental unit.

Also, the tenant class has far different characteristics than the tenant class in nations with market economies. In Hungary, it is mainly composed of upper income and foreign households and students, while in West Europe lower income status correlates with tenant status. Advertisements for rentals commonly state that foreigners are preferred. Residential rent levels for apartments with telephones are prohibitive for Hungarians, typically exceeding average monthly incomes. Rents for apartments without telephones are also unaffordable for most Hungarians.

While ownership may be on a small-scale level, a substantial portion of rentals are made through agencies.

Under the Communist regime the taxes on rentals were non-existent or minimal. In 1987 an income tax system was introduced. Current rates quickly progress to the 40% level. Furthermore, the requirements regarding expense documentation are so burdensome that the tax on rental income effectively has become a tax on gross rental income, rather than net income.²

A consequence of the tax rates, which are generally viewed as excessive and unjustified relative to the services provided by the government, is that a substantial portion of landlords prefer to keep their rental income unreported.³ Some interviewees indicated that tenants obtain somewhat lower than market rents in return for cooperation with landlords in not reporting rental income.

In the "black market", the real substance of transactions is unwritten and each party must rely on the good faith of the other one, rather than any written agreements. Interviewees indicated that rental documents are commonly drawn up in a manner which protects the landlord's right to evict the tenant and minimizes tax liability, rather than reflecting the real terms of the transaction.

² This view was repeatedly expressed by interviewees.

³ Tax evasion is widespread for all types of income, not just rental income.

The other element of the housing system that may play a critical role in rental policy is that longstanding social and political values in regards to housing have led landlords to believe that evictions through the judicial process may not be a reality, regardless of how clearly they are authorized by the law. The foregoing combination of circumstances has led to a situation in which many owners choose not to rent their flats even if they are vacant or they would otherwise move in with their relatives and obtain the extra income that could be earned from renting. It is not known how many units are held off the rental market due to legal constraints on landlord-tenant relationships.

While the following discussion describes legal systems of landlord-tenant relations, it is this author's belief that until the tax rates on rentals are lowered, the role of the landlord-tenant law may be minimal, because black market types of transactions will dominate.

On the other hand, at this time, it may be particularly critical to develop a rental housing market. The combination of the high rate of interest for capital, due to the high inflation rate, and housing purchase prices that are astronomical relative to incomes, makes it extremely difficult for households to enter into homeownership. At the same time, an increasing number of pensioners need the extra income that they could obtain by renting out their flats and living with their relatives.

Nevertheless, Hungarians in general may not want to move out of secure situations associated with either owner occupancy or occupancy of a state-owned flat that includes quasi-ownership rights. Pensioners who are in a desperate situation, in the face of declining real pension benefits and enormous deflation in the value of their savings, have the options of trading their flats for smaller flats or selling the inheritance rights in their flats while retaining rights to lifetime occupancy.

III. HUNGARIAN LANDLORD-TENANT LAW

A. State-Owned Flats

Hungarian landlord-tenant law primarily addresses the policies and concerns associated with the operation of state-owned rental flats.

Tenants, including those who are evicted for non-payment of rent, have a right to replacement housing as a precondition of their eviction. If the tenant is a "good faith" tenant then comparable replacement housing must be found.

If the tenant is a bad faith tenant - one who has not paid the rent - then any habitable flat may serve as alternative housing. A flat is considered habitable if it has at least 6 sq. m., some heating capacity, exterior light within every room, running

water within 200 meters, access to a toilet, and a kitchen cupboard.⁴ Electricity is not required in a replacement flat. The replacement housing requirement is not applicable to squatters, residents of "hotel" units, and tenants whose conduct has been unbearable.

Rights to occupancy in state owned rental flats are inherited by the heirs of a deceased tenant. State owned flats can be freely exchanged. Cash consideration is authorized by law⁵ as a part of such exchanges and is standard.

B. Privately Owned Flats

Hungarian law sets forth substantive grounds and notice provisions for termination of rentals by landlords based on tenant breach of contract.

