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A Study on Effectiveness of Ejectment & Demolition Order Provisions Made Under Rent Act No: 7 of 1972 & Its Amendments for Rent Control Properties

Case study in Colombo City

Dissertation Submitted to the University Of Sri Jayewardenepura as a Partial Fulfillment for the Requirements of the Final Examination of the M.Sc. in Real Estate Management and Valuation Degree

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The work described in this dissertation was carried out under the supervision of Prof. R.G. Ariyawansa, Coordinator of the M.Sc Degree programme of Department of Estate Management & Valuation and any report this has not been submitted in whole or in part to any university or any other institute for another degree / examination or any other purpose.

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Hereby I certify that Ms. Kottaduwa Gamage Rukshani Upekha Jayasekara, GS/M.Sc./REMV/3759/09, duly completed the research titled "A Study on effectiveness of ejectment & demolition order provisions made under Rent Act: 07 of 1972 & its amendments for rent control properties - Colombo City" under my supervision & recommended to submit for the final submission.

Also it is declared that, this final report has been completed according to the instructions and suggestions made by the board of examiners.

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ABSTRACT

Rent control is a one way of government intervention on property market transaction by introducing ceiling on rental income of tenanted property for addressing housing shortage and protect tenant rights from landlord's monopolistic behavior. Rent control policy on tenanted property in Sri Lanka was implemented by the Rent Act No. 07 of 1972. Due to this rent control Act, open market value of these rent control properties does not reflected and highest and best use value could not be achieved. Subsequently government enforces some changes to principal enactment to allow development of those properties. The Amendments Acts 1980 & 2002 gives opportunity for redevelopment of rent control properties by ejectment of the tenant or demolition of the building. Most of instance tenant does not agree to vacate or landlord does not agree to pay tenant. In that cases landlord cannot get vacant possession and could not redevelop their properties. Under this background this thesis aims to study on effectiveness of demolition and ejectment order provisions made under rent act.

Data collection for this study was carried within the Colombo Municipality. Data collected as number of applications submitted to the National Housing Commissioner under demolition and ejectment order relates to the Colombo city. Objectives were achieved by using descriptive analysis with inferential analysis. Proportionate test, Mann -Whitney test and Chi square test were used as inferential analysis. This study is founded that 51% of demolition case were settled and 49% demolition cases were unsettled while 26% ejectment cases were settled and 74% ejectment cases were unsettled. Among these settled demolition cases, 35% of cases were settled by paying compensation as per rent act and rest of them were settled by mutual settlement. These mutually settle amounts are greater than compensation paid as per rent act amounts and its variance is about 198.6%. This settlement procedure was occurred for demolition cases but not for the ejectment cases. Normally demolition and ejectment cases were settled within three years period but unsettled cases kept as outstanding approximately six years for demolition cases and approximately nine years for ejectment cases. Measure of effectiveness of demolition and ejectment order procedure for rent control properties it is founded that this procedure is effective for demolition cases while it is ineffective for ejectment cases. In addition to that it is founded efficiency of demolition and ejectment order procedure is depended on landlord willingness to pay compensation factor with landlord response on time consuming, regularize, costly procedure factors and entire tenant's response factors. Therefore it is suggested that to change current compensation offered by rent act by increasing current compensation amount or providing alternative accommodation. It is better to determine market value based on bare land value or redevelopment value instead of market value based on existing use value at present. That market value better to apportion as 50% to landlord share and 50% to tenant share.

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ABBREVIATION

NHC	- National Housing Commissioner
SEC	- Section
NLR	- New Law Report
GN	- Grama Niladari

CHAPTER ONE

Introduction

1.1 Background of the Study

Rent control is standard ceiling placed on the rent that a landlord can charge (Basum & Emerson, 2003) . Kulkarni (2009) stated that, government seek to enforce these controls through instruments of law by means of "rent control legislations". These rent control legislations lay down the basic framework within which the government can enforce its structures. The objective is to ensure that a large number of its citizens have access to housing at affordable rates, something which a de-regulated market would have made impossible for them. According to Oni *et al* (2007) government usually impose limit to which rent in this instances residential accommodation could arise. The limit represents the maximum rent which is usually below the open market value of such accommodation units.

When considering above three statements rent control can be defined as one type of government intervention on property market transaction by introducing ceiling on rental income of tenanted property when landlord frequently increase rental income.

Rent control as public policy has been in existence for over 2000 years. Historians have noted that even before the birth of Christ, Julius Caesar enacted a form of rent control in Rome (Keating *et al* , 1998). Keating *et al* (1998) described rent control as "a product of crisis" and "typically imposed during periods of wartime housing shortages or peace time inflation when rents increased beyond the ability of many tenants to pay without hardship. According to Polotan (2010), it exists in approximately 40 countries around the world. In the 1990's and 2000's most of Eastern and Central Europe, along with China, Japan, Malaysia and Singapore all ended rent control policies. Conversely, Dubai, Abu Dhabi and Qatar have all recently imposed strict rent controls.

Centre on Housing Rights and Evictions Sri Lanka (2007) stated that in Sri Lanka Initially, the relationship between landlord and tenant was governed by Roman Dutch Law. Roman Dutch Law is inadequate for addressing housing issues created by industrialization and also due to industrialization people were more concentrated in the cities that will result to create housing shortages. Landlord demand more rent on houses

& vulnerable tenants were subject to exploitation by landlords. A statutory framework designed to favor the tenant was introduced to govern this area. In 1942, the Rent Restriction Ordinance was enacted and several amendments were subsequently brought in it. It was firstly implemented 1942 through Rent Restriction Ordinance. The Rent Act No. 7 of 1972 ushered in a socialist approach which did not favour private ownership. This framework, which was heavily weighted in favour of the tenant, was then subjected to changes that strengthened the position of the landlord consistent with the open economic policies adopted by the Government. Through amendments to the Acts of 1980 and 2002, it is highlighted the need for development and the need to address the housing shortage. Also it is strengthening the bargaining power of the landlord (Centre on Housing Rights and Evictions Sri Lanka, 2007).

According to that statement it can be said that in Sri Lanka rent control legislation firstly impose with a view to protect tenant & addressing housing shortage. After that due to open economy policy, government reduces their controlling policy on property and introduces redevelopment opportunity through amendments.

There are criticisms on rent control some of literatures stated that rent regulation has an adverse effect on local housing (Alston et al, 1992; Epple, 1998; Kearl *et al*; 1979; Moon and Stotsky, 1993). In their surveys of economists, Alston *et al* (1992) found a consensus (over 93.5%) of agreement that "A ceiling on rents reduces the quantity and quality of housing available." The majority of the literature opposes rent control on the grounds that it creates major inefficiencies that are unnecessary to achieve the desired goals. Economists argue that rent control interferes with a landlord's ability to respond to market signals, thus reducing the profitability of rental investment and discouraging new construction. By limiting rents, rent control could lead to under-maintenance of property and the deterioration of the housing stock (Keating *et al*, 1998; Moon and Stotsky, 1993). Opponents assert that a disproportionate share of the burden of assisting low- and moderate-income households is shifted onto landlords. A final concern is that rent control might discourage residential mobility since rent increases for continuing tenants are generally smaller than for new residents (Strassman, 1991).

Above mentioned literature are based on housing market. Therefore as per their arguments it can be say that rent control regulation adversely effects on quantity &

quality of housing supply. It reduces rental investment due to rental prices below market prices. It does not reflect real market value.

In Sri Lankan context, there are arguments on rent act application in Sri Lanka. Nayana (2003) argued on Rent Act 1972 & its amendments by saying that, it went too far in giving tenants security of tenure at very low costs. The standard rent was fixed on the basis of the 1955 annual value of premises plus the current municipal rates. This rule made no allowance for the fact that sometimes economic disparities between the parties might in fact have become reversed, especially where the tenant was carrying on a lucrative business while paying a standard rent. no parallel move was made to raise controlled rents to more realistic levels, so that those landlords whose premises did not fall into one of the categories granted special relief continued to be burdened with maintaining properties that were only yielding rents based on 1955 annual values. Widespread landlord discontent continued, mainly because even under these exceptions it was still necessary to go through lengthy court proceedings before they could actually eject an over-holding tenant.

Hence, even when they were not required to do so, landlords often opted to pay tenants money to vacate, and rent and ejectment cases in court became virtual bargaining sessions. In October last year Parliament passed the Rent (Amendment) Act No: 26 of 2002, twenty-two years after the last amendment. This Act has followed the same policy of freeing more categories of premises from rent control, but has not addressed the issue of raising the authorized rent of controlled premises to more realistic levels. Although its passage through Parliament went largely unnoticed by the public, there is one provision that makes its effect, very far-reaching. (Nayana, 2003).

In addition to that Premathileke (2009) criticized that there is distinction of premises governed and not governed by the Rent Act creates a wide disparity of the demand for premises in the open market. If we examine section 22 of the act we shall see the number of restrictions and conditions attached to the grounds of ejectment of tenant and recovery of possession. The resulting position is that on account of these legal fetters such tenanted properties coming under the purview of rent act will hardly command a demand and would hardly fetch a price which would be substantial or even commensurate with the prices of premises outside the purview of the act in the property market.

1.2 Problem Identification

The Rent Act No: 7 of 1972 ushered in a socialist approach which was not favour private ownership. This framework, which was heavily weighted in favour of the tenant, was then subjected to changes that strengthened the position of the landlord consistent with the open economic policies adopted by the Government. Through amendments to the Acts of 1980 and 2002, it is highlighted the need for development and the need to address the housing shortage. Also it is strengthening the bargaining power of the landlord (Centre on Housing Rights and Evictions Sri Lanka, 2007).

Properties do not reflected real value due to rent control situation in that instance highest and best use value could not be achieved. In that case government enforces some changes to principal enactment with a view to give development opportunities. Through an Amendments Act 1980 & 2002 government gives opportunity for redevelopment of rent control properties by ejectment of the tenant or demolition of the building. For example amendment 2002 repeal sec 18A of principal enactment & it gives opportunity to landlord to demolish the building when it goes 40 years instead of 50 years in earlier Act. Earlier Act this opportunity was given only for residential now it opens for residential premises as well as business premises.

Widespread landlord discontent continued, mainly because even under these exceptions it was still necessary to go through lengthy court proceedings before they could actually eject an over-holding tenant. Hence, even when they were not required to do so, landlords often opted to pay tenants money to vacate, and rent. An ejectment cases in court became virtual bargaining sessions (Nayana, 2003). As per National Housing Commissioner-Western province statements when landlord applies for demolition or ejectment order most of instance tenant does not agree to vacate or landlord does not agree to pay tenant. In that cases landlord can't get vacant possession & could not be redevelop property.

1.3 Problem Statement

When landlord applies for demolition or ejectment order most of instance tenant does not agree to vacate or landlord does not agree to pay tenant. In that cases landlord can't get vacant possession & could not be redevelop property. In this context, this research thesis aims to study on effectiveness of demolition & ejectment order provisions given under Rent Act. Whether this vacant & redevelopment opportunity given under Rent Act are effectively operated or not if it does not effectively work what are the factors affecting it.

1.4 Significance of the Study

Nayana (2003) argued on Rent Act No. 07 of 1972 & its amendments by saying that, it went too far in giving tenants security of tenure at very low costs. The standard rent was fixed on the basis of the 1955 annual value of premises plus the current municipal rates. This rule made no allowance for the fact that sometimes economic disparities between the parties might in fact have become reversed, especially where the tenant was carrying on a lucrative business while paying a standard rent. However, no parallel move was made to raise controlled rents to more realistic levels, so that those landlords whose premises did not fall into one of the categories granted special relief continued to be burdened with maintaining properties that were only yielding rents based on 1955 annual values. Widespread landlord discontent continued, mainly because even under these exceptions it was still necessary to go through lengthy court proceedings before they could actually eject an over-holding tenant. Hence, even when they were not required to do so, landlords often opted to pay tenants money to vacate, and rent and ejectment cases in court became virtual bargaining sessions

When we consider commercial properties in this category particularly in the Fort, Pettah and other leading business centers that we find the situation most aggravated unjust and even scandalous. Businessmen continue to occupy such properties and acquire high levels of profit while paying partly authorized rents. Some of them are not very old buildings and they will stand for many more years but what stability or growth in income do such properties in the commercial sector possess in the property market. This is an area where remedial legal measures have to be adopted to bridge the gap and the wide disparity between the two categories of premises governed and not governed by the rent act. (Premathileke, 2009). These properties do not reflect real value of the

property. In order to obtain highest and best use value of the property it has to be redevelop.

1.5 Objectives

General

To study on effectiveness of ejectment & demolition order provisions given under Rent Act No.07 of 1972 with its amendments for rent control properties

Specific

- To discuss changes made to principal enactment by Amendment Act No.55 of 1980 & Amendment Act No. 26 of 2002 for redevelopment and vacant possession
- To measure effectiveness of ejectment & demolition order procedure for rent control properties.
- To analyze landlord's & tenant's response on redevelopment & vacant possession offered by rent act.

1.6 Generalization of Research Questions

Table No 1.1 Research Questions

Special Objective	Research Question
Discuss Changes made to principal enactment by Amendment Act No.55 of 1980 & Amendment Act No. 26 of 2002 for redevelopment and vacant possession	I. Why Government enforce Rent Act in Sri Lanka? II. How rent control regulation apply in Sri Lanka? III. What are the amendments made to principal enactments? IV. Why it is needed?
Measure effectiveness of ejectment & demolition order procedure for rent control properties	I. How rent control property get highest & best use value? II. How does rent control property get vacant possession? III. How does cases were settle before 2002 amendment? IV. How does cases were settle after 2002 amendment? V. How does compensation procedure practically operate? VI. Does compensation mentioned under rent act is adequate? VII. What are the reason for cases outstanding? VIII. Is it effectively operated? IX. What are the best alternative options to take as compensation instead of compensation mentioned under rent act?

Special Objective	Research Question
Analysis landlord's & tenant's response on redevelopment & vacant possession offered by rent act	I. Is that landlord satisfy on this opportunity? II. Is that tenant satisfy on this opportunity? III. Why tenant or landlord disagree for redevelopment procedure?

Source: Compiled by author

1.7 Methodology

1.7.1 Population & Sample Selection

Population:

Total numbers of ejectment & demolition order applications submitted to the National Housing Commissioner relating to the Colombo City was selected as population of the research study. Since population of this study is small, entire population was used to analyze for second objective.

Table No.1.2 Total number of applications submission during the period 1990-2012 year

Type	Number of Applications
Demolition Order	51
Ejectment Order	66
Total	117

Source: Compiled by author

Sample:

Sample selection was considered for analyzing of third objective. It was based on judgmental sampling technique .Demolition and ejectment order applications which were submitted after 2002 year selected as sample unit. Because last amendments was enforced in 2002 year. Therefore total number of application submitted to National Housing Commissioner after 2002 year was taken as a sample size.

Table No: 1.3 - Total number of applications submission after the year 2002

Type	Number of applications
Demolition Order	32
Ejectment Order	35
Total	67

Source: Compiled by author

1.7.2 Data collection

Quantitative data as well as Qualitative data was collected for this study. Mainly literature review, stakeholder interview provide qualitative data while data collected from market survey, National Housing Commissioner, relevant local authority and rent board provide quantitative data. These data further classified as primary or secondary.

Primary Sources:

Primary data collection was based on total number of applications submitted to National Housing Commissioner after 2002 year, which was selected as sample size.

- Field observation

Field observation was carried to collect information regarding landlord's & tenant's response on research issue. Landlord & tenant of each cases were interviewed.

- Questionnaires

Two types of questionnaires was prepared for collecting primary data. First type of questionnaire was given to landlord while second one was given to tenant.

Secondary Sources:

Secondary data represents as property details, case details and data which could not be taken through questionnaire. These data was collected from National Housing Commissioner- Western province, Colombo Municipal Council and Valuation Department-Colombo Metro Region. In addition to that data collected from reviewing of related articles, journal, book or past research which may be already discussed the research problem or back ground of the research area in different viewpoints.

1.8 Data Analysis

All the collected data was analyzed using quantitative technique and qualitative technique.

Table No.1.4 Data analysis method

Objectives	Analysis Method
To discuss changes made to principal enactment by Amendment Act No.55 of 1980 & Amendment Act No. 26 of 2002 for redevelopment and vacant possession	Descriptive Analysis
Measure effectiveness of ejectment & demolition order procedure for rent control properties	Descriptive Analysis & Inferential analysis -*Proportionate test &Mann Whitney Test*

Objectives	Analysis Method
Analysis landlord & tenant response on redevelopment & vacant possession offered by rent act	Descriptive Analysis & Inferential analysis -*Chi square test*

Source: Compiled by author

1.9 Organization of Chapters of the Research Thesis

First chapter of this report provides a general overview of the study including, background of the study, research problem, objectives and research questions.

Chapter two gives a comprehensive and critical review of the literature on the theory of property market, evolution of rent control system, its application on world as well as Sri Lanka , its implication on the property market, strengthens & weakness of rent control system and research findings.

Chapter three discuss about research design of this study which gives direction to the research question that describes the research issue generation, methodology, theoretical frame work & problem identification as well as population & sample selection, data collection, , the way it is analyze.

Chapter four describes background of the research area and it is significance. Since this research area is Colombo city, therefore chapter four is provided brief introduction about Colombo city geographic, land use pattern, administrative profile and property market. In addition to that how data distribute in the Colombo city will be discussed.

Chapter five relates to data analysis and how data are analyzed according to each objectives. Role of National Housing Commissioner regarding demolition & ejectment provisions under Rent Act, comparison of amendment with principal enactment, measure effectiveness of Ejectment and demolition order procedure and analysis of landlord's and tenant's response on redevelopment and vacant possession will be discussed on this chapter.

Chapter six provides the conclusions for research findings and recommendations for the research issue.

1.10 Limitation

It was difficult to estimate total number of rent control properties, because there were no any details relating total number of rent control properties under the supervision of Rent Board.

CHAPTER TWO

Literature Review

2.1 Property Market

Real property market is simply the arrangement by which buyers and sellers of virgin land, agricultural estates, industrial buildings, offices, shops, and houses are brought together to determine a price at which the particular property can be exchanged (Harvey & Jowsey, 2004) . According to the usage, property market can be divided in to four sub markets namely residential, commercial, industry & agricultural in which residential & commercial sub market can be described as main sub market.

Properties can be identified as either operational properties or investment properties. Operational properties are used for carrying out the activities of an organization and occupied by the organizational activities without letting to other parties. Properties which are used fully for investment purposes by letting to other parties are investment properties (Ariyawansa, 2009). Normally investment properties are known as non-owner occupies property while operational property known as owner occupied property.

When any property is letting to other party at agreed sum and that amount is an income which can be derived from such property is known as rental income. Wille (1948) describe that Rent must be certain to be recoverable. The effect of this requirement is that the amount of the rent must be fixed by the parties from the first in a definite sum or be fixable by their agreement on a method or standard by which the amount can be ascertained. The common law position governing variation of rent was the relationship of landlord and tenant, based on the agreement between them. The tenant agrees to pay and the landlord agrees to accept, a certain rent. The landlord has no more right to increase the rent than the tenant has to reduce it. As observed by K.D de Silva J. in *Sellahewa vs. Ranaweera (59_NLR 66)* 'Rent is payable in terms of the contract of tenancy entered between the parties. The landlord cannot increase the rent without the consent of the tenant, just as the latter cannot reduce it without the consent of the former' (Udalagama, http://-www.sljti.org).

2.2 Government Intervention on Property Market Changes

The changes in the property market can usually be viewed in terms of three categories

1. The property market environment
2. The economic environment
3. The technological environment

Changes in the property market environment can be seen via changes in legal environment. It will occur from government intervention on the market. If we include local government and public corporations with central government then there are perhaps three broad factors of public sector intervention in the property market. First, the public sector operates as an integral part of the market Eg; as an occupier of office space as a developer of industrial estates and as an investor in land and buildings. Second, the government affects the market indirectly through its ability to influence the actions of market operator by its management of economy. Eg: By monetary and fiscal measures and by regional polices. Third, the government acts directly on the market by imposing a frame work of legislative constraint within which market forces must operate (Premathilake, 2009).

Government intervention on property market is operated through planning control & government legislation. When we examine in Sri Lanka land use planning regulation, zoning regulation, street line & building limit regulation etc can be listed out under planning control while some of government enactment such as Rent Act No: 07 of 1972, Protection of Tenants (Special Provisions) Act No: 28 of 1970, Ceiling on Housing Property Law No: 01 of 1973, Land Acquisition Act No: 09 of 1950, Prescription Ordinance No: 22 of 1871, Land Reform Law No: 1 of 1972 etc are come under government legislation. Land Acquisition Act, Prescription Ordinance & Land Reform Law are land relates laws which are impact on property values & ownership rights. Rent Act, Protection of Tenants (Special Provisions) Act & Ceiling on Housing Property Law are housing relates laws which are mainly enforced with a view to address housing problem in Sri Lanka in addition to that they are addressing the issues relating to landlord & tenant relationship.

The Protection of Tenants (Special Provisions) Act made provision for the protection of tenants against ejectment by landlords. Initially, the legislature intended this Act to be operative only for a period of two years. Subsequently, it was extended to thirteen

years and thereafter eighteen years after the date of its commencement (Center on Housing Rights & Eviction, 2007). The Ceiling on Housing Property Law regulated the ownership, size and cost of construction of houses. The primary aim of this law was to restrict the number of houses and property which could be privately owned. It "emphasizes the element of social responsibility as a factor opposed to the absolute character of private ownership of property" (Peiris ,1976).

Among these legislations Rent Act is major legislation effect on landlord & tenant relationship. Rent Act was implementing with a view to protect tenant and controlling bargaining power of landlord when he increases rental income of tenanted property. It is a one of the example of government intervenes on property market transaction by introducing ceiling on rent income to prevent imbalance between housing supply & demand.

2.3 Rent Control Regulation

2.3.1 Introduction

Basum & Emerson (2003) stated that Rent control is standard ceiling placed on the rent that a landlord can charge. It also allows a landlord to set rent freely when letting to a new tenant but subject to the tenant's right not to accept & preventing landlord from raising the rent or ejecting tenant. Kulkarni (2009) stated that in his article of "Rent Control Legislations and Its Impact on Economies" Rent control, like all other government-mandated price controls, is a law placing a maximum price, or a "rent ceiling," on what landlords may charge tenants. If it is to have any effect, the rent level must be set at a rate below that which would otherwise have prevailed. To put it simply, rent control relates to the fixing by the government of rent rates at a particular level, so that all tenants across the board, who fall in a particular category, pay the same amount of money to their landlords. Governments seek to enforce these controls through instruments of law, by means of "rent control legislations". These rent control legislations lay down the basic framework within which the government can enforce its structures. The objective is to ensure that a large number of its citizens have access to housing at affordable rates, something which a de-regulated market would have made impossible for them.

Price control is usually a form of limit imposed by government on how high a price that can be charged on good and service that are essential to the wellbeing of citizen can go. It is imposed in that a ceiling is placed on the amount that can be charged and usually at a figure below the open market price. The same principal is applied in rent on property in which government usually impose limit to which rent in this instances residential accommodation could arise. The limit represents the maximum rent which is usually below the open market value of such accommodation units (Oni *et al* ,2007).

When considering above definitions rent control can be defined as one type of government intervention on property market transaction by introducing ceiling on rental income of tenanted property when landlord frequently increase rental income. It is implemented with a view to prevent imbalance between housing supply & demand and also giving protection to tenant when landlord use his bargaining power against tenant.

2.3.2 Evolution of rent control system in the world

Rent control as public policy has been in existence for over 2000 years. Historians have noted that even before the birth of Christ, Julius Caesar enacted a form of rent control in Rome (Keating *et al* 1998). Rent control has been a major type of government regulation of housing for many years (Epple, 1998; Keating *et a*l, 1998). Keating *et al* (1998) described rent control as "a product of crisis" and "typically imposed during periods of wartime housing shortages or peace time inflation when rents increased beyond the ability of many tenants to pay without hardship. It first enacted in the United States during World War I and World War II. New York City, San Francisco, Los Angeles, Boston and Washington DC all justified these policies as necessary to curb the housing shortage resulting from industries being diverted to wartime uses.

Rent control exists in about 40 countries around the world. In the 1990's and 2000's most of Eastern and Central Europe, along with China, Japan, Malaysia and Singapore all ended rent control policies. Conversely, Dubai, Abu Dhabi and Qatar have all recently imposed strict rent controls. (Polotan, 2010).

2.3.3 Rent control types

Rent control however may be many kinds that are;

Tenancy rent control:

The most common form of rent control is where rents are initially freely negotiable but there is a limit on the amount of rent increase ('tenancy rent control' or 'second-generation rent control'). that gives landlord some or full freedom to adjust rent when leasing out property to new tenant but then requiring the rent to be held constant (or adjust upward only within limits) as long as a tenant remains the lessee(and with the landlord having no right arbitrarily to evict a sitting tenant.

The maximum allowable increase is either:

- A fixed percentage (e.g. Dubai, Philippines, Pakistan, Tunisia),
- Or a fraction of the construction cost index (e.g. France) or consumer price index or CPI (e.g. certain cities in the US, Italy, Netherlands, Spain, Switzerland, Colombia, Uruguay),
- Or a combination of the two (e.g. Canada).

Tenancy rent control is typically accompanied by vacancy decontrol. That is when the unit vacant, rents can be increased by any amount. Newly constructed buildings are usually exempt from rent control (Cruze ,2009).

Maximum rent systems:

Sometimes the authorities determine the maximum rent, and apply it equally to new and old tenancies. Often, the maximum allowable rent is a certain percentage of the property value (enforced in India, Taiwan, Luxembourg, Jamaica, Dominican Republic, Syria, and Costa Rica). The property valuation is typically based on historical cost and not on the current property value, so that real rental returns fall over time (Cruze ,2009).

