

PH6.1 RENTAL REGULATION

Definitions and methodology

This indicator presents information on key aspects of regulation regarding the private rental sector, mainly collected through the OECD Questionnaire on Affordable and Social Housing. More specifically, it presents information on rents control, tenant-landlord relations, and lease type and duration.

Information on *rent control*, considers both the *control of initial rent levels* - i.e. whether the initial rents are freely negotiated between the landlord and tenants or there are specific rules determining the amount of rent landlords are allowed to ask – and *control of rent increases* – i.e. whether rent increases within a tenancy contract are freely agreed upon or determined through some mechanism established by law.

Lease features concerns information on the use of fixed or open-ended lease contracts as well as their typical duration and the deposit to be paid by the tenant.

Information on *tenant-landlord relations* concerns information on what constitute a legitimate reason for the landlord to terminate the lease contract, the necessary notice period, and whether there are cases when eviction is not permitted.

Key findings

Rent control

Information on rent control is presented in Table PH6.1.1. Sweden is the only country where regulated or more correctly negotiated rents apply uniformly across the entire rental sector. The country has a specific system whereby the level of rents as well as rent increases are not regulated through legal or administrative measures, but are based on annual collective bargaining at the municipal level between the Swedish Tenants Union, the municipal housing company and representatives of private landlords determining reference rents. In a number of other countries we find both regulated and non-regulated rents in the private rental sector. In the case of Austria, Denmark and the United States rent control applies to an older part of the housing stock. In Germany regulated rents apply to all rental dwellings but not to new or extensively modernised dwellings. In the Netherlands all dwellings with a rent below 710 euros per month are regulated and determined on the basis of a point system which takes into account the quality of the dwelling. While in France rent control covers about 40% of the private rental stock and in Austria about half, rent control is very extensive in Denmark and the Netherlands covering around 90% of the entire rental sector.

The rate at which rents can be increased during the term of a contract and/or the frequency of such increases is regulated in most countries, although with some exceptions.

Table PH6.1.1: Rent control in the private rental sector¹

	Control of initial rent levels			Control of rent increases
	Free	Regulated	Both free and regulated	
Austria (2)			x	x
Chile	x			
Czech Republic	x			x
Denmark (3)			x	x
Estonia	x			
Finland	x			x
France (4)			x	x
Germany (5)			x	x
Hungary	x			
Ireland	x			x
Japan	x			
Korea	x			x
Latvia	x			
Lithuania	x			
Luxemburg	x			x
Mexico (6)			x	Not available
Netherlands (7)			x	x
New Zealand	x			x
Poland	x			Not available
Portugal	x			x
Slovak Republic	x			
Spain	x			
Sweden		x		x
Switzerland	x			Not available
United Kingdom (England)	x			
United States (8)			x	x

1. Information is missing on Australia, Belgium, Bulgaria, Canada, Croatia, Cyprus, Greece, Iceland, Israel, Italy, Malta, Romania, Slovenia, and Turkey.

2. Austria: rent is regulated in the old housing stock (about half of the private rental market). Rent increase after renovation in the case of existing leases is only possible with consensus from tenants or following a judicial decision.

3. Denmark: there are different types of rent regulation, covering a very large share of rental dwellings (about 88% of the total). Only in new dwellings the rent is unregulated since 1991.

4. France: since 2015 France has been introducing rent control in areas where demand exceeds supply. Regulation implies that in case of a new lease, if the landlord did not make any improvements in the dwelling, the last rent paid by the previous tenant can only be increased based on a fixed rate benchmark index for rent.

5. Germany: since June 2016 regulation applies to new rental contracts whereby rents may not exceed 10% of the reference rent customary in the local area. Rent control applies to all dwellings except newly constructed or "extensively modernized" dwellings.

6. Mexico: control on both the initial rent level as well as subsequent rent increases vary across states.

7. Netherlands: maximum rent based on the dwelling's quality applies to all rents below 710 euros per month. Currently rent regulation covers over 90% of the rental sector (social housing sector and small private sector).

8. United States: Rent control applies to buildings built before Feb 1947, and to units occupied by a tenant who has lived in the unit continuously since before July 1, 1971 (about 2% of all rental housing). Rent stabilization consists of a cap on rent increases and it applies to all buildings with 6 units or more between 1947 and 1973, and to those units that have exited from the rent-control program.