A rental agreement can be terminated for: 1) failure to pay the rent or maintain the unit, 2) scandalous behavior, 3) damage to the unit by the tenant, or 4) tenant hindrance of renovation efforts.⁶

Notice of a breach of contract must be in writing. The landlord may give a notice that the rent must be paid within eight days, if it has not been paid by the due date. In the event the tenant still fails to pay the rent, the contract can be terminated within eight days (after the eight day notice to pay the rent). However, if it is not terminated within eight days, the tenancy cannot be terminated for the non-payment of the rent which is the subject of the notice.

A private landlord can evict for the purpose of owner-occupancy "if he needs the flat for himself or a member of his family, or he has the permission of the authorities to pull down the flat and at the same time offers another flat for the tenant in the same town."⁷ However, the landlord can execute a contract which relieves him/her of the replacement housing requirement.⁸ In cases in which the replacement housing standard is applicable, it includes a requirement that the replacement flat has the same number of rooms.⁹ The standard also requires

⁴ Government Decree 1/1971.II.8.R.123 (1).

⁵ Id.

⁶ Id., Sec. 71.

⁷ Id., Sec. 76(1).

⁸ Id., Sec. 73. Until the last four years, the courts refused to enforce such clauses.

⁹ Id., Sec. 77(2).

consideration of amenities and floor space.¹⁰ The suitability of replacement housing is subject to judicial review.¹¹ Tenancies in non-state owned flats cannot be terminated within the first five years after their commencement.¹²

A tenant cannot claim reimbursement for higher rental costs associated with a replacement flat.¹³ If a landlord does not prevail in a lawsuit to terminate a tenancy, he cannot bring another lawsuit for two years.¹⁴

The landlord is not required to provide a replacement flat "if the tenant has a suitable flat in the same town".¹⁵ In this case, the tenant can claim reimbursement which "cannot be more than the usage fee of a municipally owned rental flat that should have been offered."¹⁶

Tenants cannot freely exchange privately owned flats. However, a private landlord cannot unreasonably withhold permission from the tenant to select a new tenant.

The right of inheritance of tenancy rights in privately owned flats is limited to situations in which the heirs occupied the flat at the time of the death of the tenant.

While the landlord-tenant law sets forth legal grounds for terminations of contracts and evictions, several interviews indicated that it takes several years to obtain a court order to evict.

Rent Levels in Privately Owned Flats

Under the National Price Act, localities have a duty to adopt rent regulations which apply to rentals that were established before 1989. If the local authority fails to act, the rents are considered to be free.

¹⁰ *Id.*, Sec. 77(a).

¹¹ *Id.*, Sec. 77.

¹² *Id.*, Sec. 76(4).

¹³ *Id.*, Sec. 78.

¹⁴ *Id.*, Sec. 79.

¹⁵ *Id.*, Sec. 76(2).

¹⁶ *Id.*

Rental contracts entered into after January 1, 1989 are free from regulation and local governments are precluded from regulating their rents.

However, all rents are subject to a restriction against excessive rents. The civil code states that:

If at the time of concluding the contract the discrepancy between the value of the service and that of the consideration is unreasonably wide, and neither party is led by the intention of donation, the aggrieved party may contest the contract.¹⁷

In practice this section is only applied to cases in which the rent has been drastically increased without a change in tenants.

Another section of the code states that:

The highest price, except for the prices mentioned in Section 2, have to be defined so that it would cover the costs and fair profit of the entrepreneur taking into consideration all of the government fees and taxes and subsidies included.¹⁸

The author's sources of information on Hungarian landlord-tenant law did not know of any cases interpreting these provisions. (In U.S. jurisdictions with rent control laws under which "fair rents" or "fair return" has been determined by a list of subjective criteria, disputes have resulted in lengthy and costly hearings with highly disparate results. There is no generally accepted method of calculating fair return for owners of residential housing.¹⁹)

Proposals to Revise Current Landlord-Tenant Regulations

Under a legislative proposal prepared by the Ministry of Interior in May 1992, public and private landlords would be relieved of their obligation to provide replacement housing. The proposal also establishes some parameters for landlord-tenant agreements. Tenants of privately owned units would lose quasi-proprietary rights including inheritance rights and the rights to exchange privately owned flats.

¹⁷ Civil Code Sec. 201 (2), Law Decree 8/1978, Sections 4-8.

¹⁸ National Price Act. 1990. evl. LXXXVII.8(1).