Rent freeze systems ("absolute" rent control or "first generation" rent control):

Sometimes rents are kept at a pre-determined level, typically that of the year when the law was introduced (such is the case in Qatar). For newly constructed units, no rent increases are allowed after the unit is rented out. Such laws were implemented mainly after World War II to avoid rapid increases in rent due to increased demand from

refugees or from returning soldiers. This type of rent control has mostly been abolished, relaxed or is largely unenforced (e.g. US Virgin Islands), (Cruze ,2009).

Split systems:

Here only a certain portion of the housing market is under rent control ; typically, rental units for poor households or de-nationalized buildings (e.g. US, Philippines, Cyprus, Czech Rep., Dominica, Aruba, Bahamas, Bermuda, Trinidad and Tobago, and Honduras), (Cruze ,2009).

Ineffective systems:

While most rent control laws are biased towards tenants, some are actually being due to the way in which they are implemented – or not implemented, as the case may be. Non-implementation is a surprisingly widespread phenomenon. In some countries, there is a prescribed amount of rent increase - but the parties are free to accept it or not. If one of the parties feels that the increase is too much or too little, they can ask for the rental authority to adjust the rent (enforced in the province of Quebec, Canada), (Cruze ,2009).

When considering above mentioned rent control systems operated in the world it can be say that maximum rent system can be seen in Sri Lanka. In Sri Lanka government enforce rent control area & determine which properties are to be considered as rent control property then determine rental amount applicable to such property based on annual value of that properties as at rent act enforcement date or annual value of that properties in their first assessment date.

2.3.4 Rent control application in some selected countries

South Asian countries:

- India

There are two types of tenancy agreements in India: Lease Agreements which are covered by rent control laws, and Lease and License Agreement which are not. A Lease (or Rental) Agreement is covered by restrictive rent control laws. The amount of rent that can be charged is based on a formula devised by the local executive, legislative or judicial government, as the case maybe. For Delhi, the maximum annual rent is 10% of the cost of construction and the market price of the land, but the cost of construction and the price of land are both based on historical values and not the current market

valuation. The older the property, the smaller the rent the can charged. Rents can only be increased by a fraction of the actual cost the landlord has incurred in improving the property (Cruze ,2009) .

- Pakistan

In Islamabad Capital Territory rents can be freely agreed between landlord and tenant. The rent of a building is automatically increased at the end of every three years of the tenancy by 25% of the rent already being paid by the tenant, unless the landlord and tenant agree to increase the rent by an agreement in writing. Five other areas (Punjab, NWFP, Baluchistan, Sindh and Cantonment areas) are covered by distinctive provincial legislation. The Rent Controller is empowered to fix a fair rent, on application by the tenant or landlord. The following factors are considered in deciding on a fair rent;

- The rent of the same building or similar accommodation in the locality at the time, and during the 12 months prior to the application;
- The rise in the cost of construction, repairing charges, and taxes;

The rental value of the building in the Property Tax Assessment Register of the Taxation Department (or the assessment list of the Cantonment Board) in the Cantonment areas and in Punjab/NWFP/Baluchistan, if the fair rent exceeds the rent being paid by the tenant on the date of filing the application, the maximum rent increase is 25%In Sindh, where a fair rent has been fixed, no increase may be affected for three years. In any event, the increase in rent may not exceed 10% per annum on the existing rent (Cruze ,2009).

Europe Countries:

- France

The initial rent can be freely agreed between the owner and the renter. However, the rent can be revised only once a year, and only if a clause in the contract (carefully drafted) specifies it. The increase cannot be above the increase of the four-quarterly average of the INSEE index of construction costs. Index clauses and periodic clauses must comply with this (Cruze ,2009).

- Netherlands

The rent paid can be freely agreed between landlord and tenant, for properties above the 'liberalization rent limit' of 604.72 per month. Properties below this limit are subject to rent control under the Residential Tenancies (Rent) Act 1979, by which according to a 'residential accommodation points system (points matrix), features such as floor area, position, quality, and facilities earn points. A maximum rent is chargeable for a total number of points. Rent tribunals oversee situations of rent disputes, and have the power to reduce rents. The Minister Vogelaar for Housing, Communities and Integration (WWI) sets the maximum percentage of increase. The maximum allowable rent increase from July 1, 2007 to June 30, 2008 is 1.1%, equivalent to the inflation in 2006 (Cruze ,2009).

North America:

- United States California

In San Francisco, California, the San Francisco Rent Board limits the allowable annual rent increase. If the landlord adjusts rents between March 1, 2008 and February 28, 2009, the Allowable Rent Increase is 2%, higher than the 1.5% allowable increase from March 2007 to February 2008. Under the law, the allowable rent increase should not exceed 7% annually (Cruze ,2009).

- United States Washington D.C

The Rent Stabilization Program (Occupancy and Rent Guidelines) prescribes maximum allowable rents and rent increases. For most units, the allowable annual rent increase is CPI plus 2 percentage points, but not more than 10%. For elderly and disabled tenants, maximum rent increase is equal to the CPI but not more than 5%. If the unit is vacated, the rent can be increased by a maximum of 10%.A landlord in Washington D.C. can also ask for a Hardship Petition which allows the landlord to increase the rent to a level that allows 12% rate of return. There are other measures in place to provide incentives for the construction and maintenance of rental units (Cruze ,2009).

- United States New Jersey

Local governments in New Jersey, such as Jersey City and Camden, impose maximum rent increases. For Jersey City, the annual maximum allowable increase is 4% or the Consumer Price Index (CPI-W), whichever is less. A hardship Rental Increase is also

allowed to give landlords a fair return on their investments. Fair return is defined as 6 percentage points above the savings interest rate. In Camden, the annual allowable increase is the CPI or 6%, whichever is less (Cruze ,2009).

- New York

For the state of New York, rent control applies to building constructed before February 1947 in 51 municipalities including New York City. Generally, the amount of tenants under rent control is getting smaller each year. Rent stabilization, on the other hand, applies to apartments with a monthly rent of less than $2,000. As an example, the allowable rent increase for rent stabilized apartments in New York City is 2.75% for leases lasting for one year with heating provided by the landlord. Landlords can also apply for Comparative Hardship or Alternative Hardship where they can be allowed to increase rents up to 6% annually (Cruze ,2009).

2.4 Rent Control Regulation in Sri Lanka

2.4.1 Evolution of rent control in Sri Lanka

Rent legislation in Sri Lanka dates back to the 1940s. Initially, the relationship between landlord and tenant was governed by Roman Dutch Law. However, Roman Dutch Law was found to be inadequate for addressing housing issues created by industrialization. The rapid growth of industry resulted in a rising concentration of people in cities and consequent housing shortages. Vulnerable tenants were subject to exploitation by landlords who, holding the bargaining power, demanded exorbitant rents. A statutory framework designed to favour the tenant was introduced to govern this area. In 1942, the Rent Restriction Ordinance was enacted and several amendments were subsequently brought in. The Rent Act No: 07 of 1972 ushered in a socialist approach which did not favour private ownership. This framework, which was heavily weighted in favour of the tenant, was then subjected to changes that strengthened the position of the landlord consistent with the open economic policies adopted by the Government Eviction (Center on Housing Rights & Eviction, 2007).

The earliest was Act No:60 of 1942 and the later Acts were, 29 of 1948, 6 of 1953, 10 of 1961, 20 of 1966 followed with Act 12 of 1972 which became the major repository of statute law and in effect repealed the previous Rent Restriction Acts referred to above. There was also ancillary legislation to favour the tenants in the form of, The Protection of Tenants Act 28 of 1978 to prevent landlords from evicting tenants by

force or by threats of violence, The National Housing Acts to acquire State land to put up housing projects, The Small Tenements Act to speedily recover tenements un lawfully held after determination of the tenancy, The Ceiling on Housing Act 01 of 1973 to regulate ownership of houses and The Apartment Ownership Law 01 of 1973 in respect of condominium properties (Udalagama, http://-www.sljti.org).

Hence in 1977 and again in 1980, amendments were made to the Rent Act designed to free the housing market to some extent and give special relief to one-house owners. In the case of premises the standard rent of which exceeded one hundred rupees per month, one-house owners no longer needed to show "reasonable requirement" and were given the option of terminating the tenancy by depositing five years' rent with the Commissioner of National Housing. In 1980, certain residential premises were taken out of rent control altogether. These were premises constructed after January 1 of that year, or occupied by the owner on that date and let thereafter. Also exempted were premises let to foreign nationals or non-resident companies (Nayana,2003).

Through amendments to the Acts of 1980 and 2000, it highlighted the need for development and the need to address the housing shortage. Also it is strengthening the bargaining power of the landlord. The effect of the 1980 and 2002 amendments has been to exempt a large number of premises from the purview of the Rent Act. Tenants of the exempted premises are denied the protection of the Rent Act, especially in relation to ejectments. At the same time, the amendments introduced several provisions that favour the tenant. They impose restrictions on increasing rent and provide for instances where such increases are permitted. They restrict landlords from demanding as rent amounts in excess of the authorized rent and there are similar restrictions on demanding excessive advances, premiums or other additional payments (Center on Housing Rights & Eviction, 2007).

The 2002 Amendment also develops the right first given to landlords under the 1980 Amendment, to demolish and redevelop old premises under the supervision of the Commissioner of National Housing. This right is no longer limited only to the redevelopment of residential units but covers business premises as well, and any building that is forty years old or more will qualify a reduction from the previous requirement of fifty years. The sum payable to the tenant for temporary relocation has been reduced from three years' rent to two, but if the landlord wishes to end the tenancy

altogether he will have to pay the tenant 10 years rent, a considerable increase from the previous requirement of three years. The new Amendment also broadens the power of the landlord to use viable appurtenant to rented premises for development. A major roadblock to the recovery of possession of low-income premises under the Rent Act was the requirement that the tenant should not be ordered to vacate unless and until the Commissioner of National Housing had found alternative accommodation. That requirement has now been done away with, and the landlord may recover such premises on deposit of a sum equivalent to ten years rent (Nayana ,2003).

2.4.2 Application of rent control regulation in Sri Lanka

Rent control regulation imposed by the Rent Act No: 07 of 1972, amended by the Rent (Amendment) Act No: 55 of 1980 & Amendment Act No: 26 of 2002. Rent Act applies only from residential and commercial premises which come under purview of Rent Act within the following limitations given in the Act.

- By area
- By property (un exempted premises)
- Premises given on rent and
- Determination by the Rent Board

By area:

Residential or business premises situated within an area declared under Section 02 of the Rent Act.

- Areas where Rent Restriction Act No: 29 of 1948 were in force,
- Areas declared by the Minister by a notification published in the gazette,

Are coming within the purview of the Act.

By premises:

- Commercial Properties

Under Section 02 (4) of the Rent Act, the provisions of the Act apply to premises other than.

- Commercial premises where landlord is a Local Authority & National Housing Commissioner

- Excepted premises

  Commercial properties where annual value as at 01.01.1968 or if is it first assessed after that date the first annual value exceeds relevant amount as below.

Table No. 2.1 Relevant amount

Area	Annual Value
Colombo Municipal Council	Rs. 6,000
Other Municipal Councils	Rs. 4,000
Urban Councils	Rs. 2,000
Town Councils and all other area except above	Rs. 1,000

Source: Rent Act No: 07 of 1972

- Where it is a commercial property situated outside of the above Municipal Council, Urban Council and Town Council as at the date of commencement of the Act;

  If the property is given as at the date of commencement of the Act for a rent higher than 1,500 per annum,

  If a property is not given on rent as at the date of commencement of the Act and subsequently given on rent higher than Rs. 1,500 per annum.

However on an application made by the tenant if the Board is satisfied that the reasonable rent of the premises does not exceed Rs. 1,500 per annum such premises can be declared as un exempted premises.

- Residential Properties

Under Section 2 (4) of the Rent Act, the provisions of the Act apply to premises other than followings;

- Residential premises constructed after January 01, 1980 and let on or after that date
- Residential premises occupied by the owner on January 01, 1980 and let on or after that date
- Residential premise purchased by the owner on January 01, 1980 and let on or after that date
- Residential properties in the occupation of a person who has been issued with a valid visa under the Immigrants and Emigrants Act and whose total income exceeds Rs. 1,000 per month or a non-resident company in respect of which the

landlord obtains the prior approval of Commissioner of National Housing who shall grant approval if he is satisfied that the previous tenant has vacated voluntarily or upon an order of courts.

- Any premises of which the landlord is a Co-operative Society registered under the Co-operative Societies Law No: 5 of 1972 or any other law, the state, a public Corporation, a public authority or company registered under the Companies Act No: 17 of 1982 (Extraordinary gazette No: 1305/17 dated 09.10.2003).
- Any premises of which the tenant is a Co-operative Society registered under the Co-operative Societies Law No: 5 of 1972 or any other law, the state, a public Corporation, a public authority or company registered under the Companies Act No: 17 of 1982 (Extraordinary gazette No: 1305/17 dated 09.10.2003).

Premises given on rent:

Premises should be let and not exempted in order to come within the provisions of the Act. So, there should be a landlord and tenant relationship between the owner or his agent and the occupier.

Burden of proof of tenancy lies on the tenant and there should be a contract of tenancy.

Determination by rent board:

Authorized Rent can be legally determined only by the Rent Board (appointed under Sec. 34) of the jurisdiction in which the residential or commercial property is situated.

Source: Rent Act No: 07 of 1972, Amendment Act No: 55 of 1980 & Amendment Act No: 26 of 2002

2.4.3 Assessment of rent

Authorized rent:

Authorized rent of any premises shall be the standard rent of the premises determined under section 4 of Rent Act No: 07 of 1972 or where any increase of rent is permitted by section 5 of Rent Act No: 07 of 1972 in the case of such premises the aggregate of the standard rent and every such permitted increase.

Provided however that the authorized rent of any premises shall not be less than the authorized rent or the receivable rent of those premises as the case may be under the provision of this act as were in force march 01 1972 .

Table No. 2.2 Authorized rent calculation

Authorized rent = Standard Rent + Permitted to Increase

Source: Rent Act No. 07 of 1972

Standard rent:

The standard rent per annum of any residential premises the first assessment of annual value of which was made in respect of any period commencing on a day not later than the first day of January 1969 and the annual value of which does not exceed the relevant amount and of any business premises the annual value of which does not exceed the relevant amount means –

(a) The amount of the annual value of such premises as specified in the assessment in force during the month of January 1955 or if the assessment of the annual vale of such premises is made for the first time after that month the amount of such annual value as specified in such first assessment or

(b) If the rates levied in respect of such premises are under the terms of the tenancy payable by the landlord the aggregate of the amount determined above (a) and of the amount payable per annum by way of rates in respect of such premises for the time being.

The standard rent per annum of any residential premises other than premises referred to above means the aggregate of;

(a) The amount of the annual value of such premises and

(b) The amount payable per annum by way of rates in respect of such premises

In the case of any premises to which the each of above provisions do not apply, the standard rent per annum of the premises means such rent as may be fixed by the board on application made either by the landlord or the tenant for the time being of such premises.

The standard rent of any premises per month or per quarter or per half year shall be determined in proportion to the standard rent of the premises per annum.

Permitted increases:

Where the landlord of any premises has since the date by reference to which the standard rent of the premises is determined for the purpose of this act incurred or hereafter incurs expenditures on the improvement repair or structural alterations of the premises (not including expenditure on decoration)

(a) In any case where such landlord has obtained the prior consent of the tenant to effect such improvement repair or structural alteration and such tenant has agreed as to the amount to be expended thereon or

(b) In any case where the tenant has withheld his consent to effect such improvement repair or structural alteration and where the landlord has obtained the prior approval of the board to effect such improvement repair or structural alteration at such amount as is authorized by the board.

The standard rent per annum of such premises may be increased for a period of five years by twenty five per centum each year of the amount of the expenditure so incurred.

Provided however that the board may on application made by the tenant of such premises direct that the standard rent shall not be increased as herein before provided or reduce the amount by which the standard rent may be so increased on the ground that the improvement repair or structural alteration was not carried out in accordance with the agreement reached with the tenant or authorization of the board as the case may be. An increase of rent of any premises in accordance with the above mentioned provision shall be a permitted increase for the purpose of this act.

Source: Rent Act No. 07 of 1972, Amendment Act No: 55 of 1980 & Amendment Act No 26 of 2002

2.4.4 Obtaining vacant possession

Demolishing order:

Section 18 of Rent Act No: 07 of 1972 stated that where any building used for residential purpose which is let to tenant is demolished on an order made under the provision of the Housing & Town Improvement Ordinance. As per under sec 18A of Rent Act No 26 of 2002 (amendment act) Commissioner of National Housing may authorize the owner to demolish building over 40 years old subject to following conditions;

- order the owner to provide alternate accommodation to the tenant or to pay two years rent as an advance to find alternate accommodation by the tenant or

- order the owner to pay to the tenant 10 years annual value of the premises as at the date of application for demolishing or
- 20% of market value of the premises as determined by the chief valuer as at the date of application for demolishing or
- to pay Rs 150,000/- (Whichever is higher)

Source: Rent Act No. 07 of 1972, Amendment Act No: 55 of 1980 & Amendment Act No 26 of 2002

Proceeding for Ejection:

According to section 22 of Rent Act No: 07 of 1972 & Rent Act No: 26 of 2002 (amendment act), when the standard rent does not exceed Rs 100/= per month ejectment case can be filed on courts on following grounds;

- The rent is an arrears for three months or more after it has become due
- Such premises are reasonably required for occupation as a residence for the landlord or any member of the family or for the purpose of the trade, business, profession, vocation or employment of the landlord. For this purpose prior to filing action in courts a sum equivalent to ten years rent or Rs 150,000/= whichever is higher should be deposited with commissioner of national housing about the institution of such case
- In case of service tenants when their service is terminated
- Convicted for using the premises for illegal or immoral purpose or become guilty of conduct through courts which is a nuisance to adjoin occupants
- Structural alteration done without prior authorization in writing of landlord and the relevant local authority
- Change of use partly or wholly
- Premises is required for development and a sum equivalent to ten years annual value or 20% of the market value as determined by the chief valuer or Rs 150,000/= whichever is higher is deposited with Commissioner of National Housing for payments to the tenant as compensation

When the standard rent exceed Rs 100/= per month ejectment case can be filed on above grounds except that the rent is in arrears for one month.

Source: Rent Act No. 07 of 1972, Amendment Act No: 55 of 1980 & Amendment Act No 26 of 2002

2.5 Case Law relating to Vacant Position

2.5.1 Case decision regarding ejectment of tenant

Premises reasonably required for occupation:

- Kuttajee Vs Kanapathy Chetty 57 NLR306

It was held that premises cannot be required for employees of the business unless there is some compulsion of law or some necessity or ordinary usage in the business of the type concerned , before it can be said that the purpose of providing accommodation for employees constitute a reasonable requirement for the purpose of the business.

- Maharoof Vs Isadeen 48 NLR 419

In that case stated that ,If neither the plaintiff nor the defendant prove their allegations, judgment cannot be favour of the plaintiff without examine the question whether the premises were reasonably required by the plaintiff having regard to the situation of the defendant as well.

Convicted for guilty of conduct through courts which is a nuisance to adjoin occupant:

- Thamotheranpillai Vs Govindasamy 47 NLR 197

It was held that a tenant of one room in a house occupied by the landlord can be ejected if he causes a substantial interference with the enjoyment of the landlord who was occupying an adjoining room. In the case the tenant was a radio mechanic created noise and troubled whilst repairing radio sets till late at night.

- Perera & Sons ltd Vs Mrs. F. Pate 56 NLR 334

Baker was a tenant and one of the room was used by workers as rest room. The occupants of the room used to urinate in and pollute the drain on both sides of the road outside that room. Neighbouring occupier who lived opposite the premises repeatedly complained about the objectionable behaviour of the occupants but the defendant was guilty of conduct which was a nuisance to adjoin occupiers and was therefore liable to be ejected from the premises.

Convicted for using the premises for illegal or immoral purpose:

- Sunil Hamy Vs S.D.Wijesekara 60 NLR 575

In this case, son of the tenant was convicted of an offence under the betting on Horse Racing Ordinance. It was held that the said conviction amounted to a use of the premises

for an illegal purpose. Action failed due to the plaintiff was unable to prove that the tenant or his son actually resides in said premises.

Source: http://www.lawnet.lk/index.php

2.6 Criticism for Rent Control Regulation

2.6.1 Arguments favour rent control regulation

Cruze (2009) stated that a common (and much abused) justification for rent control is the right to housing, which is sometimes protected by the constitution. Another justification is to correct market inefficiencies such as information asymmetry and high transaction costs. Because of the high cost of moving, tenants can arguably be pressured by landlords to accept rent increases. Tenants may also be unaware of the real condition of units until they move in. If the tenant complains, the landlord may threaten to increase the rent.

Standard contracts perform a service to both landlords and tenants. In many cases in modern society, the state intervenes in contractual relations between individuals in order to provide simplicity, clarity, and order. Both landlord and tenant are helped if standard provisions exist, for instance, which determine what should be agreed on - the initial rent, rent adjustments, date of payment, penalty for delays, conditions for eviction and such. These can provide both flexibility and security (Cruze, 2009)

2.6.2 Arguments against rent control regulation

The principal argument against rent control is that it tends to distort economic incentives, leading to inefficient distribution of resources.

- Rent control reduces the incentive of landlords to supply rental units. Rental units tend to be in scarce supply under rent control. Ironically this leads to an escalation of complaints against the landlord class. Vacancy levels tend to be relatively low and available units tend to be rented only under strict conditions, again aggravating relations between landlords and tenants.
- Rent control discourages landlords from maintaining and repairing units till the end of a tenancy.
- There is also an incentive for landlords to discriminate against tenants likely to stay for a long time, like retirees or couples with children.

- In some countries, landlords collect key money to offset the losses occasioned by rent control.
- Rent control tends to lead to bullying and illegal behavior by landlords. If rent increases are allowed between vacancies, landlords will try to evict tenants in any way possible. This will likely translate into demands for government protection for tenants, i.e., into a further layer of bureaucracy and policing.
- Tenants in tenancy rent controlled units are less willing to move to other places, despite the possibility of earning higher wages (Cruze,2009).

2.7 Rent Control Regulation Implication

2.7.1 Rent control regulation impact on property market

Rent control regulation is one of the legislation implemented by the government on property market transaction. It is restrict ownership rights & getting highest and best use value of the property.

Kulkarni (2009) identified key points that impact on property market & property development in his article of "Rent Control Legislations and Its Impact on Economies" as follows:

- As rents have been forced below the market price, rent control reduces the profitability of rental housing. Investment capital is thus diverted from the rental market into other more profitable markets. Consequently, construction activity decreases and existing rental housing is converted to other uses. Thus, rent control essentially reduces the supply of housing instead of increasing it. Without the increased rents required to attract new investment, new housing construction would be sharply limited and there would be no long-term solution to the housing shortage. Conversely, a fall in rents sends the message to the market that there is no room for new investments.
- As the return on investments in rental housing is low, rent control also can lead to a drop in the quality and quantity of existing rental stock. This may take the form of cooperative conversions or, in some cases, abandonment of unprofitable property. It can also lead to a deterioration of the quality of housing stock as providers, faced with declining revenues, and may be forced to substantially reduce maintenance and repair of existing housing.

- Rent control reduces the market value of controlled rental property, both in absolute terms and relative to the increase in property values in unregulated markets. The tax implications of this reduction can be significant, as taxable assessed rental property values decline relative to unregulated property.
- Key players in real estate are of the opinion that prices in the unregulated portion of the market will be forced higher than their normal market value by rental restrictions. Since prices are pushed too low in the regulated sector, they are forced above what would otherwise be the market price in the unregulated sector. The social implications of rent control.
- It is sad but true that though rent control was envisaged as an anti-poverty strategy, it actually benefits the higher income sections of society. For example, rent control had the greatest effect on rents in Manhattan, which has an exceptionally high average income. Closer home in India, in Mumbai, prosperous businessmen occupy entire apartment blocks in posh areas but pay rents that have scarcely changed over the past six decades.
- Rent control legislations are often lie at the root of the animosity between landlords and their tenants as it involves considerable loss to one side in the transaction .

2.7.2 Rent control regulation impact on society

Rent control opponents also argue that the laws affect social mobility and integration. By requiring lower rents on certain apartments or buildings, lower-income individuals are often prevented from moving to other areas. Typically, these individuals are minorities. The effect of this limitation is to cloister minorities together, segregating them from the rest of the population. Furthermore, opponents argue that rent control creates an imbalance between landlords and tenants, with tenants receiving the bad end of the bargain. Because landlords cannot charge higher rents on their property, there is less incentive for repairs and updates. Tenants are therefore left with no remedy but to sue the landlord for resolution, leading to increased tension, judicial action and costs. Similarly, new tenants may be subject to landlord vindictiveness by landlords requiring unreasonable or numerous conditions prior to renting a rent controlled apartment (Writer,2010) .

2.8 Criticism on Rent Control Legislations in Sri Lankan Context

2.8.1 Shortcomings of Rent Act No: 7 of 1972

Nayana (2003) criticized about Rent Act No: 7 of 1972 in her article of "Legal Watch -Far-reaching amendments to Rent Act made quietly" and stated that it went too far in giving tenants security of tenure at very low costs. The standard rent was fixed on the basis of the 1955 annual value of premises plus the current municipal rates. This rule made no allowance for the fact that sometimes economic disparities between the parties might in fact have become reversed, especially where the tenant was carrying on a lucrative business while paying a standard rent. Fault-based termination of tenancy was allowed where the tenant fell into arrears of rent, used the premises for an illegal purpose, caused a nuisance to neighbours or allowed the condition of the premises to deteriorate. The only other grounds on which termination was allowed was where the premises were reasonably required by the landlord for purposes of residence for himself or a member of his family, or for the purposes of the landlord's business. In the case of premises let prior to 1972, even termination for the purposes of the landlord's business was not allowed.