Sources: OECD Questionnaire on Social and Affordable Housing (2016, 2014); Schmid, C. U. and Dinse J. R. (2014).

Table PH6.1.2: Lease features in the private rental sector¹

	Lease duration			Most common term	Deposit (in equivalent of monthly rent)
	Open-ended	Fixed	Both		
Austria			x	3 years (in case of fixed term)	maximum 6 months
Czech Republic			x	1 year (in case of fixed term)	maximum 6 months
Denmark			x	mostly open-ended	usually up to 3 months up to 3 months, usually 1-2 months
Estonia			x	1 year	
Finland			x	mostly open-ended	usually 1 month
France		x		3-6 years depending on whether the landlord is natural or legal person	maximum 1 month
Germany	x			open-ended	maximum 3 months up to 3 months, usually 1-2 months
Hungary			x	..	months
Ireland		x		4 years	..
Japan (2)			x	1-2 year or 3-5 years	different arrangements apply
Korea (3)		x		..	different arrangements apply
Latvia			x	2 years	negotiable, usually 2-3 months
Lithuania			x	..	1 month
Luxemburg			x	1 year (in case of fixed term)	maximum 3 months
Mexico	..	..	..	1 year +	..
Netherlands	x			open-ended	usually 1 month
New Zealand	..	..	..	1.8 years	..
Poland		x		6-12 months	up to 6 months, usually 1 month
Portugal			x	..	maximum 3 months
Slovak Republic			x	1 year +	1, 3 or 6 months 1 month minimum, usually 2-3 months
Spain		x		3 years +	months
Sweden	x			open-ended	not commonly used
Switzerland			x	6 years (in case of fixed term)	maximum 3 months
United Kingdom (England)		x		usually initial 6 months	usually 1 month
United States			x	1 to 2 years (in case of fixed term)	usually 1-2 months

Notes:

1. Information is missing on Australia, Belgium, Bulgaria, Canada, Chile, Croatia, Cyprus, Greece, Iceland, Israel, Italy, Malta, Romania, Slovenia, and Turkey.

2. Japan: Different arrangements apply: 1) *Shikibiki* is a guarantee deposit and it usually includes a partial non-refund, and 2) *Kenrikin/Reikin* is a payment by the tenant at the conclusion of a tenancy contract which will not be refund.

3. Korea: different arrangements apply in the rental sector: 1) under the *Jeonse* system the tenant pays the dwelling owner a substantial deposit (typically amounting to 30-60% of the value of the home but the share of *Jeonse* required by landlords in recent years has been increasing up to 90%, in high demand areas). The tenant can stay in the dwelling for the duration of the contract (typically two years) without paying any monthly rent. After two years (or longer if the contract is prolonged) the dwelling owner returns the deposit to the tenant. During the lease period the dwelling owner benefits from the interest he can create from the down payment; 2) there is also a "mixed" system where tenants pay monthly rent and a deposit; and 3) another existing arrangement is for the tenant to pay the entire amount of rent for the duration of the contract upfront, and no deposit.

Sources: OECD Questionnaire on Social and Affordable Housing (2016, 2014); Schmid, C. U. and Dinse J. R. (2014).

Lease features

With regards to the term and duration of lease (Table PH6.1.2), in most countries both fixed term and open-ended contracts are possible from the legal point of view. Denmark, Finland, Germany, the Netherlands and Sweden use mostly or only open-ended contracts. In Japan, the most common type of lease has a limited duration but it is automatically renewed, and grants a high level of security to the tenant. On the contrary, in France, Hungary, Ireland, Korea, Poland, Spain and the United Kingdom rental contracts usually have a fixed term.

Tenant-landlord relations

The extent to which landlords are free to terminate the lease contract given certain circumstances varies significantly across countries. Details on this issue are provided in Table PH6.1.3, in Annex I.

In most countries landlords have a right to terminate the contract if the tenant does not pay the rent, and if the landlord and his/her family need to occupy the dwelling for their own residential use. In a number of countries the landlord can also ask the tenant to leave if he/she wants to sell the dwelling or to undertake extensive renovation works. Among other reasons for ending a lease that are considered as legitimate, we often find severe violations of contractual duties, including criminal activities taking place in the dwelling, criminal acts against the landlord or his/her family, unauthorized subleasing, tenant intentionally causing serious damage to the property, and different types of behaviours disturbing the coexistence with other people living in the building. In some cases regulation also specifies that the lease can be ended if the dwelling has to be vacated because it is found to be inhabitable and/or has to be demolished.