¹⁹ In the U.S., the most workable approach to fair return has been one that guarantees owners the right to maintain their pre-regulation levels of profit, adjusted by the Consumer Price Index. However, such an approach would not be workable in a situation in which rent regulations were not preceded by a free market or rents which somehow reflected actual costs.

IV. LANDLORD-TENANT LAW IN FRANCE AND THE U.S.

West European landlord-tenant law is geared towards providing tenants with long term security, while U.S. landlord-tenant law may be viewed as a form of consumer protection, which governs the quality of the product, but not its price.

A. France

In France, approximately twenty percent of all housing units are privately owned rental units. Seventeen percent of all units are in the social rental sector.

French regulations of private rentals are more comprehensive than those of the U.S. and include national rent regulations.²⁰ Rental contracts with a minimum term of three or six years must be offered to tenants. During the life of the contract tenancies cannot be terminated except for nonpayment and extraordinary misconduct by the tenant. Renewals must be offered except for specified reasons.

Application

The following types of units are exempt from the national regulations:

1. Furnished units,
2. Shelters,
3. Rentals where the occupancy of the unit is associated with the employment,
4. Seasonal rentals,
5. Secondary residences

The Contract

It is required that rental agreements be in writing. Contracts must cover the following issues:

1. The effective date of the contract and its duration
2. Whether the premises is to be used for residential or commercial

²⁰ The French laws governing landlord-tenant relations are contained in a series of acts which are part of Article 1778 of the Civil Code.

The discussion in this section is largely based on a combination of the discussion contained in Calzergues, *Droit des Locataires et des Propriétaires* (editions Vecchi, Paris, 1991) and interviews with French attorneys.

- purposes.
3. An enumeration of the equipment over which the tenant has exclusive control and that which is subject to common use
 4. Increases in rent, methods of payment, and rules regarding annual adjustments in the rent. The tenant can insist that the payment be monthly
 5. Any increase in the deposit

Prohibited Clauses

The following types of clauses are prohibited in contracts:

1. Requirements that the tenant permit inspection by potential buyers on holidays or more than two hours on working days.
2. Requirement that the tenant use an insurance company selected by the landlord.
3. A clause that establishes rent payments through automatic withdrawals from the tenant's account or advance signatures on payments.
4. A clause that permits a landlord to garnish rents from a tenants salary.
5. A clause that makes tenants collectively responsible for damage to common areas.
6. A clause that allows the landlord to unilaterally set reimbursement costs for collective repairs.
7. A clause that authorizes the landlord to terminate the contract in the case of the tenant's failure to meet obligations other than non-payment of rent, charges, deposits, or failure to obtain insurance.
8. A clause that authorizes the landlord to reduce service levels without consideration.
9. A clause that authorizes the landlord to make fines in case of violation of the contract or rules.
10. A clause that prohibits the tenants from exercising a political, union, association, or religious activity.

Required Documents

The landlord is required to provide the tenant with a copy of any condominium association that are applicable to the unit. If the owner fails to communicate the rules they cannot be enforced against the tenant.

In the absence of written contract conforming with the law, the tenant can terminate the contract at any time.

The Condition of the Unit

It is required that a rental unit meet minimum standards.²¹ It must have a cooking area and a bathroom within the unit. The minimal permitted area is 12 square meters, including the cooking area. The minimum permitted height is 2.2 meters. Each habitable room must have an exterior window. The kitchen must have hot and cold water and a source of heat for cooking (gas or electricity).

Determination of the Condition of the Unit Prior to Its Rental

In order to avoid disputes over whether the tenant or the landlord is responsible for defects in the condition of the unit, the law provides for a procedure by which the parties can establish the state of the premises before the tenant moves in. If either party opposes the preparation of a such a report on the conditions of the premises, that party cannot subsequently make a claim about the original condition of the premises. Generally contracting parties use an independent public administrator ("huissier") to inspect the premises and report on its condition.

Length of Contract

Societies and corporations are required to execute contracts with a minimum duration of six years. Individuals must execute contracts for a minimum of three years. An individual may execute a contract of one to three years if the contract specifies a personal or professional reason for retaking possession.