Hence in 1977 and again in 1980, amendments were made to the Rent Act designed to free the housing market to some extent and give special relief to one-house owners. In the case of premises the standard rent of which exceeded one hundred rupees per month, one-house owners no longer needed to show "reasonable requirement" and were given the option of terminating the tenancy by depositing five years' rent with the Commissioner of National Housing .In 1980, certain residential premises were taken out of rent control altogether. These were premises constructed after January 1 of that year, or occupied by the owner on that date and let thereafter. Also exempted were premises let to foreign nationals or non-resident companies.

However, no parallel move was made to raise controlled rents to more realistic levels, so that those landlords whose premises did not fall into one of the categories granted special relief continued to be burdened with maintaining properties that were only yielding rents based on 1955 annual values. Widespread landlord discontent continued, mainly because even under these exceptions it was still necessary to go through lengthy court proceedings before they could actually eject an over-holding tenant.

Hence, even when they were not required to do so, landlords often opted to pay tenants money to vacate, and rent and ejectment cases in court became virtual bargaining sessions. At the other end of the scale, the lack of any rent restriction on premises let after 1980 meant a windfall for some landlords in a seller's market, and considerable hardship for those who had to seek rented accommodation for the first time after that date.

In October last year Parliament passed the Rent (Amendment) Act No. 26 of 2002, twenty-two years after the last amendment. This Act has followed the same policy of freeing more categories of premises from rent control, but has not addressed the issue of raising the authorized rent of controlled premises to more realistic levels. Although its passage through Parliament went largely unnoticed by the public, there is one provision that makes its effect, very far-reaching. This Act has freed from rent control residential premises of which possession was taken by the landlord on or after January 1, 1980, and let after that date. Taken by itself this is a logical development from the Amendment of 1980 which freed premises that had been occupied by the landlord on 1.1.1980 and let after that date. However, unlike the earlier amendment, the 2002 Amendment has been made retrospective from 1.1.1980. This means that persons who went into occupation of such premises during the last twenty years counting on a certain security of tenure, now find that their tenancies are determinable at the pleasure of their landlord with one month's notice, subject only to whatever time they can buy through court proceedings. (Nayana ,2003)

2.8.2 Disparity between the two categories of premises governed and not governed by the Rent Act

The distinction of premises governed and not governed by the Rent Act creates a wide disparity of the demand for premises in the open market. Several legal restrictions affect both residential and business premises which are governed by the act.

- the rent is controlled and a legal rent termed the authorized rent is fixed for such premises which are privately owned thus restricting the return on investment
- eviction of such tenants will be possible only on specific stipulated grounds of ejectment and furthermore no action could be filed against such a tenant on the ground of arrears of rent, where all arrears of rent are tendered either prior to

the filing of such action or even before the date on which he is summoned to appear in court

- possession of any tenanted premises cannot be recovered even on grounds of reasonable requirement where the standard rent is less than Rs 100/- per month and the landlord is the owner of more than one residential premises and where the premises have been let prior to the date of commencement of the act in 1.3.1972

If we examine section 22 of the Act we shall see the number of restrictions and conditions attached to the grounds of ejectment of tenant and recovery of possession. The resulting position is that on account of these legal fetters such tenanted properties coming under the purview of rent act will hardly command a demand and would hardly fetch a price which would be substantial or even commensurate with the prices of premises outside the purview of the act in the property market. It is when we consider commercial properties in this category particularly in the Fort, Pettah and other leading business centers that we find the situation most aggravated unjust and even scandalous. Businessmen continue to occupy such properties and acquire high levels of profit while paying partly authorized rents. Some of them are not very old buildings and they will stand for many more years- but what stability or growth in income do such properties in the commercial sector possess in the property market. This is an area where remedial legal measures have to be adopted to bridge the gap and the wide disparity between the two categories of premises governed and not governed by the rent act (Premathileke ,2009).

2.9 How Rent Control Regulation Become Efficient

Rent control policy creates positive as well as negative impact to the economy. Even though it was implemented with view to addressing housing problem & protecting tenant nowadays it would be restricting property development and property transaction. It became outdated policy. According to the Cruze (2009), rent control regulation can be improved efficiently to the economy as follows;

- The rent control scheme should be simple

It should be easy to determine if the unit is covered by rent control or not. It is generally easier to determine if the units are covered by rent control if the basis is the actual rent

and not property value or construction cost. Using furnished vs unfurnished for rent control delineation can also lead to confusion.

- The basis should be transparent

Using the CPI or inflation as the basis for rent increases is generally desirable because it is transparent, most central banks and statistical agencies regularly report inflation. Using a formula that only the rent tribunal can understand and configure creates abuse and corruption.

- The rent control system should allow capital recovery

The rent increases structure must allow landlords to recover their investment and certain costs. Without this basis precondition, private housing investment will grind to a halt with all the attendant evils mentioned earlier.

- The scheme should be predictable

If the allowable rent increase is changed annually then the government must announce it early to allow landlords and tenants to negotiate and evaluate their options.

- The rent control scheme should be easy to implement and enforce

Decision must be easy to execute and implement. Given the cyclical nature of the rental market prolonged and eviction proceedings can lead to substantial losses for the landlord and or immense distress to the tenant.

- Special courts can help

The legal system is an important variable. In most countries in Europe and countries with English common law system a rent tribunal or rent board hears complaints regarding rent adjustments. The decision can only be appealed to the tribunal itself. The process is usually swift and efficient. In many countries on the other hand cases related adjustments are handles by generalized courts and can be appealed to the highest courts which usually means a cumbersome and expensive process. A landlord can usually petition for a rent increase above the rent increase guide lines set for the province. Landlords doing so have to apply to that province's rental authority. Landlord- tenant disputes are resolved by the provincial (small claims) court system or through a tribunal / arbitration system. (Cruze, 2009).

2.10 Previous Research Findings Relates to Rent Control

Gilderbloom & Ye (2007) examined that impact of rent control on rents, number of rooms, quality of units, and new rental construction and founded that impacts of New Jersey rent control over a 30-year period seem minimal when compare cities with and without regulations.

Oni *et al* (2007) examined that statutory method of determining standard rent under the edict and adopts the multiple comparisons and analysis of variance techniques to determine the relationship between statutory and open market rents. They founded that rent control has no impacts on rental property values in the study area and concluded that government intervention through control of rent would injure the urban poor it sets out to protect and recommended that government should hands off control of rent on houses government has not produced.

Zheng *et al* (2006) examined that impact of rent control of mobile home parks in seven counties of California between 1983 and 2003 year and founded that the nature of the rent control regime differentially impacts mobile home prices: the imposition of rigid rent control, rent control without vacancy decontrol, leads to higher growth rates in resale prices. While a flexible regime, or rent control with vacancy decontrol, results in lower growth rates in resale prices.

Glaeser *et al*(1997) studied on empirical methodology for estimating misallocation of housing units due to rent control in New York City while Rydell *et al* (1981) examines impact of rent control on Los Angeles housing market.

Hackner and Nyberg (1997) examined that relation between rent control and prices of owner occupied housing in the presence of different qualities of housing while Munch and Svarer (2002) investigated that how rent control affects mobility in the Danish housing market & founded that rent control has a very unfortunate effect on household mobility and that the efficiency of the housing market is seriously hampered. Haffner *et al* (2008) focused on conflicts of interest between private landlords and tenants in the regulation of rents, from a welfare economics viewpoint on France, England, Germany, Spain, Sweden and the Netherlands. They conclude that balance achieved between landlords and tenants as a result of rent regulation may not be as clear-cut as it is often presented to be.

CHAPTER THREE

Research Design

3.1 Research Design

A traditional research design is a blue print or detailed plan for how a research study to be completed operationalizing variables so they can be measured, selecting a sample of interest to study , collecting data to be used as a basis for testing hypothesis and analyzing the results (thyer,1993). Research design of this study gives direction to the research question that describes what data to be collect, the way it is analyze & how it conclude the findings.

3.2 Research Objectives

General

To study on effectiveness of ejectment and demolition order provisions made under Rent Act no.07 of 1972 and its amendments for rent control properties

Specific

- To discuss changes made to the principal enactment by the Amendment Act No.55 of 1980 & the Amendment Act No. 26 of 2002 for redevelopment & vacant possession
- To measure the effectiveness of ejectment and demolition procedure for rent control properties
- To analysis landlord's and tenant's response on redevelopment and vacant possession offered by the rent act.

3.3 Research Question Generalization

How research questions generalize according to the objectives , what data to be collect, the way it is analyzed are presented below;

Table No: 3.1 Research questions

No.	Research Question	Data Requirement	Data Source	Methods Use for Data Collection	Methods Use for Analysis
1	Why does Government enforce Rent Act in Sri Lanka?	i. Meaning of Rent Control Regulation ii. Reasons for implementing it.	Journals & Article relating to Rent control regulation	Literature review of journal & article	

No.	Research Question	Data Requirement	Data Source	Methods Use for Data Collection	Methods Use for Analysis
2	How rent control regulation does applies in Sri Lanka?	i. Application of Rent Act in Sri Lanka ii. Rent control properties in Sri Lanka	i. Rent Act No 07 of 1972 & its amendments ii. Rent Board	i. Literature review of journal & article ii. Structure interview with stake holder	
3	How rent control regulations apply in other countries?	Rent control types & application methods in other countries	Journals & Article relating to Rent control regulation	Literature review of journal & article	
4	What are the amendments made to principal enactments & why it is needed?	Amendments made to principal enactments	Rent Act No: 07 of 1972 & its amendments	Review of Rent Act No: 07 of 1972 & its amendments	Comparison of amendment acts with Principal Act
5	How do the rent control properties get highest & best use value?	i. Open market land value ii. Open market rent	i. Provision made to ejectment order & demolition order under Rent Act ii. Market survey	i. Field observation ii .Market Survey	Valuation technique- Contractor's test & investment method
6	How does rent control property get vacant possession?	Ejectment & demolition order application & settlement procedure under National Housing Commissioner	Section 18 A Section 22 provisions given under rent act	i. Secondary data collection ii. Questionnaire iii. Field observation	Descriptive analysis
7	How were cases settled before 2002 amendment?	i. Total number of applications ii. Outstanding cases iii. Compensation paid	National Housing Commissioner 's Records	Secondary data collection	Descriptive analysis
8	How were cases settled after 2002 amendment?	i. Total number of applications ii. Outstanding cases iii. Compensation paid cases	National Housing Commissioner 's Records	Secondary data collection	Descriptive analysis

No.	Research Question	Data Requirement	Data Source	Methods Use for Data Collection	Methods Use for Analysis
9	These amendments are effectively operate?	Settlement procedure of National Housing Commissioner	National Housing Commissioner 's Record	i. Secondary data collection ii. Observation	i. Descriptive analysis ii.Proportionate test
10	Why do either tenant or landlord disagree for the redevelopment procedure?	Settlement procedure of National Housing Commissioner	i. National Housing Commissioner 's Records ii Field	i. Interview ii. Questionnaire	Descriptive analysis
11	Does compensation mentioned under rent act is adequate?	i. Compensation paid cases ii.Compensation paid amount	National Housing Commissioner 's records	i. Questionnaire ii. interview	i. Descriptive analysis ii. Mann Whitney test
12	What are the reasons for cases are outstanding?	i. Number of cases settlement ii. Landlord's & Tenant's response	i. National Housing Commissioner 's records ii. Field	i. Secondary data collection ii. Primary Data	i. Descriptive analysis ii. Chi square test

Source : Compiled by author

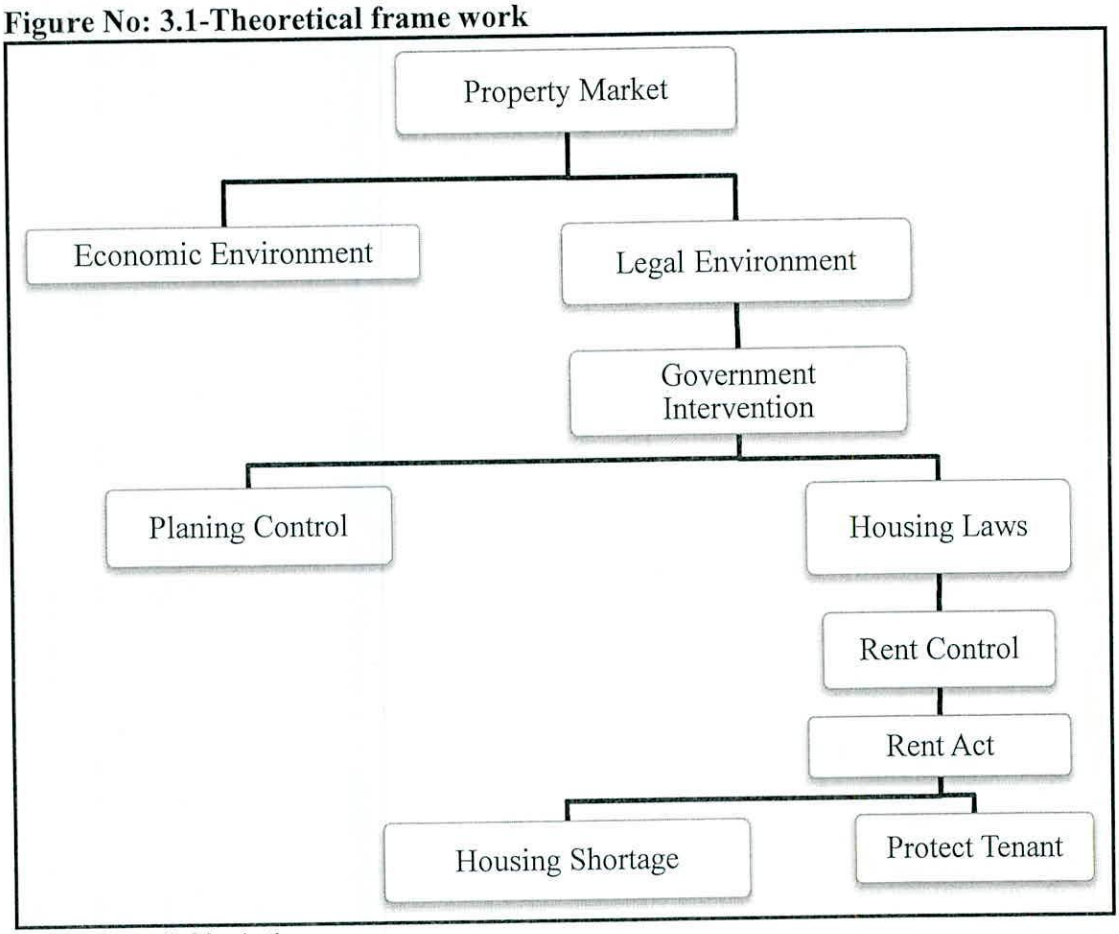
3.4 Research Methodology

This research thesis aims to study on effectiveness of demolition & ejectment order provisions made under rent act .Firstly Literature relating to rent control regulation& property market was searched & reviewed. Then research issue was derived from referring literature & field work survey. According to that survey research problem is generalized with its significance. Research objectives were determined by concentrating on research issue it gives direction for this study by showing the way it was done. Primary & secondary data were collected and they were analyzed by using both qualitative & quantitative methods to achieve set objectives. The way of data collection & how it is done is described in the later part of this chapter while data analyzing process is described in the data analyze chapter. Finally research findings & conclusion are derived by using data analyzing process and that will be described under final chapter.

3.4.1 Designing of theoretical frame work

Theoretical frame work explains background of the research area, theories used for this study & how it support for research problem to study. It is illustrated as below;

Figure No: 3.1-Theoretical frame work



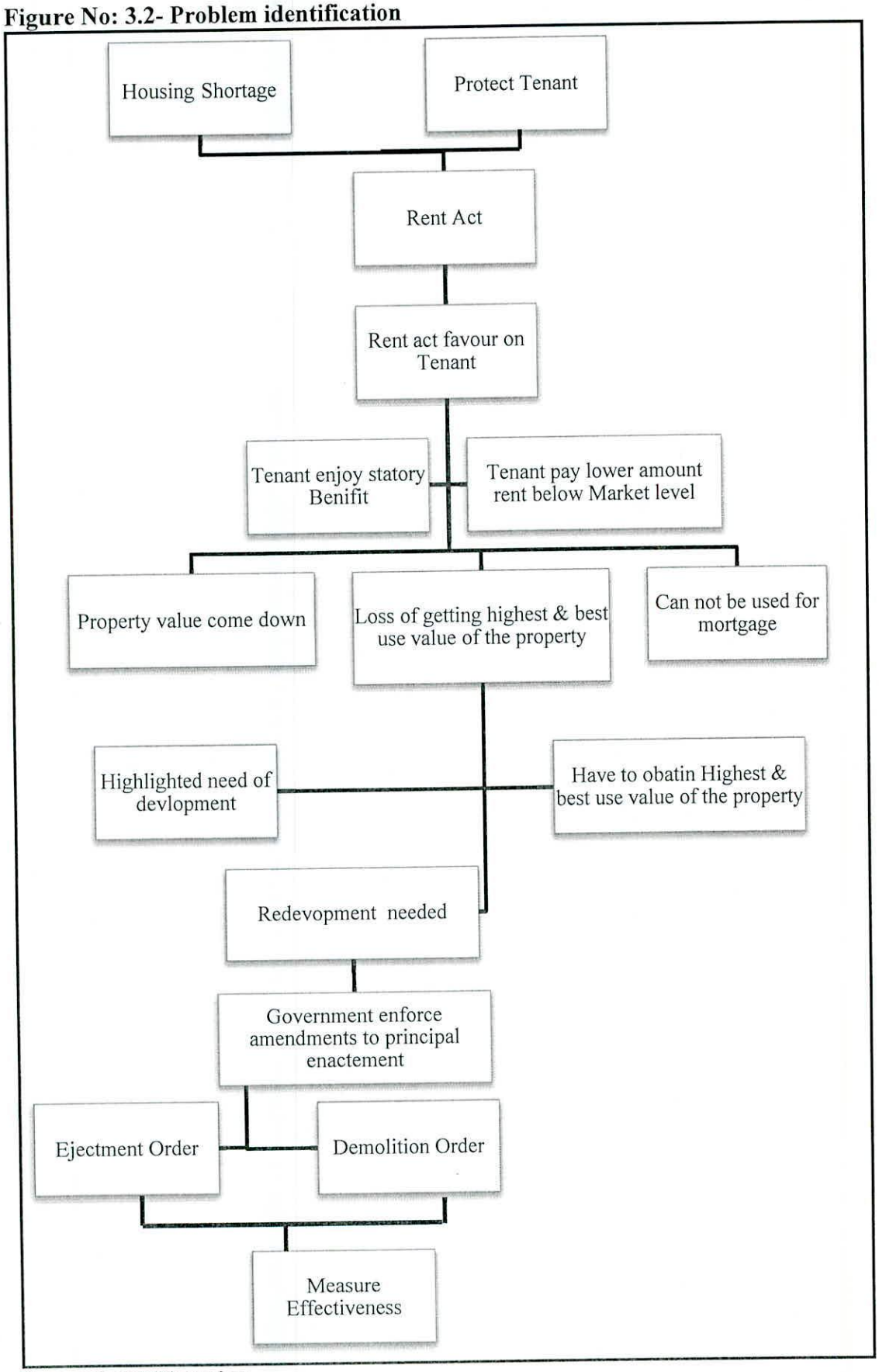
Source: Compiled by Author

Property market transactions are mainly affected by legal environment that is planning control & government legislation. Rent control regulation is implemented through Rent Act by Government which is a one of the main government legislation that will be intervening on property market transaction. Rent Act mainly focuses on addressing housing issue along with the protection of tenant from landlord.

3.4.2 Problem identification

This procedure is described that how research problem was generalized & viewing path to the study. It can be illustrated in figure No.3.2 as follows:

Figure No: 3.2- Problem identification



Source: Compiled by author

Rent Act mainly focuses favourism on tenant by placing ceiling on rental amount. Tenant enjoys statutory benefit by paying lower amount of rent below market level. In that instances market value of such properties get decline and development of such properties may be shrinkage. It will limits to get highest & best use value of the property. Due that reason later government enforce some amendment to principal enactment to give relief for property development. For example amendment 2002 repeal section 18A of principal enactment & it gives opportunity to landlord to demolition building when it goes 40 years instead of 50 years in earlier Act. Earlier act this opportunity provides only for residential now it opens for residential as well as business premises. As per National Housing Commissioner-Western province statements when landlord apply for demolition or ejectment order most of instance tenant does not agree to vacate or landlord does not agree for tenant proposal. In that cases landlord cannot get vacant possession & redevelop property.

3.4.3 Formulating of objectives

This research thesis was focused on effectiveness of ejectment & demolition order provisions given under rent act for rent control properties. Using literature survey, stake holder interviews & field observation research objectives were formulized. First objective was set out to identify what are the significance changes done to principal enactment by amendments. Then a second objective was set out with a view to analyze effectiveness of demolition & ejectment procedure for rent control properties. Third objective was formed to seek tenant & landlord opinion regarding this opportunity offer under rent act.

3.4.4 Selection of case study area

Colombo city is main administrative & commercial hub of the Sri Lanka and rapid growth of property development is awakened with in Colombo city. Therefore Colombo city was selected as case study area of this thesis. Data collected as total number of application submitted to National Housing Commissioner under demolition & ejectment order relates to Colombo city. When considering total number of applications submit to National Housing Commissioner –Western Province, Colombo city represent 47% as a single local authority among others in Western Province.

3.4.5 Population & sample selection

Population:

Total numbers of ejectment & demolition order application submitted to the National Housing Commissioner relating to the Colombo City were selected as population of the research thesis. Since population is 117 number of cases, entire population was used to analyze for second objective.

Table No: 3.2 -Total number of applications submission during the period 1990-2012 year

Type	Number of Applications
Demolition Order	51
Ejectment Order	66
Total	117

Source: Compiled by author

Sample:

Sample selection was based on judgmental sampling technique. Demolition and ejectment order applications which were submitted after the year 2002 are selected as sample unit. Because the last amendments were enforced in the same year. Therefore total number of application submit to National Housing Commissioner after the year 2002 was taken as sample size. Third objective analysis was analyzed based on the sample of data.

Table No: 3.3 - Total number of applications submission after the year 2002

Type	Number of Applications
Demolition	32
Ejectment	35
Total	67

Source: Compiled by author

3.4.6 Data collection

Primary data collection:

Primary data collection was based on the submission of total number of applications to the National Housing Commissioner after the year 2002. Which was selected as the sample size. Data obtained from landlord and tenant of each cases were collected as primary data. These data was used to analyze third objective.

- Field observation

Field observation was taken to collect information regarding landlord's & tenant's response on research issue. It is difficult to observe entire sample of properties, therefore ten number of demolition cases and five number of ejectment cases were visited. Landlord & tenant of each cases were interviewed.

- Questionnaires

Two types of questionnaires were used as primary data collection. First type of questionnaire was given to landlord while second one was given to tenant. Questionnaires were post to the rest of the cases which were not visited in the field. But responses were received five number of demolition cases and nine number of ejectment cases. Finally seven number of demolition cases and five number of ejectment cases data could be obtained through over the phone.

Table No :3.4- Total number of cases primary data collect

Type	Response through post	Response through call	Response through interview	Total
Demolition	5	7	10	22
Ejectment	9	5	5	19
Total	14	11	15	41

Source: Compiled by author

Table No:3.5 -Total number of respondent

Type	Response through post		Response through call		Response through interview		Total
	Landlord	Tenant	Landlord	Tenant	Landlord	Tenant	
Demolition	5	5	2	7	6	9	34
Ejectment	8	9	5	5	4	5	36
Total	13	14	7	12	10	14	70

Source: Compiled by author

Secondary data collection:

Secondary data collection was based on population of the research study. Since population is 117 numbers of cases all the data was analyzed under second objective. Sample selection has not been carried for it. Secondary data was represented as property details, case details and data which could not be taken through questionnaire. These

data was collected from National Housing Commissioner- Western province, Colombo Municipal Council and Valuation Department-Colombo Metro Region. In addition to that data were collected from reviewing of related articles, journals, books or past research which may have already discussed the research problem or background of the research area in different viewpoints.

3.4.7 Data analysis

Analysis of first objective:

First objective is discuss changes made to principal enactment Amendment Act No: 55 of 1980 & Amendment Act No: 26 of 2002 for redevelopment & vacant possession. It was discussed as a comparative analysis between principal enactment with its amendment and it was done by descriptive representation.