Data and comparability issues

This indicator presents basic information on the main elements of rent regulation, namely rents control, tenants-landlord relations and lease type and duration. Information collected through OECD QuASH has been cross-checked with other sources to ensure accuracy.

Rental regulation often includes further aspects which are not covered in this indicator, such as for instance rules on sub-letting, payment of utility charges and other costs, obligation for the landlord to carry out certain repairs, timeframe and conditions for the return of deposits. More detailed information on rent regulation and the way it is embedded in the national context is available for instance in the extensive national reports produced by the EU-funded project TENLAW (Tenancy Law and Housing Policy in Multi-level Europe).

There's a growing body of Rental sector regulation is often analyzed to assess how to best combine two often conflicting goals: ensuring a high level of tenants' protection and security of tenure, while at the same time avoiding too stringent regulation which would constraint supply. To support this type of evaluation, previous OECD work (Andrews, D., A. Caldera Sánchez and Å. Johansson, 2011) was conducted to create indicators of rental market regulation assessing the level of rent control and tenant-landlord regulation across OECD countries. The European Commission is currently reviewing and updating the indicators in the framework (Mordonou, A. and Wallin, P., forthcoming)

Sources and further reading:

Andrews, D., A. Caldera Sánchez and Å. Johansson (2011), "Housing Markets and Structural Policies in OECD Countries", *OECD Economics Department Working Papers*, No. 836, OECD Publishing, Paris.

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de Boer, R. and R. Bitetti (2014), "A Revival of the Private Rental Sector of the Housing Market?: Lessons from Germany, Finland, the Czech Republic and the Netherlands", *OECD Economics Department Working Papers*, No. 1170, OECD Publishing, Paris. <http://dx.doi.org/10.1787/5jxv9f32j0zp-en>

Cuerpo, C., Kalantaryan, S. and Pontuch, P. (2014) "Rental Market Regulation in the European Union", *Economic Papers 515*, European Commission Directorate-General for Economic and Financial Affairs, Brussels.

http://ec.europa.eu/economy_finance/publications/economic_paper/2014/pdf/ecp515_en.pdf;

International Union of Tenants (2016) *Rent regulation and security of tenure in the private rental sector: Reports from IUT members to the 20th congress*. International Union of Tenants, Brussels and Stockholm.

http://www.iut.nu/Congress/2016/IUT_20th_Congress_2016_web.pdf;

Mordonu, A. and Wallin, P. (forthcoming), "Rental market regulation in the EU member states - analysis of the answers to the LIME rental market survey" (provisional title), European Commission Directorate-General for Economic and Financial Affairs, Brussels.

Schmid, C. U. and Dinse J. R. (2014) *My Rights as Tenant in Europe, A compilation of the national Tenant's Rights Brochures from the TENLAW Project*.

<http://www.tenlaw.unibremen.de/My%20Rights%20as%20Tenant%20in%20Europe.pdf>

University of Cambridge (2012) *The Private Rented Sector in the New Century – A Comparative Approach*.

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ANNEX I

Table PH 6.1.3: Tenant-landlord relations in the private rental sector¹

	Legitimate reasons to terminate the contract					Notice period for contract termination		Restrictions on evictions under special circumstances			
	Failure to pay rent	Renovation of dwellings	Occupation by the landlord (only if urgent need)	Sale of dwelling	Other	termination by landlord	termination by tenant 3 month for fixed-term lease, 1 month for indefinite duration	specific time of the year	presence of children	presence of disabled persons	other
Austria	Yes	No	(only if urgent need)	No	Yes	..	3 month for fixed-term lease, 1 month for indefinite duration	No	No	No	No
Chile	Yes	No	No	No	Yes	..	..	No	No	No	if court finds the eviction is unfair
Czech Republic	Yes	No	Yes	No	Yes	3 months (no notice in case of severe breach of contract)	3 months	Yes	No	No	No
Denmark	Yes	(only if renovation is extensive)	Yes	No	No	3 or 12 months	3 months	No	No	No	No
Estonia	Yes	Yes	Yes	Yes	No	3 months	3 months	No	No	No	No