Termination and/or Non-Renewal of Rentals

a. By the Tenant

A tenant can terminate a rental agreement at any time with three months notice. The required notice period is reduced to one month in case of a change in the tenant's place of employment at the direction of the employer or a loss of employment. The notice period is also reduced to one month when justified by a change in the state of health of a tenant over 60.

b. By the Landlord

A landlord must provide six months notice of non-renewal. Non-renewal must be based on a motive specifically authorized by law. Those motives are repossession for occupancy, sale or a "legitimate and serious" reason. Repossession for occupancy must be for occupancy by the owner or one of a list of specified relatives.

²¹ Those conditions are described in the law. Decree No. 87-149 du 6 Mars 1987.

In the event notice of non-renewal is given for the purpose of selling a unit, the tenant must be given a first option to purchase the property and a copy of the applicable civil code provisions. In the event that a property is offered to a prospective buyer on more favorable terms than those originally offered to the tenant, the tenant has the right of preemption under the more favorable terms. This right is enforced by a requirement that the notary notify the tenant of a prospective sale and its terms prior to transferring title.

Legitimate and serious reasons for non-renewal consists of significant violations of the rental agreement. Reasons specifically noted in the law are rebated irregular rent payments, violations of contract provisions prohibiting subletting, and repeated problems with neighbors.

A rental contract can provide for termination before its conclusion without resort to a judicial hearing for either non-payment of rent, non-payment of charges, non-payment of the security deposit, or failure to obtain insurance. Termination for non-payment can only take effect two months after notice is provided.

Protection of Elderly Tenants with Modest Resources

As a condition of non-renewal, tenants who are over 70 years old and are of modest income must be offered a replacement flat corresponding to his/her needs.

Succession Rights

In the event that the tenant vacates the premises or dies, spouses inherit the tenancy rights. Tenancy rights are also inherited by a common law wife and descendants who lived on the premises at least one year before the tenant left.

Rent Regulations

Rental units are subject to a national rent regulation. However, initial rents for the following types of units are exempt from regulation:

1. new units,
2. vacant units in which work has been performed to bring the unit up to the standard set in the 1987 law,
3. newly rented units,
4. units which are vacant and have had capital improvements equal in value to one year's rent.

Initial rents for new tenants of other units are subject to the standard that they must not exceed the prevailing rent level for comparable units. The law sets forth

detailed standards regarding notice of comparables proposed by the landlords and methods of disputing those rents.

Upon the renewal of a lease, landlords can raise rents to prevailing levels for the neighborhood. Tenants have a prescribed time, two months, in which they can object to an increase.

During the term of a lease, rents can be adjusted in accordance with a national index for the cost of construction, if so provided in the contract.

Sublessees cannot be charged more than a share of the rent that is proportional to the relationship between the space that they occupy and the total rent.

Security Deposit

The security deposit cannot exceed two months rent.

b. The United States²²

In the U.S. approximately one-third of all housing units are privately owned rentals. Only about one percent of the housing stock is publicly owned. Another two percent is privately owned but publicly subsidized.

State laws govern landlord-tenant relations in privately owned non-subsidized units. Approximately ten percent of the privately owned rental units in the U.S. are subject to municipal rent regulations. The rest of the privately owned rental units are not subject to rent regulations. In jurisdictions without rent regulations, landlords may raise rents with 30 days notice and either party may terminate the rental agreement with 30 days notice.²³

Tenants may obtain greater protections than those provided for in the law through written contracts, and landlords can create longer term obligations through contracts.

In order to put the U.S. rental housing market in perspective, it should be noted that:

²² For a summary of private landlord-tenant law in the United States see Schoshinski, *American Law of Landlord and Tenant* (1980). The Hungarian Ministry of Justice has been provided with a copy of this work.

²³ An exception is the state of New Jersey which requires just cause for eviction.

- 1) There is a high rate of turnover - tenants move once every one or two or three years on the average. Generally, tenants do not see their rental units as permanent residences.
- 2) Landlords spend a substantial portion of their rental income on property taxes, operating costs, and maintenance (forty to sixty percent on the average). They generally maintain the interior of units, as well as the exterior and the common areas.
- 3) In substantial portions of the nation, vacancy rates are five percent or higher and tenants do not have great difficulty finding new units. However, in recent years, the shortage of low-rent units has become increasingly severe.