Analysis of second objective:

Second objective is measure effectiveness of demolition & ejectment procedure for rent control properties. It was achieved from descriptive and inferential analysis based on secondary data. Descriptive analysis was used to represent total number of application submission, application settlement procedure during the period 1990-2012 year , time period taken for each cases settlement and outstanding as graphical representation. Effectiveness of case settlement procedure is measured by using proportionate testing. In addition to that variance between compensation paid amount as per rent act & mutually agreed amount is measured by using Mann Whitney Test & Ratio Statistic

Analysis of third objective:

Third objective is analysis of landlord's & tenant's response on redevelopment and vacant possession offered by the rent act. It was achieved from descriptive and inferential analysis by using primary data. Landlord's response and tenant's response represented as factors affecting case settlement procedure for third objective analysis. Data collected as landlord's response and tenant's response under following headings;

Landlord response

- Reason for landlord to apply a case
- Landlord response on willingness to pay compensation
- Landlord response on compensation adequacy
- Landlord response on change of compensation

- Landlord response on this procedure is time consuming procedure
- Landlord response on this procedure is costly procedure
- Landlord response on this procedure is regularize procedure
- Landlord response on compensation amount
- Landlord like to pay compensation types

Tenant response

- Tenants awareness about vacate of this building any day
- Reason for tenant dislike to leave
- Tenant response on compensation amount
- Tenant wants to get as compensation types
- Tenant response on change of compensation
- Tenant response on compensation adequacy

Descriptive analysis was used to represent landlord & tenant response as graphical representation. Chi square test was used to identify relationship between both landlord's response factors and tenant's response factors with case settlement procedure separately. In that case it was used to identify whether these factors have significant relationship or not.

3.4.8 Hypothesis

Hypothesis was used for analysing second & third objectives as follows;

Measure effectiveness of case settlement procedure:

- Demolition cases

H0: Number of demolition settlement cases ≥ average number of demolition cases

H1: Number of demolition settlement cases < average number of demolition cases

- Ejectment cases

H0: Number of ejectment settlement cases ≥ average number of ejectment cases

H1: Number of ejectment settlement cases < average number of ejectment cases

Measure variance between compensation paid as per rent act & mutually settled amount:

H0 : Mutual settled amount = Rent act amount

H1 : Mutual settled amount > Rent act amount

Relationship between both Landlord's response factors & Tenant's response factors with case settlement procedure:

H0 : P = 0 , no relationship

H1 : P ≠ 0 , actual relationship

3.4.9 Variables & Measures

Variables & measure were used for second & third objective analysis have been summarized as follows:

Table No :3.6 -Measure effectiveness of settlement procedure

Objective	Effectiveness of demolition & ejectment procedure		
Type of Instrument	**Variable 01**	**Variable 02**	**Measure**
Demolition cases	Demolition cases	Case settlement procedure	Measure efficiency. *Technique-:Proportionate test*
Ejectment cases	Ejectment cases		

Source: Compiled by author

Table No: 3.7 -Measure Variance between mutually agreed amount & rent act amount

Objective	Effectiveness of demolition & ejectment procedure		
Type of Instrument	**Variable 01**	**Variable 02**	**Measure**
Demolition cases	Compensation paid as per rent act amount	Mutually settled amount	Variance. *Technique- Mann Whitney Test*

Source: Compiled by author

Table No:3.8-Factors affecting to cases settlement procedure

Objective	Landlord & Tenant response on redevelopment & vacant possession offered by rent act		
Type of Instrument	**Independent Variable**	**Dependent Variable**	**Measure**
Sample of demolition order & ejectment applications	Landlord response factors	Case settlement	Relationship of each factors with case settlement procedure. *Technique- Chi square test*
	Tenant response factors		

Source: Compiled by author

3.5 Limitation

It is difficult to estimate total number of rent control properties, because there is no any details relating total number of rent control properties under the supervision of Rent Board.

CHAPTER FOUR

Case Study Area

4.1 Introduction

Colombo Municipality was selected as a case study area of this research thesis and this chapter gives brief description about Colombo Municipal Council by contain their history, profile of Colombo City ,land use pattern , property market & data collection based on Colombo City etc.

4.2 Colombo City Profile

4.2.1 City profile

Colombo city is main administrative & commercial hub of the Sri Lanka and rapid growth of property development is awakened with in Colombo city. Colombo Municipal Council was established in year 1865 by covering land space about area of 37.31 sq km. Colombo city is mainly divided in to 15 postal zones with 54 GN Division and two Divisional Secretariat Division namely Colombo Divisional Secretariat Division & Thimbirigasyaya Divisional Secretariat Division for its administrative purpose. Furthermore it has divided into 47 wards for its assessment work.

4.2.2 City demography

Colombo city is located west coast of the island & extend over 3729 ha of land space. It is bounded by:

North :Kelani river

East :Kolonnawa Urban Council Limit & Sri Jayewardenepura Municipal Council Limit

South : Dehiwala – Mt Lavinia Municipal council limit

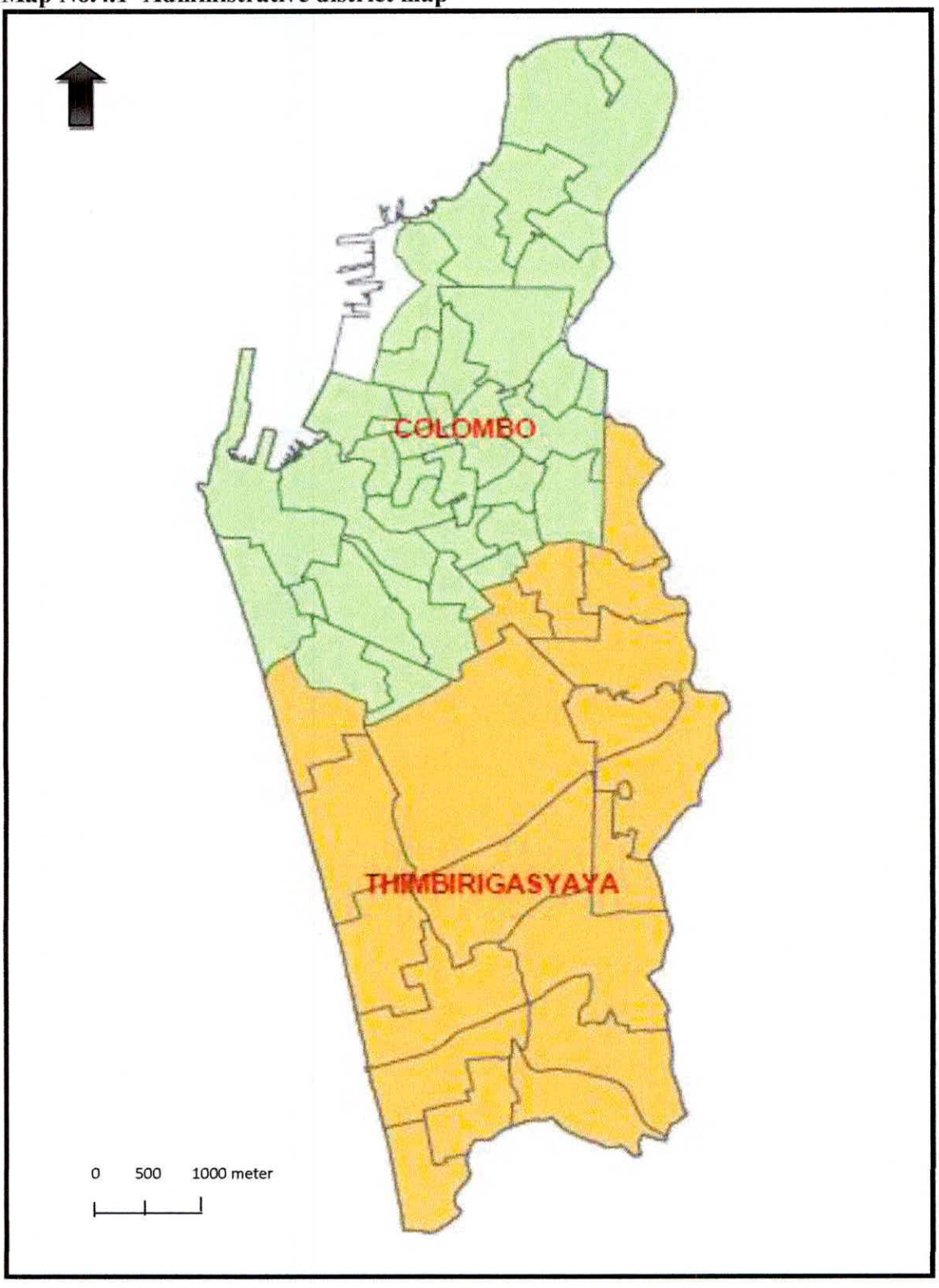
West : Sea

Source: http://en.wikipedia.org/wiki/Colombo

4.2.3 City administration profile

Colombo city limit consist with 54 GN divisions which are administrated by Colombo divisional secretariat office & Thimbirigasyaya divisional secretariat office. There are 20 GN divisions are directed by Thimbirigasyaya divisional secretariat while rest of GN divisions are directed by Colombo divisional secretariat.

Map No.4.1 -Administrative district map

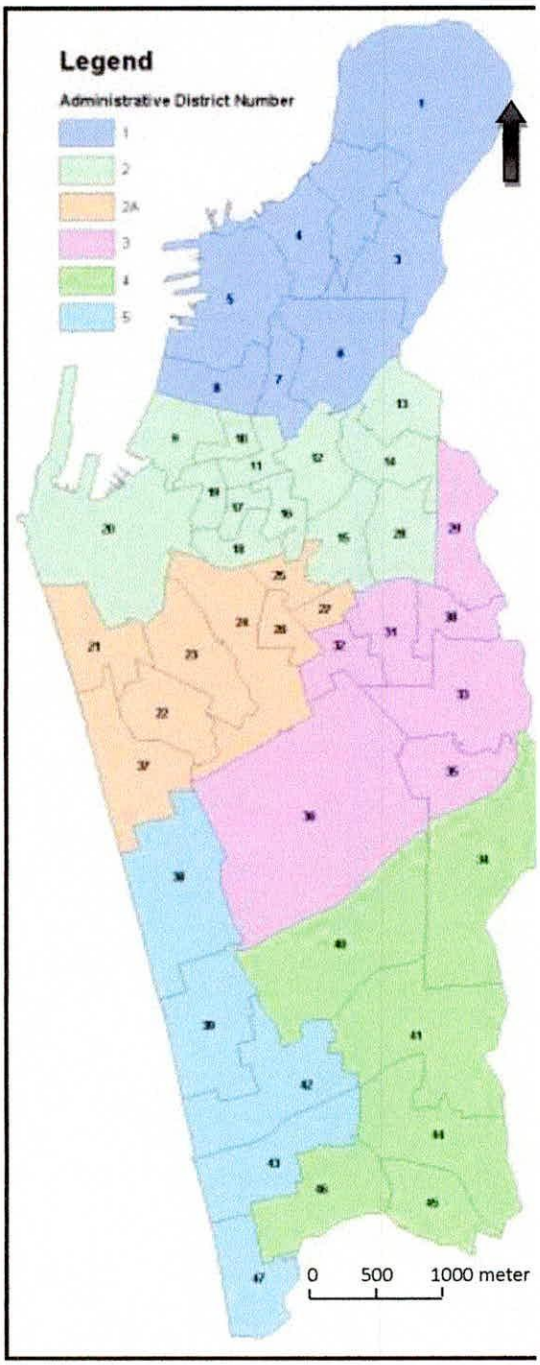


Source- http/:www.cmc.lk

4.2.4 City assessment profile

Colombo Municipality is divided in to 47 wards for assessment purpose.

Map No.4.2- Colombo city ward map



Ward No	Ward Name	Ward No	Ward Name
1	Mattakkuliya	25	Panchikawatte
2	Modera	26	Maradana
3	Mahawatte	27	Maligakande
4	Aluthmawatha	28	Maligawatte East
5	Lunupokuna	29	Dematagoda
6	Bloemandhal	30	Wanathamulla
7	Kotahena East	31	Kuppiawatte East
8	Kotahena West	32	Kuppiawatte West
9	Kochchikade North	33	Borella North
10	Gintupitiya	34	Narahenpita
11	Masangas Weediya	35	Borella South
12	New Bazaar	36	Cinnamon Gardens
13	Grandpass North	37	Kollupitiya
14	Grandpass South	38	Bambalapitiya
15	Maligawatte West	39	Milagiriya
16	Aluthkade East	40	Thimbirigasyaya
17	Aluthkade West	41	.Kirula
18	Kehelwatte	42	Havelock Town
19	Kochchikade South	43	Wellewatte North
20	Fort	44	Kirillapone
21	Kopannaweediya	45	Pamankada East
22	Wekande	46	Pamankada West
23	Hunupitiya	47	Wellewatte South
24	Suduwella		

Source :http/: www.cmc.lk

4.3 Colombo City Property Market

4.3.1 Land use profile

Table No 4.1- Land use distribution (1977 – 2010)

Activity	Extent Ha		
	Year 1977	Year 1996	Year 2010
Residential	1,687	1402	780
Commercial	201	225	1052
Institutional	465	411	238
Industrial	151	149	-
Transport	610	650	700
Port Related	-	-	506
Open Spaces	142	262	355
Water	98	98	98
Others	375	532	-
Total	3729	3729	3729

Source :http/: www.uda.lk

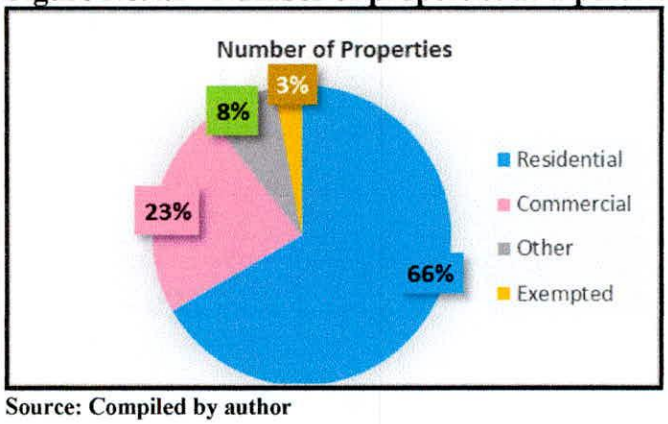
4.3.2 Number of properties in the Colombo city

Table No.4.2 -Total number of properties as at 2009 year

Property Usage	Number of Properties
Residential	92583
Commercial	31603
Other	10728
Exempted	4013

Source: (Ariyawansa & Dilhani -2010)

Figure No.4.1 - Number of properties as a percentage



Source: Compiled by author

4.4 Data Distribution with in the Colombo City

4.4.1 Ejectment & Demolition order cases in the Colombo City

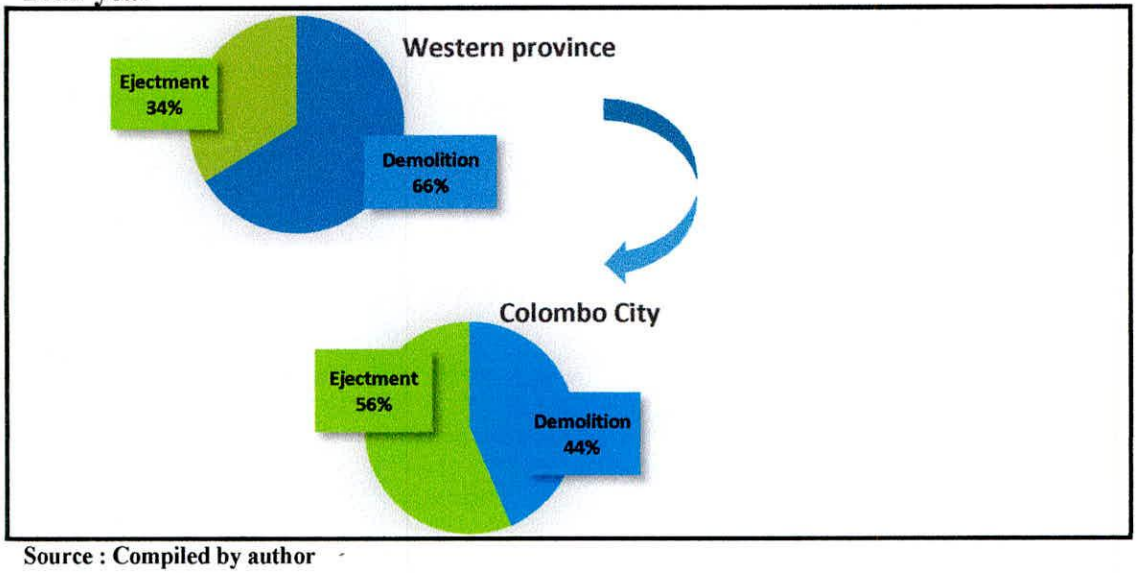
Total number of ejectment & demolition order applications submitted to National Housing Commissioner relating to the Colombo Municipality was selected as population of the research study. National Housing Commissioner- Western Province covers 14 numbers of rent boards in which Colombo City is represented by Colombo 01 and Colombo 02 rent boards.

Table No.4.3- Total number of applications submission to the N.H.C during the period 1990-2012

	Western Province	Colombo City
Demolition Order Applications	163	51
Ejectment Order Applications	83	66

Source: Compiled by author – data from N.H.C Western Province

Figure No.4.2 -Total number of applications submission during the period1990-2012 year



Source : Compiled by author

Figure No.4.2 is illustrated that applications submitted to National Housing Commissioner during last 12 year 44% of application relates to demolition cases while 56% of cases relates to ejectment cases in Colombo city.

4.4.2 Distribution of the data according to Colombo City wards

Table No.4.4- Data distribution

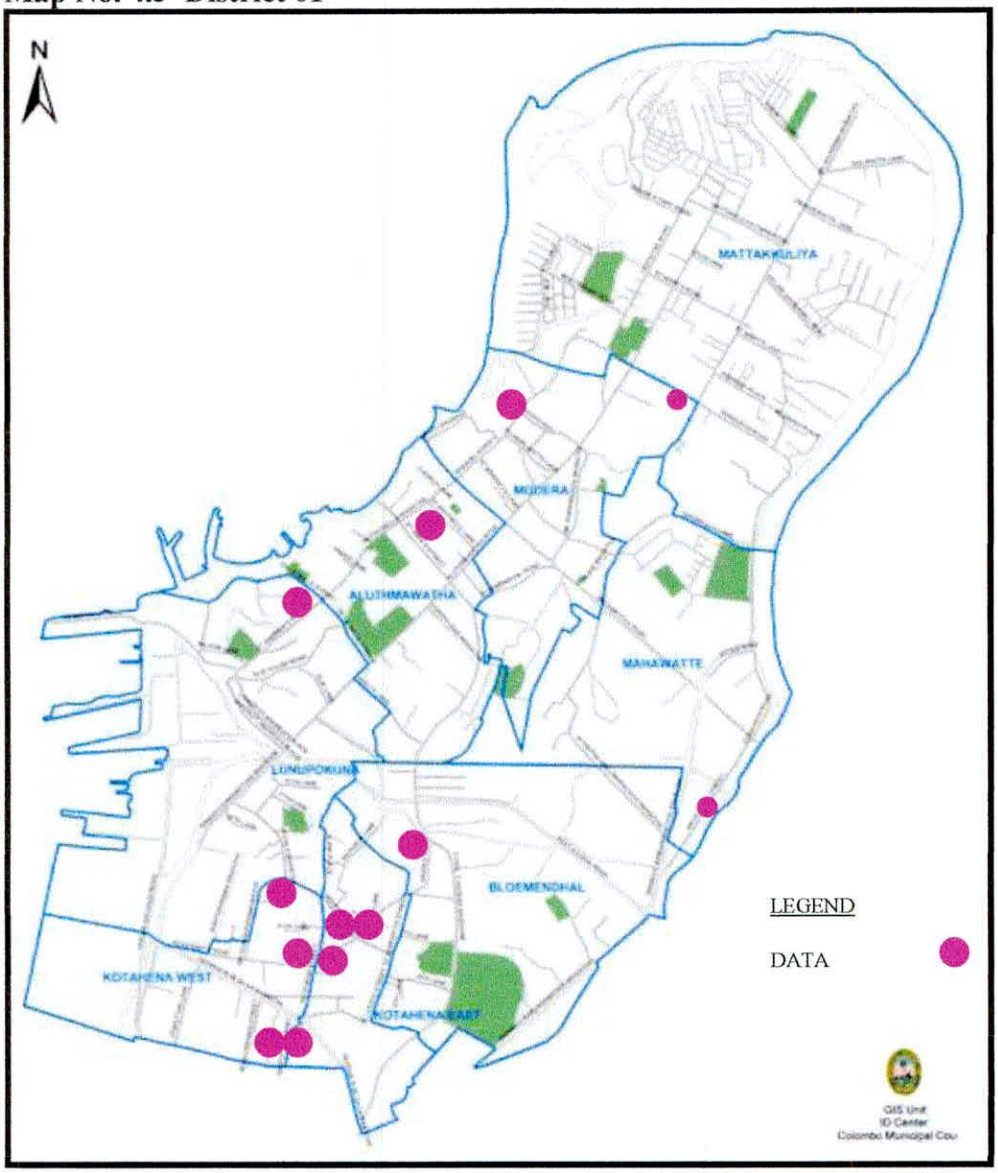
Ward Name	Demolition Order	Ejectment Order	Ward Name	Demolition Order	Ejectment Order
Aluthkade East	0	0	Kuppiawatte East	0	1
Aluthkade West	1	0	Kuppiawatte West	4	2
Aluthmawatha	1	0	Lunupokuna	1	0
Bambalapitiya	9	7	Mahawatte	1	0
Bloemandhal	0	1	Maligakande	0	0
Borella North	0	0	Maligawatte East	0	0
Borella South	1	5	Maligawatte West	0	0
Cinnamon Gardens	0	3	Maradana	1	1
Dematagoda	0	0	Masangas Weediya	0	0
Fort	12	4	Mattakkuliya	0	0
Gintupitiya	1	0	Milagiriya	2	8
Grandpass North	0	1	Modera	0	3
Grandpass South	0	0	Narahenpita	0	1
Havelock Town	1	3	New Bazaar	2	1
Hunupitiya	0	1	Pamankada East	4	0
Kehelwatte	0	0	Pamankada West	0	3
Kirillapone	1	1	Panchikawatte	0	0
Kirula	0	4	Suduwella	1	0
Kochchikade North	0	0	Thimbirigasyaya	2	1
Kochchikade South	0	0	Wanathamulla	0	1
Kollupitiya	2	2	Wekande	0	2
Kopannaweediya	0	0	Wellewatte North	1	6
Kotahena East	0	3	Wellewatte South	0	0
Kotahena West	3	1	**Total**	**51**	**66**

Source: Compiled by author – data from N.H.C Western Province

- **Data distribution in district 01 Colombo City**

District 01 is represented for Kotahena West & East , Bloemendhal, Mahawatta, Lunupokuna ,Aluthmawatha , Modera & Mattakkuliya wards. How data distributed in each wards are shown as below.

Map No. 4.3–District 01



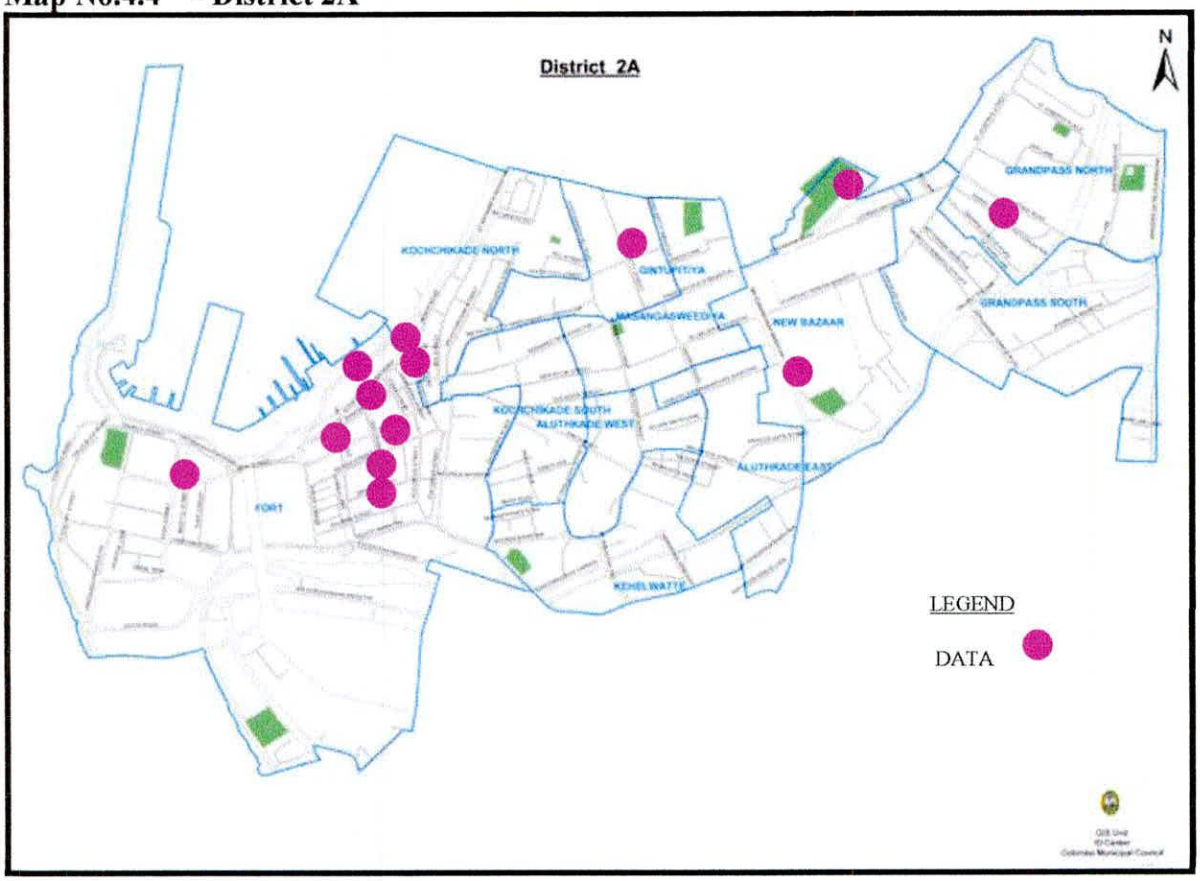
Source: Compiled by author using data and information from Colombo Municipal Council 2012

It is revealed that collected data was distributed each wards except Mattakkuliya ward. Mattakkuliya ward have not any data.