	Legitimate reasons to terminate the contract					Notice period for contract termination		Restrictions on evictions under special circumstances			
	Failure to pay rent	Renovation of dwellings	Occupation by the landlord	Sale of dwelling	Other	termination by landlord	termination by tenant	specific time of the year	presence of children	presence of disabled persons	other
Finland	Yes	Yes	Yes	Yes	Yes	6 months if the lease has lasted over one year, otherwise 3 months	1 month	No	No	No	if court finds the eviction is unfair
France	Yes	No	Yes	Yes	..	3 or 6 months	3 months, 1 under certain conditions	Yes	No	No	A substitute dwelling must be provided if tenants over 70 year old with low incomes
Germany	Yes	No	Yes	No	Yes	3, 6 or 9 months	3 months	No	No	No	if court finds that the measure entails a hardship that is immoral (e.g. threat to life or health).
Hungary	Yes	No	No	No	Yes	1.5 months	1.5 months	Yes	Yes	No	long term illness of the tenant or dependent persons
Ireland	Yes	Yes	Yes	Yes	Yes	28 to 112 days	28 to 56 days	No	No	No	No
Japan (2)	No	No	No	No	No	..	1 month	No	No	No	No
Korea	Yes	No	No	No	Yes	..	..	..	..	..	..
Latvia	Yes	Yes	Yes	Yes	Yes	1 to 3 months	1 month	No	No	No	No
Lithuania	Yes	..	Yes	Yes	..	6 months	1 month	Yes	Yes	No	No
Luxemburg	Yes	Yes	Yes	No	Yes	6 months	3 months	No	No	No	No
Malta	..	..	..	..	..	..	..	..	..	..	..

	Legitimate reasons to terminate the contract					Notice period for contract termination		Restrictions on evictions under special circumstances			
	Failure to pay rent	Renovation of dwellings	Occupation by the landlord	Sale of dwelling	Other	termination by landlord	termination by tenant	specific time of the year	presence of children	presence of disabled persons	other
Mexico	Yes	No	No	No	Yes	1,2 or 3 months	1, 2 or 4 months	No	No	No	No
Netherlands	Yes	Yes	Yes	Yes	Yes	3 - months	1 month	No	No	No	No
New Zealand	Yes	Yes	Yes	Yes	Yes	60 days standard- varies depending on circumstances	21 days	No	No	No	No
Poland (3)	..	..	..	..	..	3 months	3 months	..	..	..	..
Portugal	Yes	Yes	Yes	Yes	Yes	24 months	3 months	No	No	No	No
Slovak Republic	Yes	(only if dwelling is otherwise unsafe)	Yes	No	Yes	3 months	3 months	No	Yes	Yes	A substitute dwelling must be provided in case of material need
Slovenia	..										
Spain	Yes	No	Yes	No	Yes	2 months	30 days	..	..	..	..
Sweden	Yes	(only if renovation is extensive)	No	No	Yes	3 months	3 months	No	No	No	Social services can sometimes provide assistance and help the tenant stay in the apartment.
Switzerland	Yes	Yes	Yes	Yes	Yes	3 months	3 months	No	No	No	No
United Kingdom (England)	Yes	No	Yes	Yes	Yes	2 months	1 month	No	No	No	No

OECD Affordable Housing Database – <http://oe.cd/ahd>

OECD - Social Policy Division - Directorate of Employment, Labour and Social Affairs

	Legitimate reasons to terminate the contract					Notice period for contract termination		Restrictions on evictions under special circumstances			
	Failure to pay rent	Renovation of dwellings	Occupation by the landlord	Sale of dwelling	Other	termination by landlord	termination by tenant	specific time of the year	presence of children	presence of disabled persons	other
United States (4)	Yes	Yes	Yes	Yes	No	1 month	..	No	No	No	No

1. Information is missing on Australia, Belgium, Bulgaria, Canada, Croatia, Cyprus, Greece, Iceland, Israel, Italy, Malta, Romania, Slovenia, and Turkey.

2. Japan: there are different types of rules applying to different types of leases. In the case of contracts that have a limited duration but are automatically renewable, which are the most common type of contract, it is virtually not possible for landlords to one-sidedly terminate the contract. In case of open-ended contracts, both parties can terminate the contract at any time but the landlord needs to have a just cause including non-payment or other violations of the contract.

3. Poland: contracts can be terminated before the end of the term for "for important reasons", but no further details are available.

4. United States: a notice period is required only for dwellings that are subject to rent control or rent stabilization.

Source: OECD Questionnaire on Social and Affordable Housing (2016, 2014); Schmid, C. U. and Dinse J. R. (2014).