While laws differ between states, generally they are similar. They provide minimum security of tenure, while placing substantial responsibilities on landlords to provide adequate housing conditions.²⁴ Usually rentals can be terminated without cause upon 30 days notice to the tenant.

The principal elements of U.S. landlord-tenant laws are as follows:

1. The tenant has to be given notice of a failure to pay rent or any other breach of contract and an opportunity to cure the default within a specified time period - usually five days. In some states, the tenant may cure the default any time before a court judgment for eviction.

The form and method of delivery of the notice is governed by rules designed to insure that the tenant actually receives the notice or at least that the landlord has made reasonably feasible efforts to deliver the notice.

If the notice is defective (for example it does not meet the minimum time requirements) it is ineffective.

2. In order to evict a tenant, a landlord must file a lawsuit and obtain a judgment in court and the sheriff must perform the actual eviction.

In the event that a landlord resorts to "self-help", rather than using the judicial process in order to accomplish an eviction, the tenant may recover possession and may bring a suit for damages.

3. Lawsuits for evictions have priority on the court calendar. Usually a hearing is held within 30 days after the suit for eviction. Court orders for evictions are usually made at the time of the hearing and carried out

²⁴ In recent years, courts have held landlords liable for criminal acts to tenants based on the landlords' failure to provide adequate security from crime.

- within 30 days after the order.
4. Landlords are required to maintain units in a habitable condition. In the event of a failure to do so, the tenant may obtain a rent reduction. Usually, the tenant has to give the landlord written notice prior to withholding rent. Landlords also may be liable for personal injuries and damages associated with their failure to maintain a unit.
 5. Many statutory duties cannot be contractually waived.
 6. It is illegal to discriminate in renting on the basis of race, religion, age, or sex.²⁵
 7. Landlords may not evade landlord-tenant regulations by labeling rentals as "hotel" rentals. Rentals to other than transients are considered to be residential rentals.
 8. Landlords may not enter a rental unit without notice that is reasonable under the circumstances and justification.
 9. In applying the law, the courts will generally consider the substance of the transaction rather than its form.

Other common types of provisions in landlord tenant laws include:

1. Limits on the amount of deposit that a landlord may require - typically the equivalent of two months rent.
2. Contracts in excess of one year must be in writing in order to be enforceable.
3. The duty to mitigate. In the event that a tenant vacates a unit prior to the end of the lease period or is evicted for non-payment the landlord has a duty to "mitigate" damages. This means that the landlord has a duty to find a new tenant and the liability of the tenant who breached the agreement is limited to actual rent loss and expenses associated with rerental of the unit.

Rent and Eviction Controls

As previously indicated, only ten percent of all rental units in the U.S. are subject to rent regulations. The regulations, which are municipal, are in effect in approximately two hundred cities.²⁶ Typically, these regulations establish base rents, at levels in effect just before the adoption of the regulations. Subsequent across-the-board increases are tied to a portion of the annual increase in the Consumer Price Index, usually between 66 and 100 percent.

²⁵ Tenants have obtained substantial damage awards in cases in which they have proven that they were the victims of discriminatory practices.

²⁶ For a very detailed description of the rent regulations in the U.S. see Baar, "Guidelines for Drafting Rent Control Laws: Lessons of a Decade", 35 *Rutgers Law Review* 723-885 (1983). A more general description is contained in Baar, "Peacetime Municipal Rent Control Laws in the United States: Local Design Issues and Ideological Policy Debates", *Housing and Neighborhoods* (ed. van Vliet et al., 1980, Greenwood Press)

In addition, rent adjustments are made for individual units by an administrative agency or commission based on capital improvements, fair return, and/or peculiar circumstances. Fair return is usually defined as base period net operating income adjusted for inflation. In most jurisdictions only a small percentage of landlords seek and obtain individual rent adjustments. Some jurisdictions permits tenants to petition for rent decreases based on inadequate conditions.

Particularly significant is the fact that more than half of the rent regulated units are under regulations which contain "vacancy decontrol" provisions, which permit landlords unlimited rent increases when units become vacant. After, "vacancy decontrolled" units are reoccupied, subsequent increases are limited to those allowed across-the-board.

c. Brief Comments on Dutch Law

While extensive description of the Dutch law is beyond the scope of this paper, a few critical points are worth noting.