- **Data distribution in district 2A Colombo City**

District 2A is represented for Fort, Kochchikade North & South, Aluthkade West & East, Kehelwatta, Masangasweediya, Ginthupitiya, New Bazzar, Grandpass North & South wards.

Map No.4.4 - District 2A



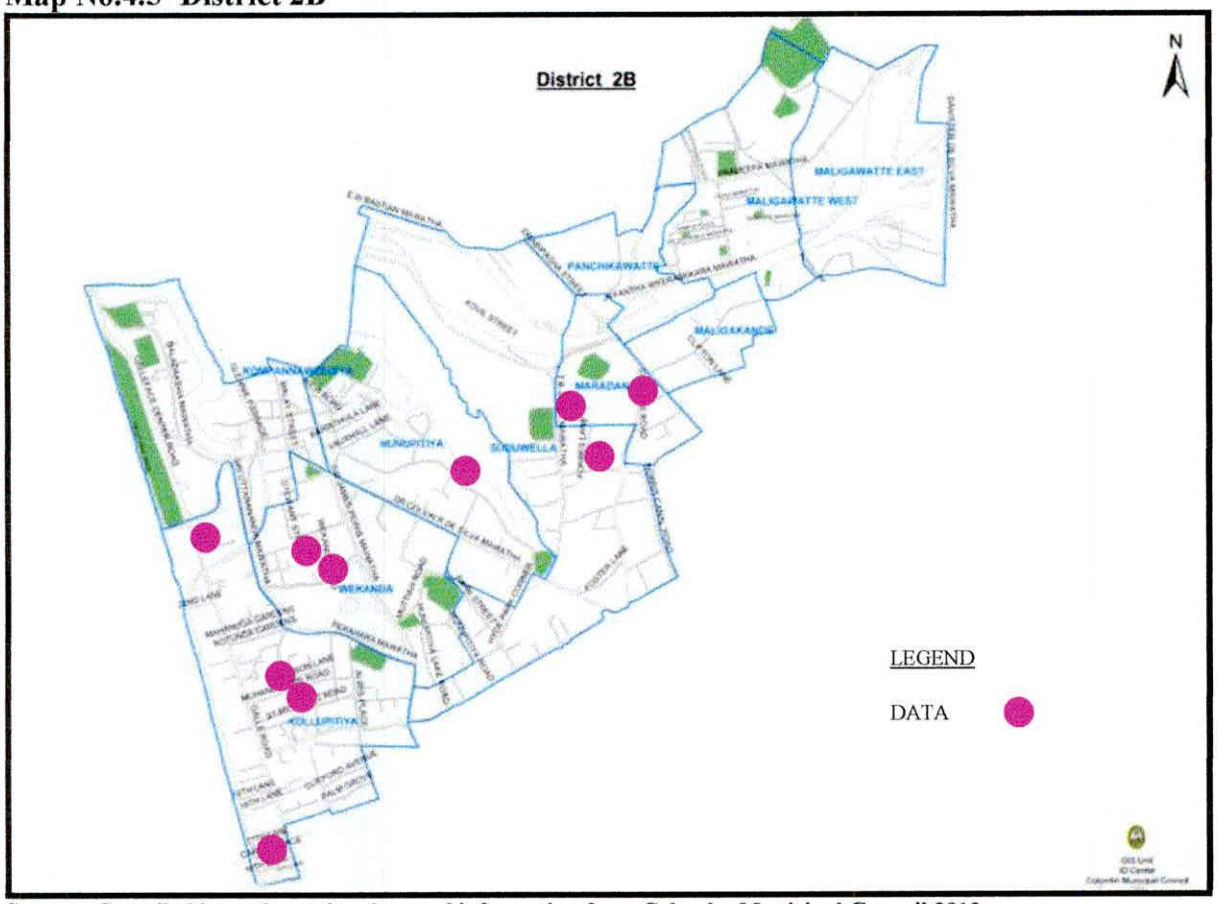
Source : Compiled by author using data and information from Colombo Municipal Council 2012

Map No. 4.4 is indicated that data available in Fort, Ginthupitiya, New Bazzar & Grandpass North wards only.

- **Data distribution in district 2B Colombo City**

District 2B is represented for Kollupitiya , Kompangnaweediya, Wekanda, Hunupitiya, Suduwella, Maradana, Panchikawatta, Maligakanda, Maligawatta West & East wards.

Map No.4.5- District 2B



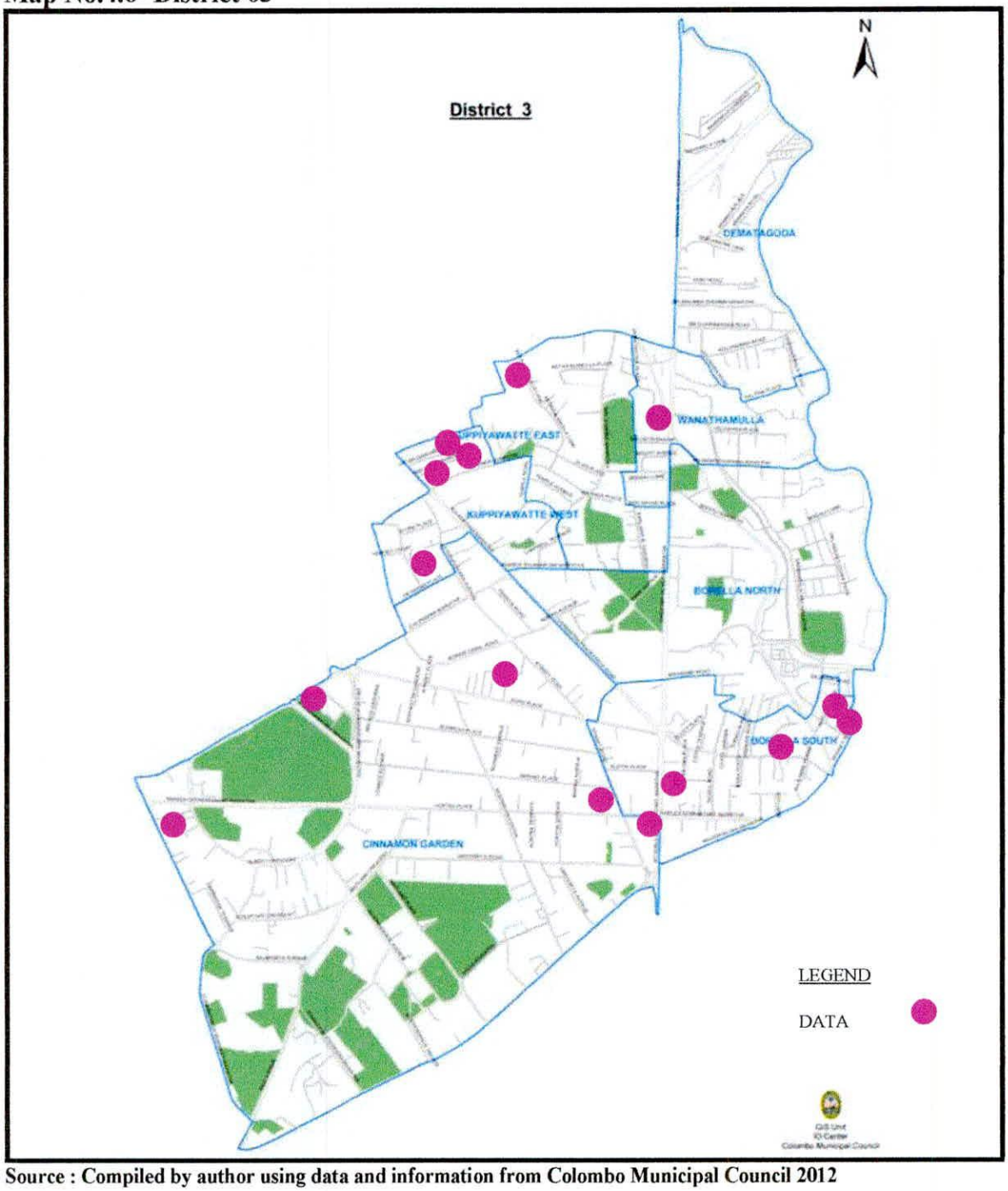
Source : Compiled by author using data and information from Colombo Municipal Council 2012

Map No.4.5 is illustrated that data was distributed in each wards except Kompangnaweediya, Panchikawatta , Maligakanda, Maligawatta West & East wards.

- **Data distribution in district 03 Colombo City**

District 03 is represented for Dematagoda, Wanathamulla, Kuppiyawatta West & East , Borella North & South , Cinnamon Garden wards.

Map No.4.6- District 03



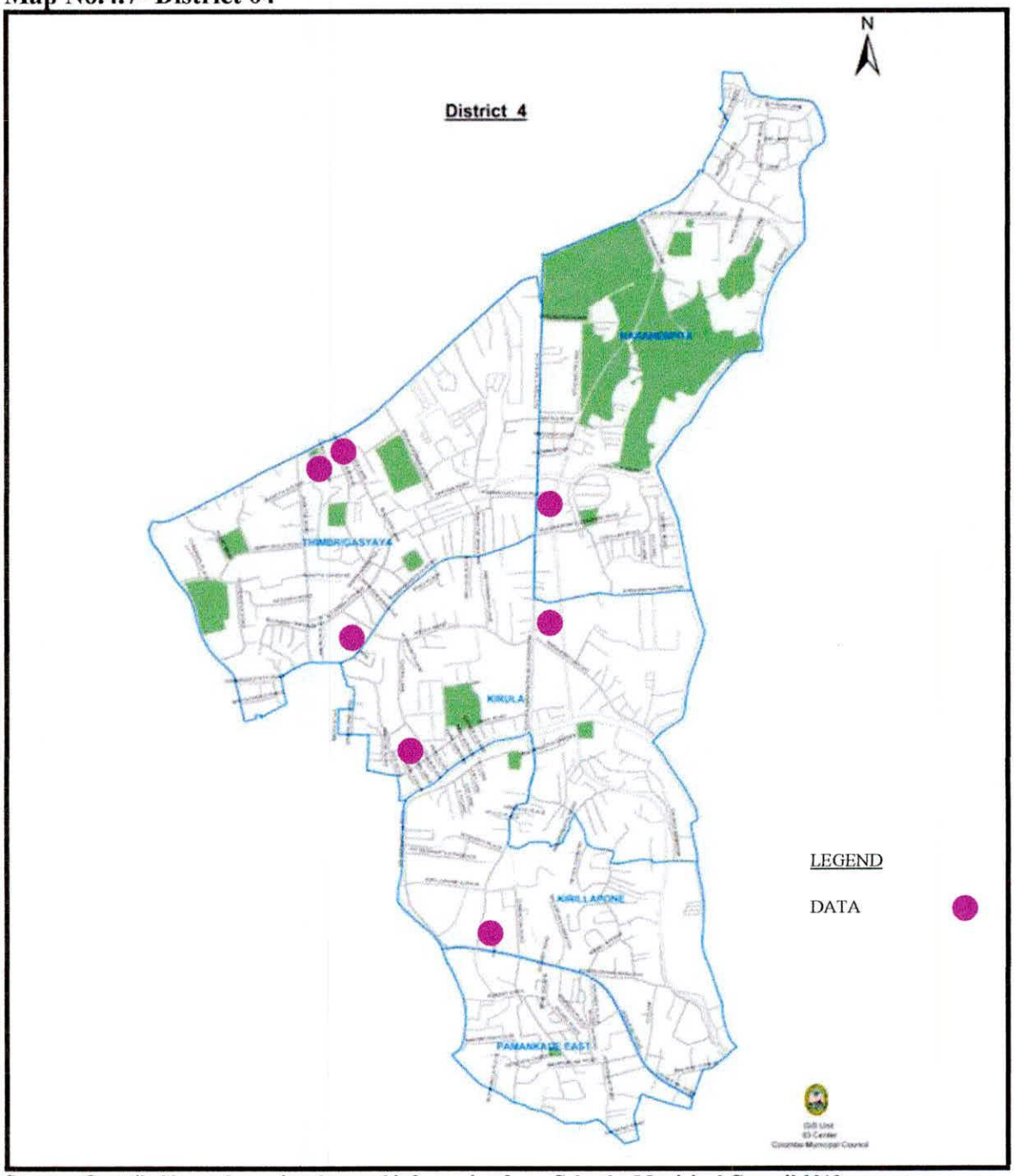
Source : Compiled by author using data and information from Colombo Municipal Council 2012

It indicates that data available in Wanathamulla, Kuppiyawatta West & East , Borella South & Cinnamon Garden wards only.

- **Data distribution in district 04 Colombo City**

District 04 represents for Pamankda East ,Kirulapona, Kirula, Thimbirigasyaya & Narahenpita wards.

Map No.4.7- District 04



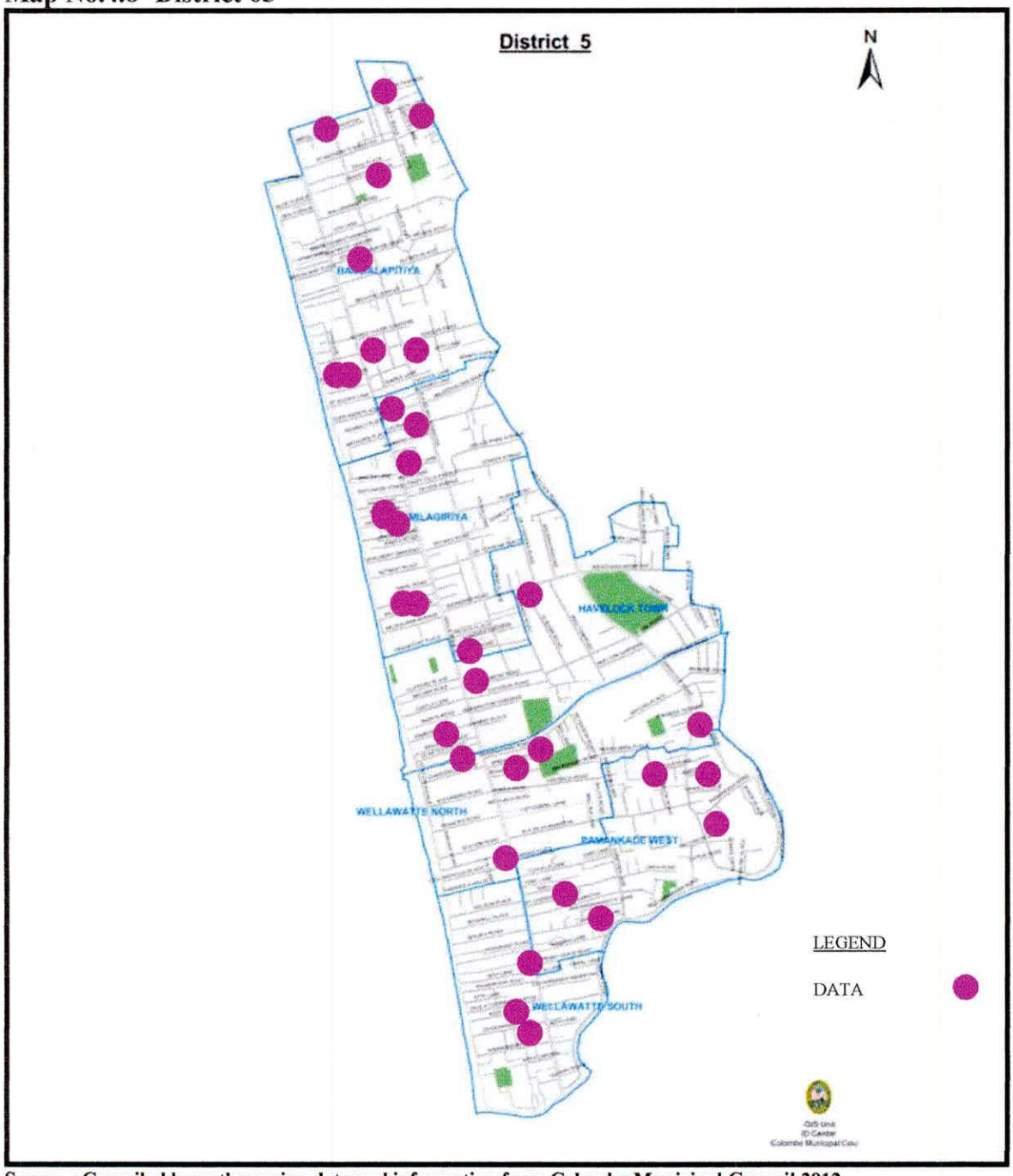
Source : Compiled by author using data and information from Colombo Municipal Council 2012

It is indicated that data available in each & above wards except Pamankada East ward, which have not any data.

- **Data distribution in district 05 Colombo City**

District 05 represents for Bambalapitiya, Milagiriya, Havelock Town, Wellawatta North & South, Pamankada West wards.

Map No.4.8- District 05



Source : Compiled by author using data and information from Colombo Municipal Council 2012

CHAPTER FIVE

Data Analysis

5.1 Introduction

This research thesis aims to study on effectiveness of demolition & ejectment order provisions made under Rent Act. Consequently this chapter is described that how collected data is analyzed under each objectives. Analysis of data is carries on qualitative and quantitative methods which are mainly focuses on to achieve general objective with special objective. First objective is analyzed as comparative analysis of principal enactment of Rent Act with its Amendments under qualitative technique. Then second objective is analyzed both descriptive and inferential analysis based on secondary data. Finally third objective is analyzed using descriptive and inferential analysis based on primary data.

5.2 Demolition & Ejectment Order Provisions Made Under Rent Act for Rent Control Properties

If landlord of the any rent control property intends to get vacant possession for his property, he has to obtain demolition or ejectment order as per Rent Act. If he wants to demolition and redevelop the building he can obtain demolition order as per sec 18 of Rent Act. On the other hand if he wants to eject tenant and get vacant possession for his property he can get ejectment order as per sec 22 of Rent Act.

5.2.1 Role of National Housing Commissioner regarding demolition & ejectment provisions made under Rent Act

When landlord of any rent control property obtain demolition order for his property he has to submit application to the National Housing Commissioner as per sec 18 of Rent Act. Then Housing Commissioner calls for inquiry to the landlord and to the tenant of subject property. After hearing about both parties statement with field inspection of such property, if he satisfy that this building is age over 40 years and it is in deteriorated condition need to be redevelop, he can make a decision to demolition it by ordering landlord to pay for compensation to tenant. Compensation is determined by the N.H.C as per provision made under Sec 18A of Rent Act. In some instance landlord and tenant both are agree on mutual settlement. Demolition order cases are settled finally , when

landlord pays compensation to the tenant or mutual settlement between both parties, case is settled.

If landlord intends to eject tenant of any rent control property he can file a case on the district court against to tenant. Before filing as case at district court landlord has to deposit lump sum money on to the N.H.C. Deposit amount is determined by the N.H.C and which is equivalent to tenant compensation mentioned under sec 22 of Rent Act. After receiving the court decision for ejectment of tenant, landlord has to submit the court decision to the N.H.C in written. When receiving court decision, deposit money is released to landlord for paying compensation to tenant. After payment of compensation to the tenant ejectment case is settled.

5.2.2 Significance of Colombo City

Table No 5.1-Total number of applications submission to N.H.C –Western Province during the period 1990-2012 year

	Western Province	Colombo City	Colombo city as percentage
Demolition Order Applications	163	51	31%
Ejectment Order Applications	83	66	79%
Total	246	117	47%

Source: Compiled by author – data from N.H.C Western Province

Overall Colombo city represent 47% significance as single local authority among other local authority at western province.

5.3 Comparison of Rent Act No: 07 of 1972 with Rent Amendment Act No: 55 of 1980 & Rent Amendment Act No: 26 of 2002 for Redevelopment and Vacant Possession

First objectives of this study to discuss main changes made to principal enactment by its Amendments, therefore principal enactment is compared with its Amendments Act to identify main changes for redevelopment & vacant possession as follows;

5.3.1 Opportunity for demolition of buildings.

Table No. 5.2- Demolition of buildings

Rent Act No: 07 of 1972	Rent Amendment Act No: 55 of 1980	Rent Amendment Act No: 26 of 2002
Residential building	Residential building age over 50 years only	Residential & Business premises age over 40 years
Building can demolish as per order made under Housing and Town Improvement Ordinance	Owner can demolish it giving application to National Housing Commissioner	
Owner could not construct building without permission of the board	Commissioner gave his decision when he satisfy that property needed to be redevelop	
Board determine number of residential units to be constructed	Commissioner determine number of residential units to be constructed	
	Owner fails to construct the number of residential units within specified period shall be acquired under National Housing Act	

Source: Compiled by author

When analyzing these three Acts it is revealed that, 1972 Act and 1980 Act are made opportunity to leave from Rent Act for residential property only. But these two Acts made limit as residential property can leave from Rent Act when building age over 50 years. While 2002 Act is increased redevelopment opportunity for both residential and commercial properties at building age reaches to 40 years.

5.3.2 Compensation for demolition of buildings.

Table No. 5.3- Compensation

Rent Act No: 07 of 1972	Rent Amendment Act No: 55 of 1980	Rent Amendment Act No: 26 of 2002
One of the residential units from constructed building to the tenant whenever he request	Provide alternate accommodation for the tenant	
	Or reasonable compensation determine by commissioner	Or Two years Rent in advance
		Or Annual value 10 times
		Or 20% of chief valuer's market value
		Or Rs 150,000
	Not less than 3 times of authorized rent	Whichever is higher
	Occupier should vacate it within 90 days after receiving compensation	

Source: Compiled by author

Table No.5.3 is revealed that, 1972 Act provides compensation as providing accommodation from one unit of new building constructed by the owner. When considering 1980 Act, compensation changes into two options as accommodation or compensation amount. It had not mention about exact amount of compensation and it is decided by the commissioner but it is mentioned that minimum amount saying it should be greater than three times of authorized rent. When considering 2002 Act, it increases compensation than compensation offered by earlier two Acts. It gives four option in addition to alternate accommodation and higher amount from these four options taken as compensation amount under demolition order cases.

5.3.3 Ejectment of tenant

Table No. 5.4- Ejectment of tenant

<table>
<tr><th>Rent Act No: 07 of 1972</th><th>Rent Amendment Act No: 55 of 1980</th><th>Rent Amendment Act No: 26 of 2002</th></tr>
<tr><td colspan="3">Owner can eject tenant -If premises is residential
Standard Rent less than Rs 100/- p.m — Rent arrear for 3 months or more
Standard Rent more than Rs 100/- p.m — Rent arrear for 1 months
OR
Owner can eject tenant - If premises is business & Annual value less than relevant amount
Standard Rent more than Rs 100/- p.m — Rent arrear for 1 months
AND
When he need it to occupy as residence or any member of his family
OR
When he need it to trade, business, profession , vocation or employment
OR
When he need it for his employment and he ceased to be in employment
OR
When he need it due to occupier Action is nuisance to adjoining occupiers
OR
When he need it due to occupier Action is immoral or illegal purpose
OR
When he need it due to deteriorated condition by neglect or default of the tenant
OR</td></tr>
<tr><td></td><td colspan="2">When tenant make structural alterations to the premises without consent of owner & relevant local authority
OR
When tenant change the use of property wholly or partly without consent of the owner
OR
When property required for the development purpose</td></tr>
</table>

Source: Compiled by author

Table No. 5.4 is revealed that there are no any changes in 1972 Act and 1980 Act under tenant ejectment grounds. But in 2002 Act it increases options to take vacant possession by adding another three grounds in to grounds mentioned under earlier two Acts.

5.3.4 Compensation for Ejectment of tenant

Table No. 5.5- Compensation

Rent Act No: 07 of 1972	Rent Amendment Act No: 55 of 1980	Rent Amendment Act No: 26 of 2002
Premises required for landlord for his residence or any member of his family		
Provide alternate accommodation	Provide alternate accommodation OR Deposit five year Rent	Deposit 10 years Rent OR Rs 150,000.00 *(Whichever is higher)* OR Commissioner National Housing arrange alternate accommodation
Premises required for landlord for trade business or vocation		
Provide alternate accommodation	Provide alternate accommodation OR Deposit five year rent	Deposit 10 years rent OR Rs 150,000.00 *(Whichever is higher)* OR Commissioner National Housing arrange alternate accommodation
		Premises required for Development 10 years annual value OR 20% of Chief valuer's market value OR Rs 150,000.00 *(Whichever is higher)*

Source: Compiled by author

Table No. 5.5 is revealed that 1972 Act provides only alternate accommodation as tenant compensation. When it comes to 1980 it added compensation amount than alternate accommodation. But in 2002 Act increases compensation amount as higher amount from 10 year Rent or Rs 150,000/- . Above mentioned compensation offered when premises required for owner residence or trade business & vocation grounds only. When premises required for development which is new ground added by 2002 Act and

compensation offered under that ground said that 10 year annual value or 20% chief valuer's market value or Rs 150,000/- which ever higher amount paid as compensation.

5.3.5 Ejectment of Order- Termination of Tenancy

Table No. 5.6- Termination of tenancy

Rent Act No: 07 of 1972	Rent Amendment Act No: 55 of 1980	Rent Amendment Act No: 26 of 2002
One year notice	Six month notice	

Source: Compiled by author

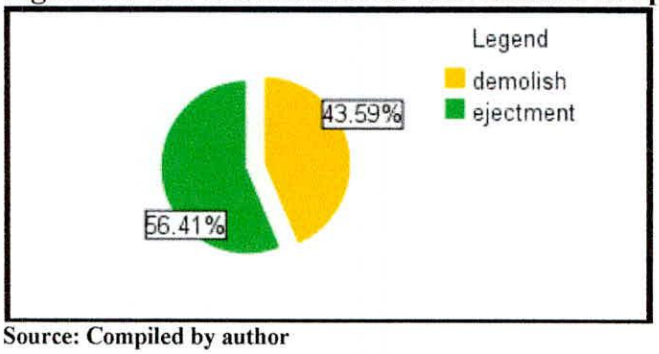
When analyzing these three Acts it is revealed that 1972 Act provides termination of tenancy notice within one year while it reduce up to six month under 1980 Act and there is no changes in 2002 Act.

5.4 Measure Effectiveness of Ejectment & Demolition Order Procedure for Rent Control Properties.

Secondary data was used to achieve second objective. Since population is 117 number of cases all the data was analyzed under second objective. Sample selection has not been carried for it.

5.4.1 Analysis of total number of applications submission during the period 1990-2012 year

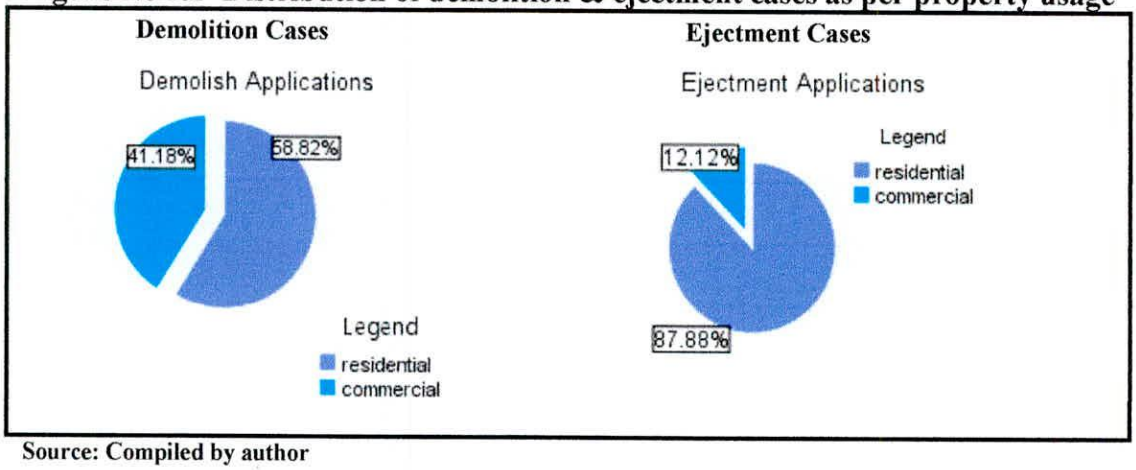
Figure No. 5.1- Distribution of total number of application as per application type



Source: Compiled by author

When considering total number of demolition & ejectment cases relates to Colombo city 44% represents for demolition cases while 66% represents fort ejectment cases during 1990 -2012 year. It is revealed that ejectment case submit 22% more than demolition cases last 12 years.

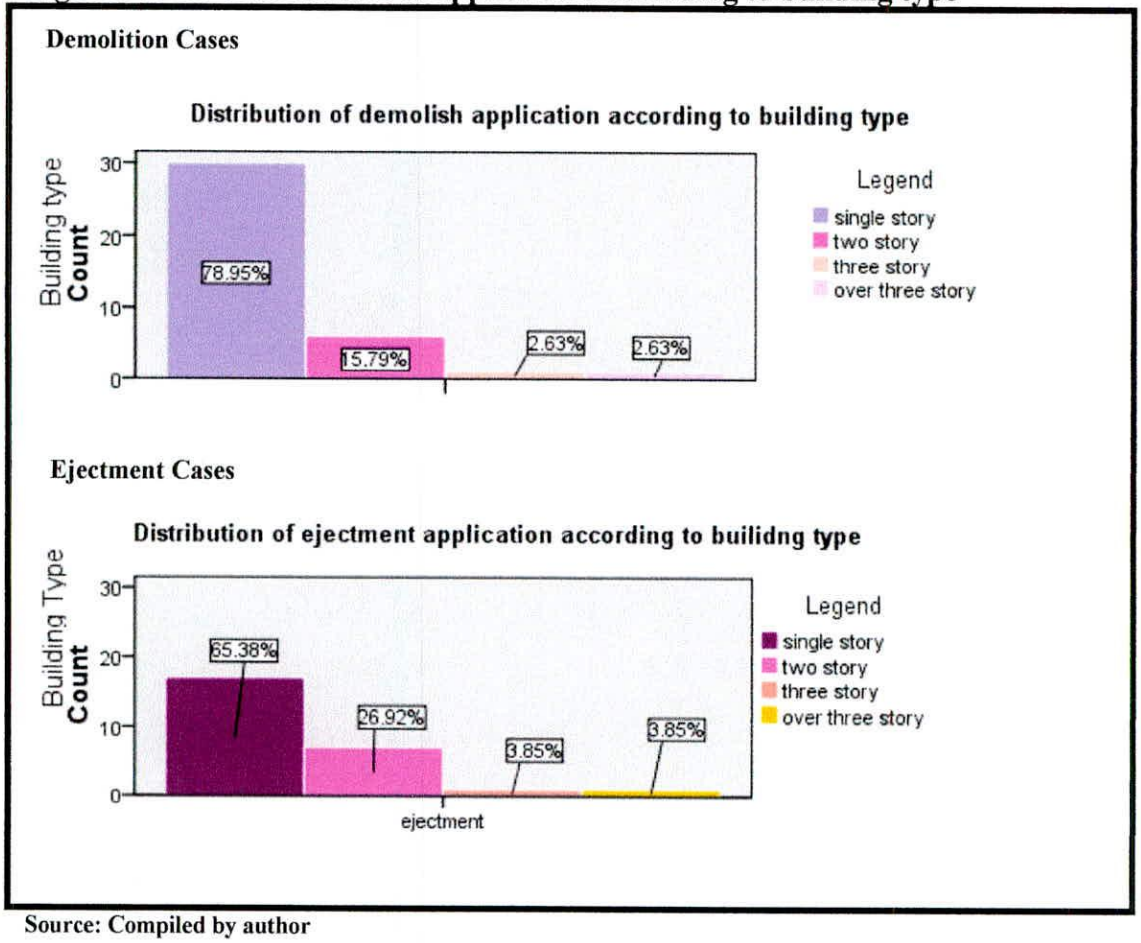
Figure No 5.2- Distribution of demolition & ejectment cases as per property usage



Source: Compiled by author

It is revealed that demolition applications were submitted 59% for residential property and 41% for commercial property. That is application submit for residential properties are 18 % more than application for commercial properties. When analyzing ejectment cases 88% represent for residential property while 12% represent for commercial properties and it is 76% difference of residential & commercial property.

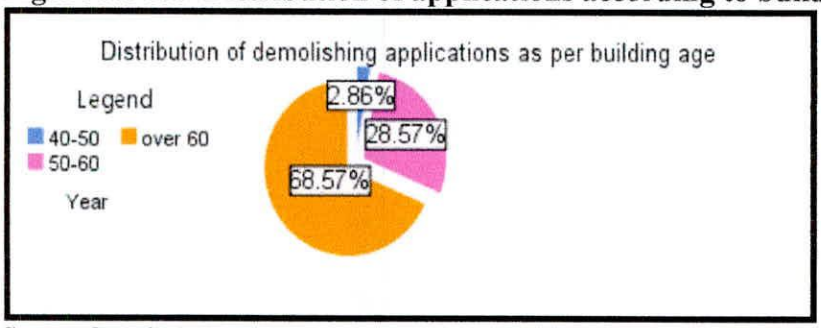
Figure No 5.3- Distribution of applications according to building type



Source: Compiled by author

Figure No 5.3 is represented that 78.95% demolition applications submit for single storied building while 15.79%, 2.63%, 2.63% applications submitted for two story, three story and over four story building respectively. In addition to that 65.38% ejectment applications submitted for single storied building and 34.62% applications for over one story buildings.

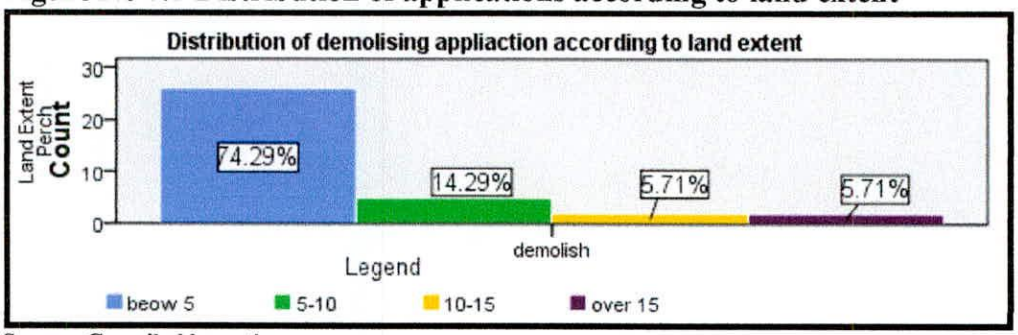
Figure No 5.4- Distribution of applications according to building age



Source: Compiled by author

It is represented that 68.57% demolition applications are submitted for building age over 60 years while 31.43% applications for building age below 60 years in which 28.57% represent age 50-60 years old building. Due to unavailability of data for building age of ejectment applications could not be drawn.

Figure No 5.5-Distribution of applications according to land extent



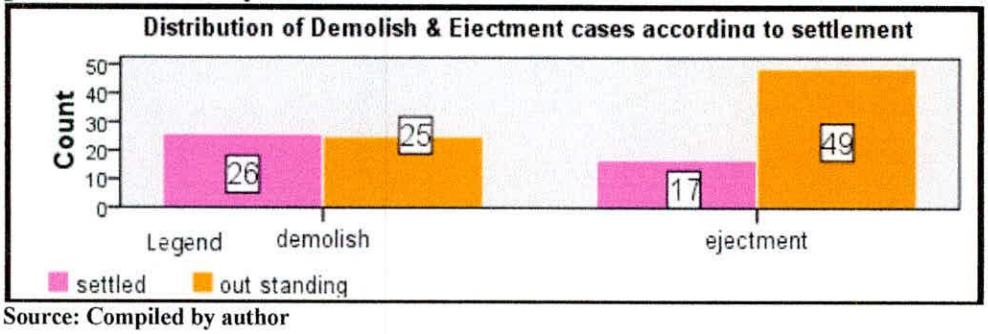
Source: Compiled by author

It is represented that 74.29% demolition cases submitted for property which has land extent below 5 perch and 25.71% applications submitted for over 5 perch land. Due to unavailability of data for land extent of ejectment application could not be drawn.

5.4.2 Analysis of applications settlement procedure during the period 1990-2012 year

Application settlement is taken based on compensation paid cases as settled cases and compensation not paid cases as outstanding cases. When considering demolition cases this settlement is taken place in two ways that is some cases were settled according to mutual settlement and some cases were settled compensation paid to tenant as per Rent Act. But this procedure does not occurred for ejectment cases and each case were settled after paying compensation to tenant as per Rent Act.

Figure No 5.6-Distribution of applications according to settlement during the period 1990-2012 year



Source: Compiled by author

Table No 5.7-Settlement cases

Type of cases	Number of cases	Average	Settled Cases	Standard deviation of settled cases	Percentage increase or decrease from average
Demolition	51	25.5	26	0.353	1.96%
Eject	66	33	17	11.313	(48.48 %)
Total	117	59.5	43	11.667	(27.73%)

Source: Compiled by author

It is revealed that number of demolition cases are settled is 1.96% greater than the average number of demolition cases and 0.353 deviate from average. Further, ejectment cases are settled as 48.48% lower than the average number of ejectment cases and it is 11.313 deviate from average. Overall result is that total number of settlement cases are 27.73% lower than the average of total number of cases and it is 11.667 deviate from average of it.

Table No 5.8 - Outstanding cases

Type of cases	Number of cases	Average	Outstanding Cases	Standard deviation of outstanding cases	Percentage increase or decrease from average
Demolition	51	25.5	25	0.353	(1.96%)
Eject	66	33	49	11.313	48.48%
Total	117	59.5	74	10.253	24.36%

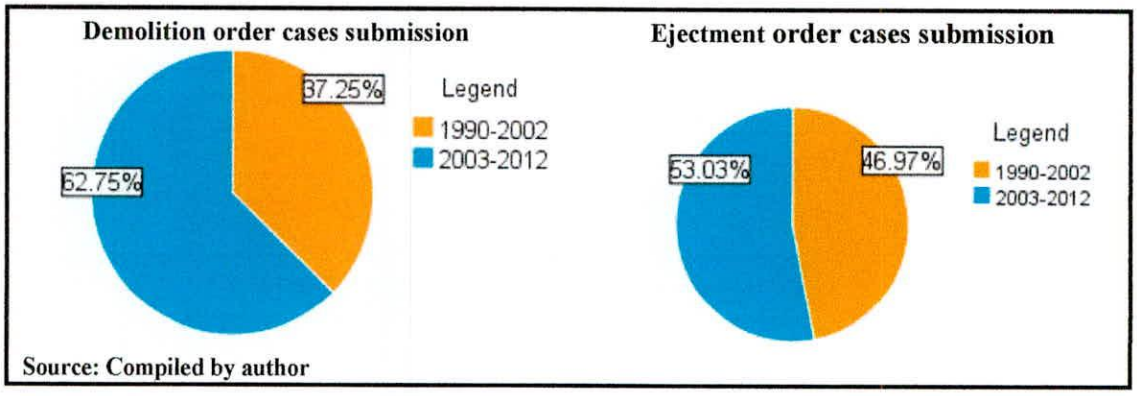
Source: Compiled by author

When analyzing outstanding cases, demolition cases are outstanding is 1.96% lower than the average number of demolition cases and it is 0.353 deviate from average while ejectment cases are outstanding is 48.48% greater than the average number of cases and it is deviate as 11.313 from average. Overall result is total number of cases are outstanding is 24.36% greater than the average and its deviate as 10.253 from average of it.

Number of cases distribution submission & settlement after 1980 Amendment Act & after 2002 Amendment Act :

Total number of application was taken as case submission & settlement with in the period of 1990-2012 year. Therefore number of cases submission & settlement before 1980 Amendment Act could not be analyzed. It can be analyzed cases submission & settlement procedure after 1980 Amendment Act and after 2002 Amendment Act only.

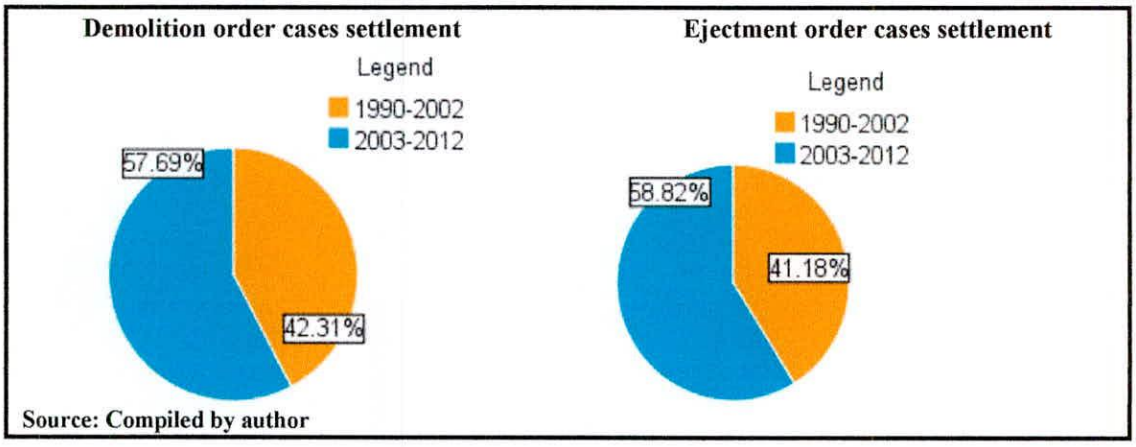
Figure No 5.7- Number of cases submission after 1980 Amendment Act & after 2002 Amendment Act



Source: Compiled by author

In this case total number of case submission within the period of 1990-2002 year are taken as cases submission after 1980 Amendment Act and before 2002 Amendment Act. While 2003-2012 year are represented as cases submission after 2002 Amendment Act. Figure No 5.7 is represented that 37% of demolition order cases submit after 1980 Amendment Act and before 2002 Amendment Act. While it takes as 63% after 2002 Amendment Act. It means that after introduction of 2002 Amendment Act demolition order cases submission increases up to 26%. When considering ejectment order cases 47% of ejectment case are submitted after 1980 Amendment Act and before 2002 Amendment Act. While it takes as 53% after 2002 Amendment Act. It means that after introduction of 2002 Amendment Act ejectment order cases submission increases up to 6%.

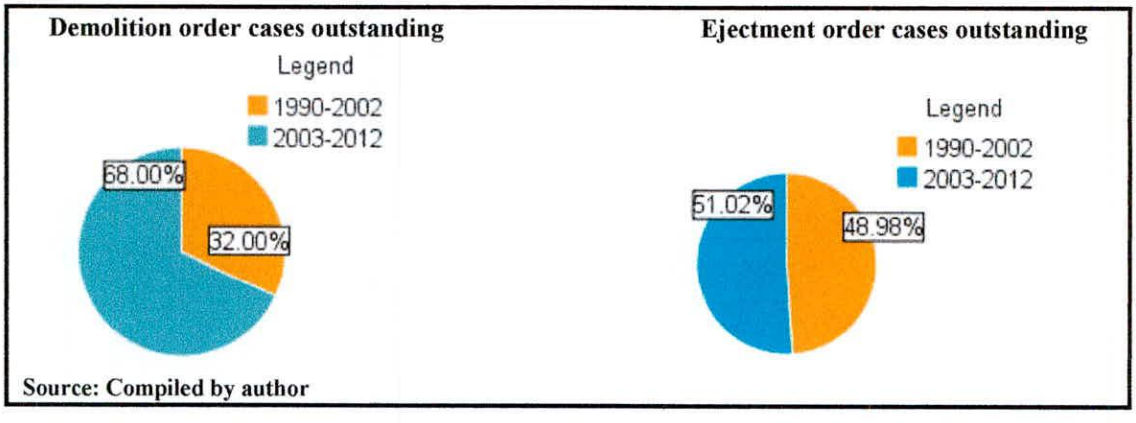
Figure No 5.8- Number of cases settlement after 1980 Amendment Act & after 2002 Amendment Act



Source: Compiled by author

In this case total number of case settlement within the period of 1990-2002 year are taken as cases settlement after 1980 Amendment Act and before 2002 Amendment Act. While 2003-2012 year are represented as cases settlement after 2002 Amendment Act. Figure No 5.8 is represented that 42% of demolition order cases are settled after 1980 Amendment Act and before 2002 Amendment Act. While it takes as 58% after 2002 Amendment Act. It means that after introduction of 2002 Amendment Act demolition order cases settlement increases up to 16%. When considering ejectment order cases 41% of ejectment case are settled after 1980 Amendment Act and before 2002 Amendment Act. While it takes as 59% after 2002 Amendment Act. It means that after introduction of 2002 Amendment Act ejectment order cases settlement increases up to 18%.

Figure No 5.9- Number of cases outstanding after 1980 Amendment Act & after 2002 Amendment Act



Source: Compiled by author

In this case total number of case outstanding within the period of 1990-2002 year are taken as cases outstanding after 1980 Amendment Act and before 2002 Amendment Act. While 2003-2012 year are represented as cases outstanding after 2002 Amendment Act. Figure No 5.9 is represented that 32% of demolition order cases are kept as outstanding after 1980 Amendment Act and before 2002 Amendment Act. While it takes as 68% after 2002 Amendment Act. It means that after introduction of 2002 Amendment Act demolition order cases outstanding increases up to 36%. When considering ejectment order cases 49% of ejectment case are kept as outstanding after 1980 Amendment Act and before 2002 Amendment Act. While it takes as 51% after 2002 Amendment Act. It means that after introduction of 2002 Amendment Act ejectment order cases outstanding increases up to 2%.

5.4.3 Measure effectiveness of application settlement procedure:

Measure effectiveness for demolition cases:

Hypothesis:

H0: Procedure effective, number of demolition settlement cases ≥ average number of demolition cases

H1: Procedure ineffective, number of demolition settlement cases < average number of demolition cases

These data are non-normal, therefore non parametric test is applied.

Table 5.9- Proportionate Test

Test of p = 0.5 vs p < 0.5					
Event = 1					
		95% Upper		Exact	
Variable	X	N	Sample p	Bound	P-Value
Settle demo	26	51	0.509804	0.631829	0.610

Source: Compiled by author

Since P value is greater than 0.05 level, Ho cannot reject. 95% confidence it can be said that demolition case settle equal or greater than average number of cases therefore, it is effective.

Measure effectiveness for ejectment cases:

Hypothesis:

H0: Procedure effective, number of ejectment settlement cases ≥ average number of ejectment cases

H1: Procedure ineffective, number of ejectment settlement cases < average number of ejectment cases

These data are non-normal, therefore non parametric test is applied.

Table No. 5.10 - Proportionate Test

Test of p = 0.5 vs p < 0.5 Event = 1					
		95% Upper		Exact	
Variable	X	N	Sample p	Bound	P-Value
Settle eject	17	66	0.257576	0.360944	0.000

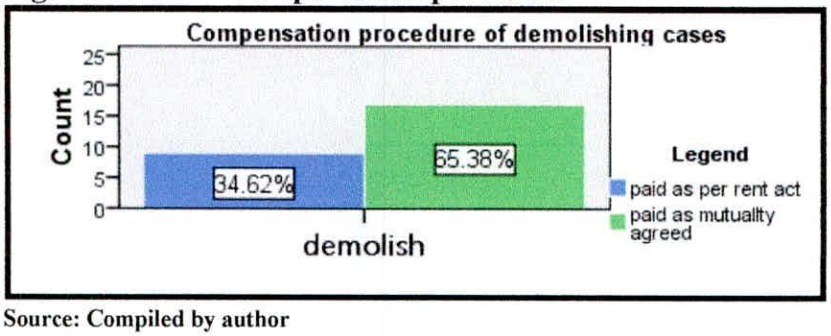
Source: Compiled by author

Since P value is less than 0.05 level, Ho is rejected. 95% confidence it can be said that ejectment case settle less than average number of cases therefore, it is ineffective.

5.4.4 Compensation procedure of demolition order cases

Compensation payment for demolition cases is occurred in two ways. That is payment as per Rent Act or mutually agreement. It is illustrated in figure no. 5.14 as follows;

Figure No. 5.10- Compensation procedure



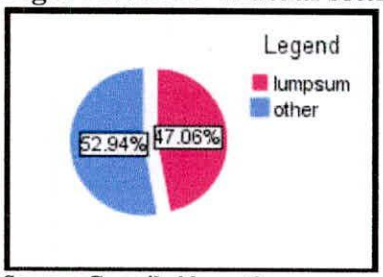
Source: Compiled by author

It is revealed that 34.62% demolition cases are settled based on compensation paid to tenant as per Rent Act while 65.38% cases are settled based on mutual agreement. Rest of the case represent compensation not paid cases. This procedure was occurred for demolition case only.

Mutual settled cases distribution:

Mutual settlement for demolition cases was taken place in two ways. Some of the case were settled as paying lump sum amount and some of them were settled as both parties mutual agreement, which is landlord gave proposal and tenant agree on it. Mutual settled cases distribution is shown below;

Figure No.5.11 -Mutual settled cases distribution



Source: Compiled by author

It is revealed that 47% cases are mutual settled by paying lump sum amount and 53% cases are settled as agreement.

Measure variance between compensation paid as per Rent Act amount & mutually settlement amount:

Hypothesis

H0 : Mutual settlement amount = Rent Act amount

H1 : Mutual settlement amount > Rent Act amount

Non parametric test is applied for these data.

Table No. 5.11- Mann-Whitney test

	N	Median
Mutual amount	8	3
Rent Act amount	8	1
Point estimate for ETA1-ETA2 is 1.000 95.9 Percent CI for ETA1-ETA2 is (-0.000,3.000) W = 84.5 Test of ETA1 = ETA2 vs ETA1 > ETA2 is significant at 0.0464 The test is significant at 0.0379 (adjusted for ties)		

Source: Compiled by author

H0 is reject since P value is 0.0379 which is less than 0.05. It means that mutual settlement amount is greater than Rent Act amount.

Table No. 5.12- Ratio statistics for mutual amount / rent act amount

Price Related Differential	1.241
Coefficient of Dispersion	1.333
Coefficient of Variation Median Centered	198.6%

Source: Compiled by author

Coefficient variance of mutual settlement amount relatively to Rent Act is 198.6%.