In Netherlands, 12% of the housing stock consists of private rentals. Another 44% of all housing units are in the "non-profit" rented sector. In fact, the profits from "non-profit" rental units are not regulated; but their rents are regulated along with the units in the for profit sector.

Evictions are severely restricted. Owner occupancy evictions are limited to personal occupancy by the owners, rather than including relatives. In such cases, the landlord must offer alternate housing and pay relocation costs.

Rent Regulations

Landlords and tenants are free to enter agreements for rents at any level. However, within three months of the agreement the tenant may challenge the rent, in which case it becomes subject to review by a rental committee. If the initial rent is in excess of 920 guilders (\$600) it cannot be challenged.

Rent setting by a rental committee is governed by a set of objective criteria. The committee does its own inspection of the unit and takes approximately six months to make a decision. Its decisions are retroactive.

The law contains substantial regulatory tools for maintenance. Rents of units in poor condition may be reduced to a lower track by the committee or annual increases can be blocked. Also, a municipality can make repairs and bill owners, in the event that the landlord fails to make the repairs requested by the locality.

IV. COMMENTARY

In developing rental housing policy choices must be made among competing social and economic concerns such as desires to encourage private owners to rent their flats and the competing social interests of guaranteeing tenants security in their shelter.

Devising "wise" sets of housing policies is an art that few nations have achieved. In fact, in virtually every industrialized nation, housing policies are the subject of widespread debate and criticism. Developing a policy for the governance of private rental housing is a uniquely complex task in the context of transformation from a socialist to a capitalist housing market. On the one hand, governments may pursue the goals of encouraging expansion of the housing supply and encouraging efficient use of the existing housing stock, which includes encouraging owners to rent their flats and otherwise dedicate space to the most economically efficient usage. Policies which encourage single occupants of large flats to move to smaller flats and encouraging owners to rent out flats that they are keeping vacant may be included within these goals.

On the other hand, national housing policies may include the concept that housing is a right, rather than a commodity. Under such a concept the rights to shelter in a unit and freedom from eviction prevail over the goals of providing landlords with freedoms to set or change rents. Such policies may extend as far not providing landlords with the means to regain possession of their units if the rent is not paid or if they choose to reoccupy their unit. While the right to evict a tenant for non-payment of rent may be taken for granted in some nations, it may not be in others. In some nations, it is virtually impossible for an evicted tenant to find replacement housing of any type, because the housing shortage is so severe.

While Hungary is moving in the direction of a market economy, essential elements of a market housing economy are lacking. The shortage is severe, leaving a substantial portion of those who seek housing with little or no choices. Astronomical interest rates severely curb growth in the supply.

The establishment of new rentals within the existing stock seem to be hampered by uncertainties. Landlords are afraid to rent because they do not know if they could regain possession within a reasonable amount of time, even if the termination was based on non-payment grounds or owner-occupancy. There is uncertainty as to how the excessive rent provision may be interpreted in the future. Tenants face uncertainties as to what type of protections they have under the law.

There is no single set of correct answers about what policies should be instituted. Furthermore, detailed recommendations are beyond the scope of this

paper. Instead, the objective of this paper is provide information about concepts that have been incorporated in landlord-tenant laws of other countries.

However, it is suggested that the laws incorporate the following types of concepts:

- 1) There should be certainty as to whether or not an initial rent level and/or subsequent rent increases are regulated in any way and if so how.
- 2) Remedies for non-payment of rent should be timely.
- 3) Each policy in the current law should be evaluated to determine if it comports with reality or alternatively leads to evasion and black market transactions.

The following types of approaches may be considered:

1. Incentives could be given for owners to rent existing dwelling units, which have previously not been rented.
2. Consumer Protections. Landlords could be required to follow minimal standards for fair practices which could not be overridden by oral or written agreements.
 - a. *Notice and Frequency of Rent Increases.* While rents may be free, there could be restrictions on the frequency of rent increases and their could be minimum notice periods for increases. The objective of such policies would be to insure that tenants do not move into units at one rent level only to face vastly higher rents within a short period.
 - b. *Notice of Entry.* Landlords could be required to give a prescribed notice before entering a flat, except in emergencies.