5.4.5 Overall summary of case settlement procedure

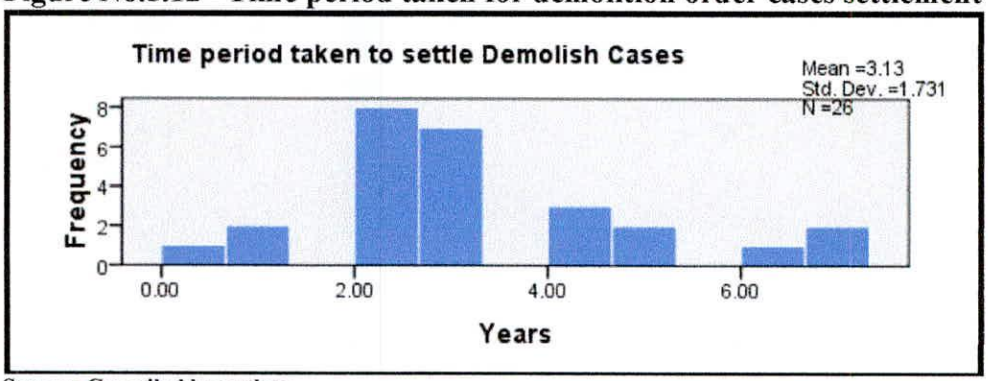
Table No.5.13 - Summary of case settlement procedure

	Demolition Cases					Ejectment Case			Total	%
Submit Cases	51		%		**Sig**	66	%	**Sig**	117	%
Settle Case	26		51.0		0.610	17	25.8	0.00	43	36.8
	Mutual Settle Cases	**Rent Act Amount Paid Cases**	**Mutual Settle %**	**Rent Act %**	**Sig**					
	17	9	65.4	34.6	0.038					

Source: Compiled by author

5.4.6 Analysis of Time gap of each cases

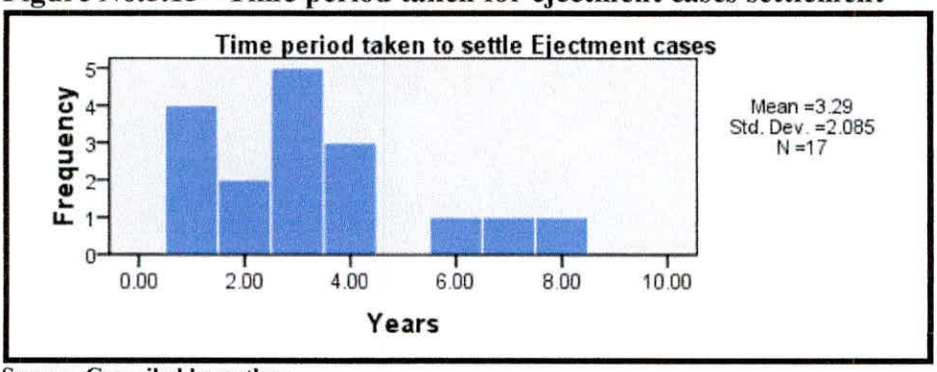
Figure No.5.12 - Time period taken for demolition order cases settlement



Source: Compiled by author

It is revealed that averagely case settlement time for demolition cases is approximately three years.

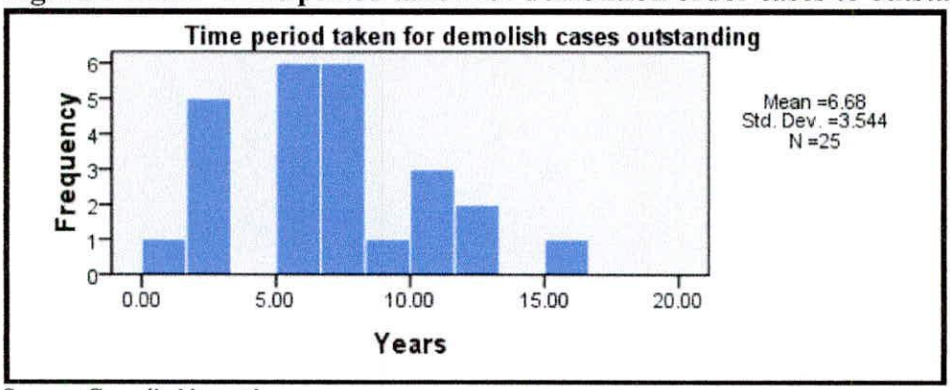
Figure No.5.13 - Time period taken for ejectment cases settlement



Source: Compiled by author

It is revealed that averagely case settlement time for ejectment cases is approximately three year and three months.

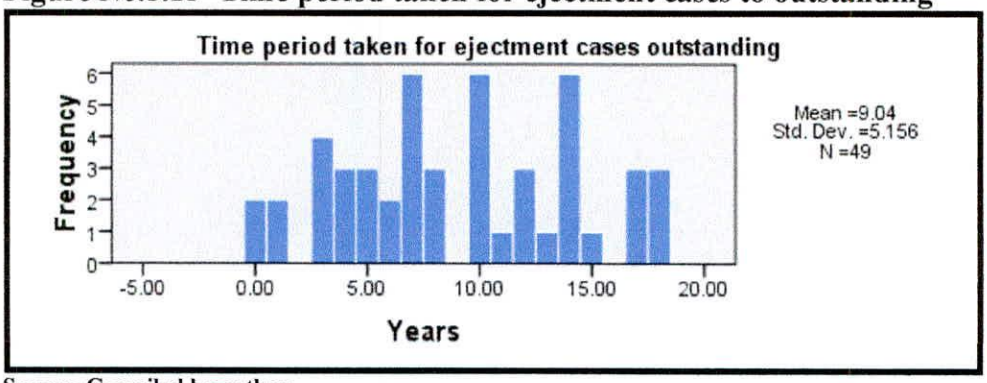
Figure No.5.14- Time period taken for demolition order cases to outstanding



Source: Compiled by author

It is revealed that averagely case outstanding time for demolition cases is approximately six and half year.

Figure No.5.15- Time period taken for ejectment cases to outstanding



Source: Compiled by author

It is revealed that averagely case outstanding time for ejectment cases is approximately nine year.

Table No.5.14 - Overall summary of time gap

	Demolition	Ejectment
Settle Time (Years)	3.1	3.3
Outstanding Time (Years)	6.7	9

Source: Compiled by author

5.5 Analysis of Landlord's & Tenant's Response on Redevelopment and Vacant Possession Offered by the Rent Act

Landlord & tenant response on redevelopment and vacant possession offered by the Rent Act is analyzed under third objective. It is achieved based on primary data. In this case sample of data is taken and sample size is submission of total number of application to the N.H.C after the year 2002. Landlord's & tenant's response is analyzed based on questionnaire analyzing under following headings which are represented as factors affecting case settlement procedure;

Landlord response

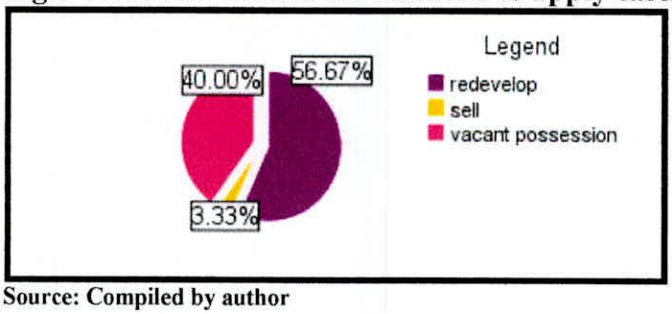
- Reason for landlord to apply a case
- Landlord response on willingness to pay compensation
- Landlord response on compensation adequacy
- Landlord response on change of compensation
- Landlord response on this procedure is time consuming procedure
- Landlord response on this procedure is costly procedure
- Landlord response on this procedure is regularize procedure
- Landlord response on compensation amount
- Landlord like to pay compensation types

Tenant response

- Tenants awareness about vacate of this building any day
- Reason for tenant dislike to leave
- Tenant response on compensation amount
- Tenant wants to get as compensation types
- Tenant response on change of compensation
- Tenant response on compensation adequacy

5.5.1 Landlord aspect

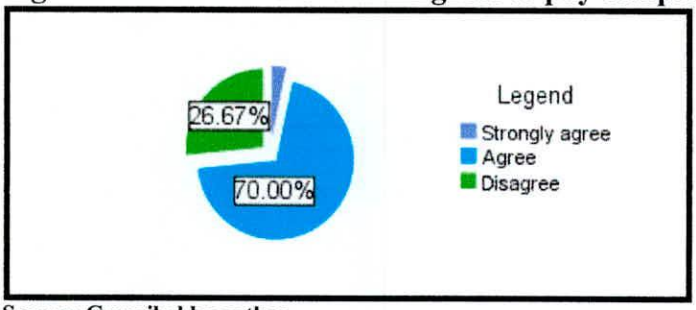
Figure No.5.16- Reason for landlord to apply cases



Source: Compiled by author

It is revealed that 57% of owners apply cases in order to redevelop property while 40% of them apply to obtain vacant possession & rest of them are wants to sell it.

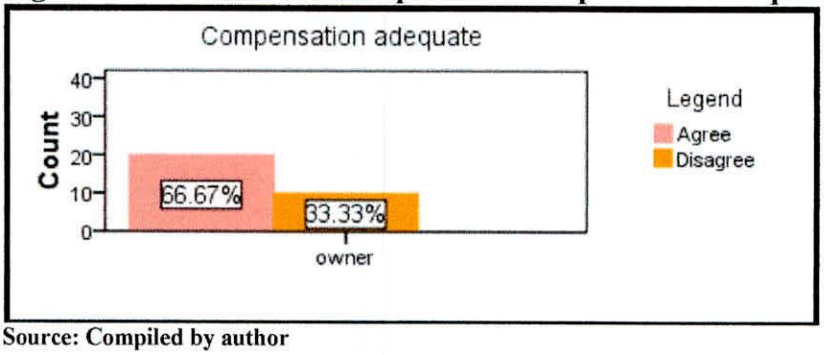
Figure No.5.17- Landlord willingness to pay compensation



Source: Compiled by author

Figure No. 5.17 is represented that 70% of them are like to pay compensation and rest of them do not like to pay compensation.

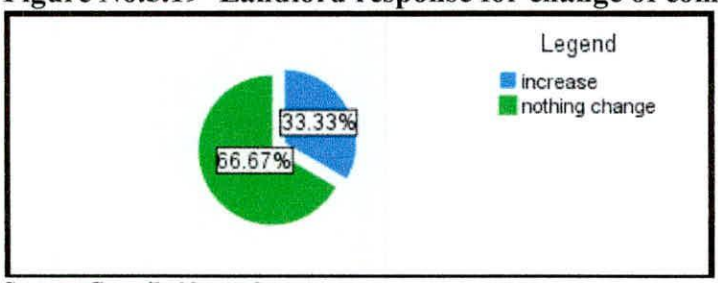
Figure No.5.18- Landlord response on compensation adequacy



Source: Compiled by author

Figure No. 5.18 is represented that 67% of owners are said that current compensation is adequate and 33% of them said that it is inadequate.

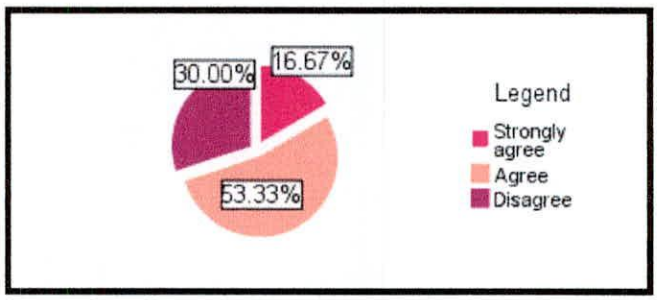
Figure No.5.19- Landlord response for change of compensation



Source: Compiled by author

It is revealed that 67% of owners said that compensation should not be changed while 33% of them are said that it should be increase.

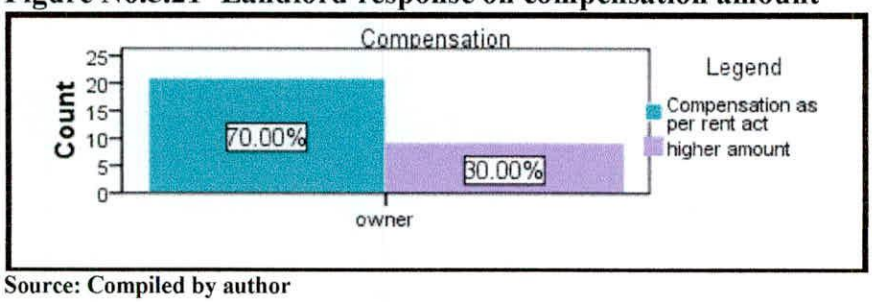
Figure No.5.20- Landlord response for this procedure is time consuming, regularize & more costly procedure



Source: Compiled by author

It is revealed that 70% of owners said that redevelopment & vacant possession procedure is time consuming regularize & costly but 30% of them did not agree on it

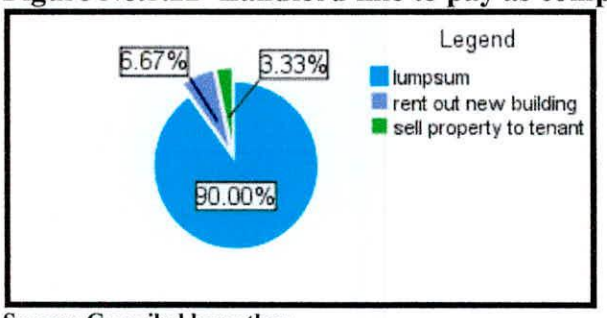
Figure No.5.21- Landlord response on compensation amount



Source: Compiled by author

Figure No. 5.21 is illustrated that 70% of owners are like to pay compensation as per Rent Act while 30% of them are like to pay as higher amount than it.

Figure No.5.22- Landlord like to pay as compensation types



Source: Compiled by author

It is revealed that 90% of owners are like to pay compensation as lump sum while 7% of them are like to rent out part of the new building to the tenant and rest of them are like to sell it to tenant.

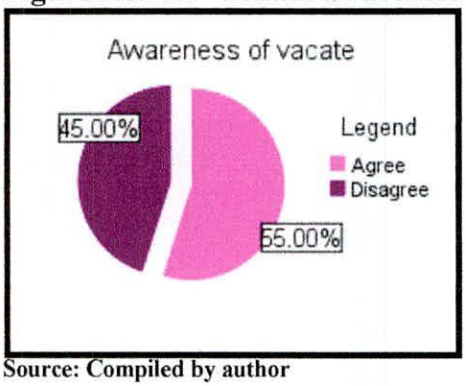
Table No.5.15- Overall summary of landlord's response

Factor	**Response Percentage**		
Reason for apply a case	**Redevelop**	**Sell**	**Vacant**
	57%	3%	40%
Compensation amount	**Rent Act amount**	**Higher amount**	
	70%	30%	
Compensation types	**Lump sum amount**	**Rent out new building to tenant**	**Sell it to tenant**
	90%	7%	3%
Change of compensation	**Increase**	**Nothing Change**	
	33%	67%	
	Agree	**Disagree**	
Willingness to pay compensation	73%	27%	
Compensation adequacy	67%	33%	
Time consuming, costly & regularize procedure	70%	30%	

Source: Compiled by author

5.5.2 Tenant aspect

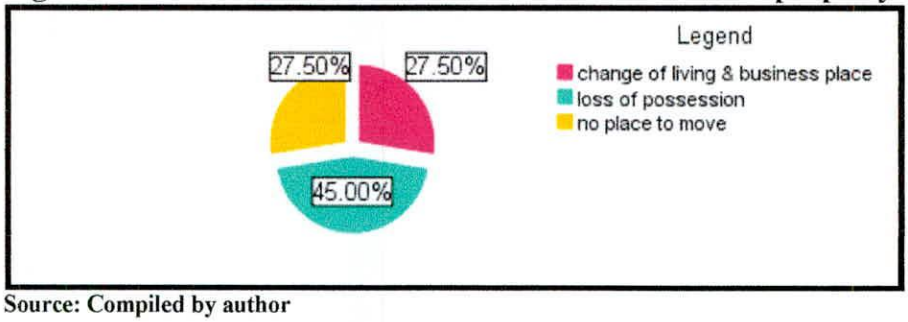
Figure No.5.23- Tenant awareness about vacate the building any day



Source: Compiled by author

It is revealed that 55% of tenants unaware about that they have to vacate from the property any day. But 45% of them aware about this situation.

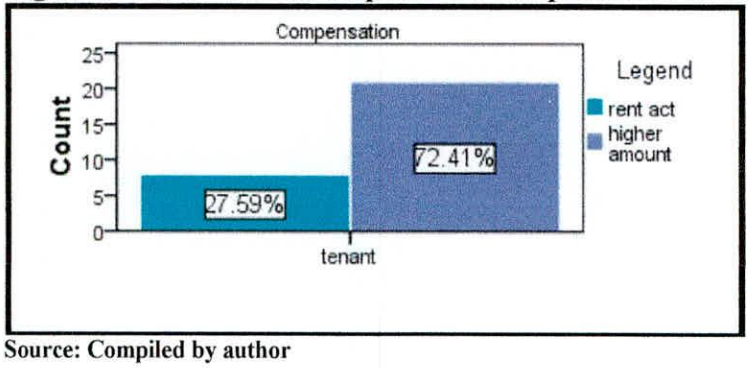
Figure No.5.24- Reason for Tenant's dislike to vacate the property



Source: Compiled by author

It is revealed that 45% of tenants do not like to left from the property due to loss of possession while 27.5% of them are said that they have not any place to move and they cannot change their living place or business place.

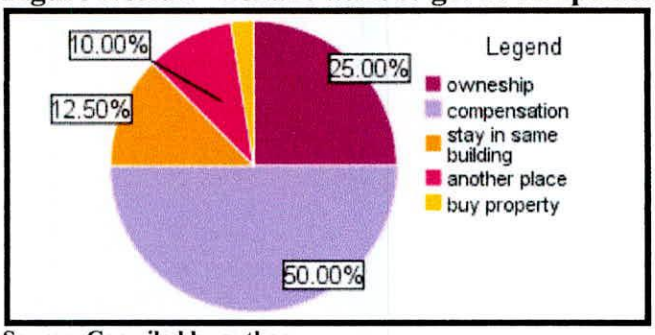
Figure No.5.25- Tenant response on compensation amount



Source: Compiled by author

Figure No. 5.25 is represented that 72% of tenants are like to get compensation as higher amount than current compensation while 28% of them are like to get current compensation.

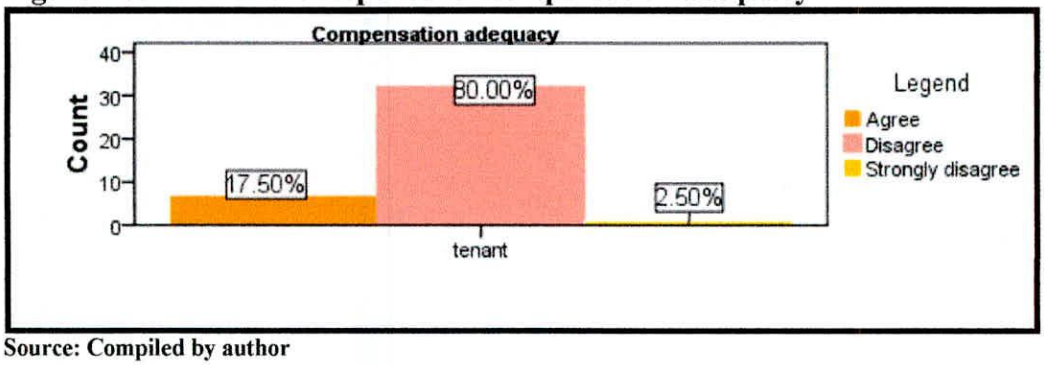
Figure No.5.26 - Tenant want to get as compensation types



Source: Compiled by author

Figure No. 5.26 is represented that 50% of tenants are like to get compensation as amount, 25% of them are demand ownership of the property. While 12% of tenants are like to stay in new building at new Rent and rest of the them are demand alternative accommodation or purchase the property when owner sell it.

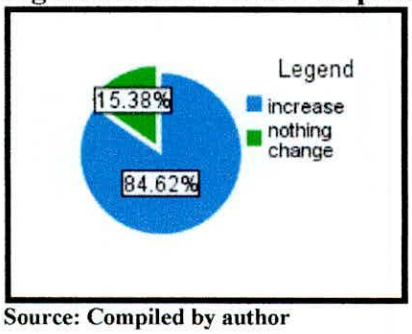
Figure No.5.27-Tenant response for compensation adequacy



Source: Compiled by author

It is revealed that 18% tenant said that compensation adequate for them but 82% of them do not agree on that and saying it is inadequate for them.

Figure No.5.28-Tenant response for change of compensation



Source: Compiled by author

It is revealed that 85% of tenants are said that current compensation should be increase while 15% of them are said that it should not be changed.

Table No.5.16- Overall summary of tenants' response

Factor	Response Percentage				
Reason for dislike to leave	**Change of place**	**Loss of possession**	**No place to move**		
	27.5%	45%	27.5%		
Compensation amount	**Rent Act amount**	**Higher amount**			
	28%	72%			
Compensation types	**Ownership**	**Compensation Amount**	**Stay in same building**	**Buy it**	**Alternate accommodation**
	25%	50%	12%	3%	10%
Change of compensation	**Increase**	**Nothing Change**			
	85%	15%			
Awareness of vacate	**Agree**	**Disagree**			
	55%	45%			
Compensation adequacy	18%	82%			

Source: Compiled by author

5.5.3 Reasons for case settlement or outstanding

Relationship between landlord willingness to pay compensation factor & case settlement procedure:

Hypothesis

H0 : P = 0 , No relationship

H1 : P ≠ 0 , Actual relationship

These data have non normal distribution, therefore chi square test is applied for testing relationship.

Table No.5.17–Cross tabulation of willingness to pay compensation & settlement

		settlement owner		Total
		Outstanding	settle	
Willingness to pay com	Count	1	0	1
	Expected Count	.6	.4	1.0
	Count	9	12	21
	Expected Count	12.6	8.4	21.0
	Count	8	0	8
	Expected Count	4.8	3.2	8.0
Total	Count	18	12	30
	Expected Count	18.0	12.0	30.0

Source: Compiled by author

Table No. 5.18 -Chi-Square tests for willingness to pay compensation & settlement

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	8.571[a]	2	.014	.006		
Likelihood Ratio	11.699	2	.003	.004		
Fisher's Exact Test	8.825			.006		
Linear-by-Linear Association	4.287[b]	1	.038	.060	.040	.036
N of Valid Cases	30					

a. 4 cells (66.7%) have expected count less than 5. The minimum expected count is .40.
b. The standardized statistic is -2.070.

Source: Compiled by author

P value derived from Fisher's exact test is 0.006 and it is less than 0.05. Therefore H0 is reject, it means these two variables have significant relationship. 95% confidently it can be said that Landlord willingness to pay compensation may be effected on case settlement or outstanding.

Relationship between landlord's response on compensation adequacy factor & case settlement procedure:

Hypothesis

H0 : P = 0 , No relationship

H1 : P ≠ 0 , Actual relationship

These data have non normal distribution, therefore chi square test is applied for testing relationship.

Table No.5.19- Cross tabulation of compensation adequacy factor & settlement

			settlement owner		Total
			Outstanding	settle	
com adequacy	A	Count	13	7	20
		Expected Count	12.0	8.0	20.0
	Da	Count	5	5	10
		Expected Count	6.0	4.0	10.0
Total		Count	18	12	30
		Expected Count	18.0	12.0	30.0

Source: Compiled by author

Table No. 5.20 -Chi-Square tests for compensation adequacy factor & settlement

	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	.625[a]	1	.429	.694	.344	
Continuity Correction[b]	.156	1	.693			
Likelihood Ratio	.620	1	.431	.694	.344	
Fisher's Exact Test				.461	.344	

Linear-by-Linear Association	.604[c]	1	.437	.694	.344	.226
N of Valid Case	30					
a. 1 cells (25.0%) have expected count less than 5. The minimum expected count is 4.00. b. The standardized statistic is .777.						

Source: Compiled by author

P value derived from Fisher's exact test is 0.461 and it is greater than 0.05. Therefore H0 cannot reject, it means these two variables have not significant relationship. 95% confidently it can be said that Landlord's response on compensation adequacy may not effect on case settlement or outstanding.

Relationship between landlord response on time consuming factor & case settlement procedure:

Hypothesis

H0 : P = 0 , No relationship

H1 : P ≠ 0 , Actual relationship

These data have non normal distribution, therefore chi square test is applied for testing relationship.

Table No.5.21- Cross tabulation of time consuming & settlement

			settlement owner		Total
			outstanding	settle	
time consuming	Sa	Count	5	0	5
		Expected Count	3.0	2.0	5.0
	A	Count	12	4	16
		Expected Count	9.6	6.4	16.0
	da	Count	1	8	9
		Expected Count	5.4	3.6	9.0
Total		Count	18	12	30
		Expected Count	18.0	12.0	30.0

Source: Compiled by author

Table No. 5.22 - Chi-Square tests for time consuming & settlement

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	13.796[a]	2	.001	.000		
Likelihood Ratio	16.107	2	.000	.000		
Fisher's Exact Test	13.144			.001		
Linear-by-Linear Association	12.251[b]	1	.000	.000	.000	.000
N of Valid Cases	30					
a. 3 cells (50.0%) have expected count less than 5. The minimum expected count is 2.00. b. The standardized statistic is 3.500.						

Source: Compiled by author

P value derived from Fisher's exact test is 0.001 and it is less than 0.05. Therefore H0 is rejected, it means these two variables have significant relationship. 95% confidently it can be said that Landlord's response on time consuming factor may be effected on case settlement or outstanding.

Relationship between landlord's response on costly procedure factor & case settlement procedure:

Hypothesis

H0 : P = 0 , No relationship

H1 : P ≠ 0 , Actual relationship

These data have non normal distribution, therefore chi square test is applied for testing relationship.

Table No.5.23- Cross tabulation of costly procedure & settlement

			settlement owner		Total
			outstanding	Settle	
Costly	Sa	Count	5	0	5
		Expected Count	3.0	2.0	5.0
	A	Count	12	4	16
		Expected Count	9.6	6.4	16.0
	Da	Count	1	8	9
		Expected Count	5.4	3.6	9.0
Total		Count	18	12	30
		Expected Count	18.0	12.0	30.0

Source: Compiled by author

Table No. 5.24- Chi-Square tests for costly procedure & settlement

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	13.796[a]	2	.001	.000		
Likelihood Ratio	16.107	2	.000	.000		
Fisher's Exact Test	13.144			.001		
Linear-by-Linear Association	12.251[b]	1	.000	.000	.000	.000
N of Valid Cases	30					

a. 3 cells (50.0%) have expected count less than 5. The minimum expected count is 2.00.
b. The standardized statistic is 3.500.

Source: Compiled by author

P value derived from Fisher's exact test is 0.001 and it is less than 0.05. Therefore H0 is rejected, it means these two variables have significant relationship. 95% confidently it can be said that Landlord's response on costly procedure factor may be effected on case settlement or outstanding.

Relationship between landlord's response on regularize procedure factor & case settlement procedure:

Hypothesis

H0 : P = 0 , No relationship

H1 : P ≠ 0 , Actual relationship

These data have non normal distribution, therefore chi square test is applied for testing relationship.

Table No.5.25- Cross tabulation of regularize procedure & settlement

			settlement owner		Total
			outstanding	settle	
Regularize	Sa	Count	5	0	5
		Expected Count	3.0	2.0	5.0
	A	Count	12	4	16
		Expected Count	9.6	6.4	16.0
	da	Count	1	8	9
		Expected Count	5.4	3.6	9.0
Total		Count	18	12	30
		Expected Count	18.0	12.0	30.0

Source: Compiled by author

Table No.5.26- Chi-Square tests for regularize procedure & settlement

	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	13.796[a]	2	.001	.000		
Likelihood Ratio	16.107	2	.000	.000		
Fisher's Exact Test	13.144			.001		
Linear-by-Linear Association	12.251[b]	1	.000	.000	.000	.000
N of Valid Cases	30					

a. 3 cells (50.0%) have expected count less than 5. The minimum expected count is 2.00.
b. The standardized statistic is 3.500.

Source: Compiled by author

P value derived from Fisher's exact test is 0.001 and it is less than 0.05. Therefore H0 is rejected, it means these two variables have significant relationship. 95% confidently it can be said that Landlord's response on regularize procedure factor may be effected on case settlement or outstanding.

Relationship between landlord's response on compensation amount factor & case settlement procedure:

Hypothesis

H0 : P = 0 , No relationship

H1 : P ≠ 0 , Actual relationship

These data have non normal distribution, therefore chi square test is applied for testing relationship

Table No.5.27- Cross tabulation of owner compensation amount & settlement

			settlement owner		Total
			Outstanding	settle	
com amount	Rent Act	Count	14	7	21
		Expected Count	12.6	8.4	21.0
	higher amount	Count	4	5	9
		Expected Count	5.4	3.6	9.0
Total		Count	18	12	30
		Expected Count	18.0	12.0	30.0

Source: Compiled by author

Table No.5.28- Chi-Square tests for owner compensation amount & settlement

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	1.296[a]	1	.255	.418	.231	
Continuity Correction	.536	1	.464			
Likelihood Ratio	1.282	1	.258	.418	.231	
Fisher's Exact Test				.418	.231	
Linear-by-Linear Association	1.253[c]	1	.263	.418	.231	.169
N of Valid Cases	30					

a. 1 cells (25.0%) have expected count less than 5. The minimum expected count is 3.60.
b. The standardized statistic is 1.119.

Source: Compiled by author

P value derived from Fisher's exact test is 0.418 and it is greater than 0.05. Therefore H0 cannot reject, it means these two variables have not significant relationship. 95% confidently it can be said that Landlord response on compensation amount factor may not be effected on case settlement or outstanding.

Relationship between landlord's response on compensation type factor & case settlement procedure:

Hypothesis

H0 : P = 0 , No relationship

H1 : P ≠ 0 , Actual relationship

These data have non normal distribution, therefore chi square test is applied for testing relationship.

Table No.5.29- Cross tabulation of owner compensation type & settlement

			settlement owner		Total
			outstanding	settle	
com type	Lump sum	Count	18	9	27
		Expected Count	16.2	10.8	27.0
	Rent out new bld	Count	0	2	2
		Expected Count	1.2	.8	2.0
	sell property to tenant	Count	0	1	1
		Expected Count	.6	.4	1.0
Total		Count	18	12	30
		Expected Count	18.0	12.0	30.0

Source: Compiled by author

Table No.5.30- Chi-Square tests for owner compensation type & settlement

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	5.000[a]	2	.082	.054		
Likelihood Ratio	6.009	2	.050	.054		
Fisher's Exact Test	4.421			.054		
Linear-by-Linear Association	3.566[b]	1	.059	.054	.054	.054
N of Valid Cases	30					

a. 4 cells (66.7%) have expected count less than 5. The minimum expected count is .40.
b. The standardized statistic is 1.888.

Source: Compiled by author

P value derived from Fisher's exact test is 0.054 and it is greater than 0.05. Therefore H0 cannot reject, it means these two variables have not significant relationship. 95% confidently it can be said that Landlord like to pay as compensation type factor may not be effected on case settlement or outstanding.

Relationship between landlord's response on change of compensation factor & case settlement procedure:

Hypothesis

H0 : P = 0 , No relationship

H1 : P ≠ 0 , Actual relationship

These data have non normal distribution, therefore chi square test is applied for testing relationship.

Table No.5.31-Cross tabulation for owner change of compensation & settlement

			settlement owner		Total
			outstanding	Settle	
change com owner	Increase	Count	5	5	10
		Expected Count	6.0	4.0	10.0
	nothing change	Count	13	7	20
		Expected Count	12.0	8.0	20.0
Total		Count	18	12	30
		Expected Count	18.0	12.0	30.0

Source: Compiled by author

Table No.5.32- Chi-Square tests for owner change of compensation & settlement

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	.625[a]	1	.429	.694	.344	
Continuity Correction[b]	.156	1	.693			
Likelihood Ratio	.620	1	.431	.694	.344	
Fisher's Exact Test				.461	.344	
Linear-by-Linear Association	.604[c]	1	.437	.694	.344	.226
N of Valid Cases	30					

a. 1 cells (25.0%) have expected count less than 5. The minimum expected count is 4.00.
b. The standardized statistic is -.777.

Source: Compiled by author

P value derived from Fisher's exact test is 0.461 and it is greater than 0.05. Therefore H0 cannot reject, it means these two variables have not significant relationship. 95% confidently it can be said that Landlord's response on change of compensation factor may not be effected on case settlement or outstanding.

Relationship between tenant awareness about vacate factor & case settlement procedure:

Hypothesis

H0 : P = 0 , No relationship

H1 : P ≠ 0 , Actual relationship

These data have non normal distribution, therefore chi square test is applied for testing relationship.

Table No.5.33- Cross tabulation of tenant awareness & settlement

		settlement tenant		Total
		Outstanding	Settle	
awareness of vacate	a	6	16	22
	da	17	1	18
Total		23	17	40

Source: Compiled by author

Table No.5.34- Chi-Square tests for tenant awareness & settlement

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	18.279[a]	1	.000	.000	.000	
Continuity Correction[b]	15.634	1	.000			
Likelihood Ratio	21.042	1	.000	.000	.000	
Fisher's Exact Test				.000	.000	
Linear-by-Linear Association	17.822[c]	1	.000	.000	.000	.000
N of Valid Cases	40					

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 7.65.
b. The standardized statistic is -4.222.

Source: Compiled by author

P value derived from Fisher's exact test is 0.000 and it is less than 0.05. Therefore H0 is rejected, it means these two variables have significant relationship. 95% confidently it can be said that Tenant awareness about vacate factor may be effected on case settlement or outstanding.

Relationship between reasons for tenant dislike to vacate factor & case settlement procedure:

Hypothesis

H0 : P = 0 , No relationship

H1 : P ≠ 0 , Actual relationship

These data have non normal distribution, therefore chi square test is applied for testing relationship.

Table No.5.35- Cross tabulation of dislike to vacate &settlement

		settlement tenant		Total
		Outstanding	settle	
dislike to left	change place	5	6	11
	loss of possession	7	11	18
	no place	11	0	11
Total		23	17	40

Source: Compiled by author

Table No.5.36-Chi-Square tests for dislike to vacate &settlement

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	11.335[a]	2	.003	.003		
Likelihood Ratio	15.333	2	.000	.002		
Fisher's Exact Test	12.556			.002		
Linear-by-Linear Association	6.529[b]	1	.011	.017	.008	.006
N of Valid Cases	40					

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 4.68.
b. The standardized statistic is -2.555.

Source: Compiled by author

P value derived from Fisher's exact test is 0.002 and it is less than 0.05. Therefore H0 is rejected, it means these two variables have significant relationship. 95% confidently it can be said that Tenant dislike to vacate factor may be effected on case settlement or outstanding.

Relationship between tenant's response on compensation amount factor & case settlement procedure:

Hypothesis

H0 : P = 0 , No relationship

H1 : P ≠ 0 , Actual relationship

These data have non normal distribution, therefore chi square test is applied for testing relationship.

Table No.5.37-Cross tabulation of tenant compensation amount & settlement

		settlement tenant		Total
		outstanding	settle	
com amount tenant	Rent Act	1	7	8
	higher amount	16	5	21
Total		17	12	29

Source: Compiled by author

Table No.5.38- Chi Square test for tenant compensation amount & settlement

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	9.688[a]	1	.002	.003	.003	
Continuity Correction[b]	7.240	1	.007			
Likelihood Ratio	10.255	1	.001	.009	.003	
Fisher's Exact Test				.003	.003	
Linear-by-Linear Association	9.354[c]	1	.002	.003	.003	.003
N of Valid Cases	29					

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is 3.31.
b. The standardized statistic is -3.058.

Source: Compiled by author

P value derived from Fisher's exact test is 0.003 and it is less than 0.05. Therefore H0 is rejected, it means these two variables have significant relationship. 95% confidently it can be said that Tenant response on compensation amount factor may be effected on case settlement or outstanding.

Relationship between tenant wants to get as compensation type factor & case settlement procedure:

Hypothesis

H0 : P = 0 , No relationship

H1 : P ≠ 0 , Actual relationship

These data have non normal distribution, therefore chi square test is applied for testing relationship.

Table No.5.39- Cross tabulation of tenant compensation type & settlement

		settlement tenant		Total
		outstanding	Settle	
want to get	Ownership	10	0	10
	Compensation	8	12	20
	stay same bld	1	4	5
	another place	4	0	4
	buy property	0	1	1
Total		23	17	40

Source: Compiled by author

Table No.5.40- Chi-Square tests for tenant compensation type & settlement

	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	17.084[a]	4	.002	.000		
Likelihood Ratio	22.624	4	.000	.000		
Fisher's Exact Test	17.391			.000		
Linear-by-Linear Association	2.021[b]	1	.155	.204	.106	.048
N of Valid Cases	40					
a. 7 cells (70.0%) have expected count less than 5. The minimum expected count is .43.						

Source: Compiled by author

P value derived from Fisher's exact test is 0.000 and it is less than 0.05. Therefore H0 is rejected, it means these two variables have significant relationship. 95% confidently it can be said that Tenant wants to get as compensation type factor may be effected on case settlement or outstanding.

Relationship between tenant's response on changes of compensation & case settlement procedure:

Hypothesis

H0 : P = 0 , No relationship

H1 : P ≠ 0 , Actual relationship

These data have non normal distribution, therefore chi square test is applied for testing relationship.

Table No.5.41- Cross tabulation of tenant changes of compensation & settlement

		settlement tenant		Total
		Outstanding	settle	
change com tenant	increase	22	10	32
	decrease	0	1	1
	nothing change	0	6	6
Total		22	17	39

Source: Compiled by author

Table No.5.42- Chi-Square tests for tenant changes of compensation & settlement

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	11.040[a]	2	.004	.001		
Likelihood Ratio	13.673	2	.001	.001		
Fisher's Exact Test	10.882			.001		
Linear-by-Linear Association	10.311[b]	1	.001	.001	.001	.001
N of Valid Cases	39					

a. 4 cells (66.7%) have expected count less than 5. The minimum expected count is .44.

b. The standardized statistic is 3.211.

Source: Compiled by author

P value derived from Fisher's exact test is 0.001 and it is less than 0.05. Therefore H0 is rejected, it means these two variables have significant relationship. 95% confidently it can be said that Tenant's response on change of compensation factor may be effected on case settlement or outstanding.

Relationship between tenant's response on compensation adequacy factor & case settlement procedure:

Hypothesis

H0 : P = 0 , No relationship

H1 : P ≠ 0 , Actual relationship

These data have non normal distribution, therefore chi square test is applied for testing relationship.

Table No.5.43- Cross tabulation of tenant compensation adequacy & settlement

		settlement tenant		Total
		Outstanding	Settle	
com ad tenant	A	0	7	7
	da	22	10	32
	sda	1	0	1
Total		23	17	40

Source: Compiled by author

Table No.5.44- Chi-Square tests for tenant compensation adequacy & settlement

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	11.867[a]	2	.003	.001		
Likelihood Ratio	14.799	2	.001	.001		
Fisher's Exact Test	11.873			.001		
Linear-by-Linear Association	11.128[b]	1	.001	.001	.001	.001
N of Valid Cases	40					

a. 4 cells (66.7%) have expected count less than 5. The minimum expected count is .43.

b. The standardized statistic is -3.336.

Source: Compiled by author

P value derived from Fisher's exact test is 0.001 and it is less than 0.05. Therefore H0 is rejected, it means these two variables have significant relationship. 95% confidently it can be said that Tenant response on compensation adequacy factor may be effected on case settlement or outstanding.

Table No.5.45- Overall Summary of factors & case settlement procedure

Factor	Relationship
Landlord willingness to pay compensation	Significant relationship
Landlord response on compensation adequacy	No relationship
Landlord response on change of compensation	No relationship
Landlord response on time consuming procedure	Significant relationship
Landlord response on costly procedure	Significant relationship
Landlord response on regularize procedure	Significant relationship
Landlord response on compensation amount	No relationship
Landlord like to pay compensation type	No relationship
Tenant awareness of vacate building any day	Significant relationship
Reason for tenant dislike to leave	Significant relationship
Tenant response on compensation amount	Significant relationship
Tenant wants to get compensation type	Significant relationship
Tenant response on change of compensation	Significant relationship
Tenant response on compensation adequacy	Significant relationship

Source: Compiled by author

CHAPTER SIX

Conclusion & Recommendation

6.1 Conclusion

Centre on Housing Rights and Evictions Sri Lanka (2007) stated that in Sri Lanka Initially, the relationship between landlord and tenant was governed by Roman Dutch Law. In that case they found that Roman Dutch Law is inadequate for addressing housing issues created by industrialization and also due to industrialization people were more concentrated in the cities that will result to create housing shortages. Landlord demand more rent on houses and vulnerable tenants were subject to exploitation by landlords. A statutory framework designed to favor the tenant was introduced to govern this area. In 1942, the Rent Restriction Ordinance was enacted and several amendments were subsequently brought in it was firstly implemented 1942 through Rent Restriction Ordinance. The Rent Act No. 7 of 1972 ushered in a socialist approach which did not favour private ownership. This framework, which was heavily weighted in favour of the tenant, was then subjected to changes that strengthened the position of the landlord consistent with the open economic policies adopted by the Government. Through amendments to the Acts of 1980 and 2002, it is highlighted the need for development and the need to address the housing shortage. Also it is strengthening the bargaining power of the landlord.

These properties do not reflected real value due to rent control situation in that instance highest and best use value could not be achieved. In that case government enforces some changes to principal enactment with a view to give development opportunity. Through an amendments acts 1980 and 2002 government gives opportunity for redevelopment of rent control properties by ejectment of the tenant or demolition of the building. For example amendment 2002 repeals sec. 18A of principal enactment and it gives opportunity to landlord to demolish building when building age over 40 years instead of 50 years in earlier act. Earlier Act this opportunity provides only for residential now it opens for residential as well as business premises.

Most of instance tenant does not agree to vacate or landlord does not agree to pay tenant. In that cases landlord can't get vacant possession & could not be redevelop property. In this context, this research thesis aims to study on effectiveness of demolition and

ejectment order provisions made under rent act. Whether this vacant and redevelopment opportunity given under Rent Act are effectively operated or not if it does not effectively work what are the factors affecting it.

6.1.1 Conclusion to first objective

First objective of this study is to discuss changes made to principal enactment by Amendment Act No: 55 of 1980 & Amendment Act No: 26 of 2002 for redevelopment and vacant possession of rent control properties. It is identify that these amendment gives some relief to property development by giving opportunity to left from rent act.

When considering demolition order provisions made under 1972 Act with its amendments, it can be concluded that 1972 Act and 1980 Act made opportunity to leave from Rent Act for residential property only. But these two acts made limit as residential property can leave from Rent Act when building age over 50 years. While 2002 Act is increased redevelopment opportunity by giving offer to leave from Rent Act not only residential but also commercial properties when building age reaches to 40 years. 1972 Act provides compensation as one unit of new building constructed by the owner. When considering compensation offer under demolition order it can be concluded that 1980 Act changes tenant compensation into two options as accommodation or compensation amount. It did not mention about exact amount of compensation and that is decided by the commissioner but it mentioned that minimum amount saying it should be greater than three times of authorized rent. 2002 Act increases compensation than compensation offered by earlier two acts. It gives four option in addition to alternate accommodation and which ever higher amount of among these four options taken as compensation amount under demolition order cases.

When considering ejectment order provisions it can be concluded that there are no any changes in 1972 Act and 1980 Act under tenant ejectment grounds. But in 2002 Act it increases options to take vacant possession by adding another three grounds in to grounds mentioned under earlier tow acts. When analyzing tenant compensation for ejectment order under these three acts, it can be concluded that 1972 Act provides only alternate accommodation as tenant compensation. When it comes to 1980 it added compensation amount than alternate accommodation. But in 2002 act increases compensation amount as higher amount from 10 year rent or Rs 150,000/- . Above

mentioned compensation offered under when premises required for owner residence or trade business & vocation grounds only. When premises required for development which is new ground added by 2002 Act and compensation offered under that ground said that 10 year annual value or 20% chief valuer's market value or Rs 150,000/- which ever higher amount paid as compensation.

Finally it can be concluded that 1972 principal enactment is introduced with a view to protect tenant right under closed economy. It favour on tenant party only. After introduction of open economy policy government increased redevelopment and vacant possession under 1980 Amendment Act and 2002 Amendment Act. These two acts are made attention on landlord party in addition to tenant party by increasing development opportunity.

6.1.2 Conclusion to second objective

Second objective of this research thesis is to analysis of effectiveness of ejectment & demolition procedure for rent control properties. When analyzing this procedure it is founded that Landlord of any rent control property intends to obtain demolition order for his property he has to give application to National Housing Commissioner as per sec. 18 of Rent Act. Then Housing Commissioner calls for inquiry to landlord and tenant of such property.

After hearing about both parties statement with field inspection of such property, if he satisfy that this building is age over 40 years and at deteriorated condition and need to be redevelop he can make a decision to demolish it by ordering landlord to pay for compensation to tenant. In some instance landlord and tenant both are agree on mutual settlement. Finally tenant receiving compensation or mutual settlement between both parties that case is settled.

If landlord intends to eject tenant of rent control property he can file a case on district court against to the tenant. Before filing as case at district court landlord has to deposit lump sum money on the presence of the Housing Commissioner, which is equivalent to tenant compensation mentioned under sec 22 of Rent Act. After settling case at the district court by receiving the court decision landlord has to submit the court decision to the Housing Commissioner in written. When receiving the court decision, deposit

money is released to the landlord to pay compensation to the tenant. Finally ejectment case is settled.

When considering case submission procedure it can be concluded that after introduction of 2002 Amendment Act demolition order cases submission increases up to 26% while ejectment order cases submission increases up to 6%. It is founded that after introduction of 2002 Amendment Act demolition order cases settlement increases up to 16% and ejectment order cases settlement increases up to 18%. When analyzing overall case settlement procedure ,it is founded that 51% of demolish cases were settle and 49% demolish cases were unsettled while 26% ejectment cases were settle and 74% ejectment cases were unsettled. Among these settled demolish cases, 35% of cases settled by paying compensation as per rent act and rest of them were settled by mutual settlement. This mutually settlement was occurred when landlord gave lump sum money to tenant or landlord gave proposal to tenant and both parties agree on it. According to that 47% of cases were mutually settled by paying lump sum amount while 53% of cases were mutually settle on agreement. It was founded that mutually agreed amount is greater than rent act amount and Variance is measured as 198.6%. This compensation procedure was occurred for demolition cases only and which did not occur for ejectment cases.

When analyzing time period taken for each cases it is founded that normally demolish and ejectment cases are settled within three years period. unsettled demolish cases are outstanding at approximately six years period while unsettled ejectment cases are outstanding at approximately nine years period.

Finally effectiveness of demolish and ejectment order procedure is measured and result is founded that demolition case settle equal or greater than average number of cases while ejectment case settle less than average number of cases. This results are revealed that case settlement procedure for demolish cases is effective while it is ineffective for ejectment cases.

6.1.3 Conclusion to third objective

Third objective of this thesis is to analysis landlord's and tenant's response on redevelopment and vacant possession offered by Rent Act. It is achieved from questionnaire analysis.

It can be concluded that maximum number of owners apply demolish cases for redevelopment of the property and they like to pay compensation as lump sum amount as per rent act. They think about that compensation should not be changed it is adequate. Further they pointed out that this redevelopment and vacant possession procedure is time consuming, costly and regularize procedure. According to tenant's point of view maximum number of tenant said that they dislike to left from the property due to loss of possession and they unaware about that they have to left from the property any day. These tenants are like to get compensation amount as higher amount than compensation as per rent act. In addition to that they pointed out that current compensation is inadequate it should be increase.

When considering how these factors effect on case settlement or outstanding it is founded that Landlord point of view, compensation adequacy, change of compensation, compensation amount and compensation type factors may not be effect on case settlement procedure only landlord willingness to pay compensation factor effect on case settlement procedure . In the tenant's point of view all the factors which relates to redevelopment and vacant procedure with compensation procedure may effect on case settlement procedure.

Finally it can be concluded that efficiency of demolish and ejectment order procedure is depended on landlord willingness to pay compensation factor and factors which relates to tenant's response on redevelopment and vacant possession procedure with current compensation options.

6.2 Recommendation

It is suggested that to change current compensation by increasing current compensation amount or providing alternative accommodation. It is better to determine compensation amount based on market value of bare land or redevelopment value instead of market value based on existing use value at present use. That market value better to apportion as 50% to landlord share and 50% to tenant share.

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Questionnaire for Landlord

Title: A Study on effectiveness of ejectment & demolition order provisions made under Rent Act No: 07 of 1972 & its amendments for rent control properties

Date: Serial No.:

Personal Details

1. Name .....
2. Who is the first landlord

   You ☐
   Grand Parents' Parents ☐
   Grand Parents ☐
   Parents ☐

Property Details

3. Assessment No & road .....
4. Application

   Demolition Order ☐
   Ejectment Order ☐

5. Year of application made .....

State your opinion on statements given bellow:
Put a "✓ ''mark for your selection

No	Questions	Yes	No
1	My application is I. Settle II. Un settle		
2	Reason for apply a case to the N.H.C I. I want to redevelop the building II. I want to sell this property III. I want to get vacant possession		

No	Questions	Yes	No
3	I paid tenant compensation I. Paid as per rent act II. Mutually agree III. Not paid		
4	I like to pay as compensation I. Lump sum amount II. Rent out part of the new building to the same tenant III. Give alternate accommodation IV. Sell this property to the tenant		
5	I like to pay lump sum amount as I. Compensation mentioned under rent act II. Reasonable amount which request from tenant		
6	I think exemption for rent control properties I. Residential properties increase II. Commercial properties increase III. Both should be increase		
7	It is better to get rent review I. Every 5 year II. Every 10 year III. Every 15 year		
8	Rental amount has to be increase by I. 1% -2.5% II. 2.5% -5% III. 5%-10%		

State your opinion on statements given bellow:

Put a "✓ ''mark for your selection

No	Questions	Strongly Agree	Agree	Disagree	Strongly Disagree
1	Demolition & ejectment procedure has more benefited to landlord				
2	Demolition & ejectment procedure is time consuming				
3	Demolition & ejectment procedure is strict and more regularized				
4	Demolition & ejectment procedure is more costly				
5	This procedure should have been changed				
6	It should have increase opportunities to vacate building				
7	I like to pay compensation for tenant to left from this building				
8	Tenant compensation amount mentioned under rent act is reasonable				
9	Rental amount should be subject to increase during the tenancy period				
10	Rent Act is need for present Sri Lankan economy				
11	Rent Act is out dated one				
12	Current rent control policy should be changed relatively to present real estate market				

Questionnaire for Tenant

Title : A Study on effectiveness of ejectment & demolition order provisions made under Rent Act No: 07 of 1972 & its amendments for rent control properties

Date: Serial No.:

Personal Details

1. Name .....
2. Who is the first occupier

You	☐
Grand Parents' Parents	☐
Grand Parents	☐
Parents	☐

Property Details

1. Assessment No & road .....

State your opinion on statements given bellow:
Put a "✓ ''mark for your selection

No	Questions	Yes	No
1	I got notice to vacate this property I. Landlord gave notice to me II. National housing commissioner gave notice to me III. Other		
2	I don't like to left due to I. Change of residence or business place II. Loss of possession III. Have not any suitable places to possession		
3	I want to get I. Ownership of this building II. Compensation before left III. Stay in same building at new market rent IV. Alternate accommodation V. When owner sell it I like to buy it		

No	Questions	Yes	No
4	I like to get compensation amount as I. Compensation as per Rent Act II. Amount higher than Rent Act		
5	Tenant compensation should be I. Increase II. Decrease III. Nothing change		

State your opinion on statements given bellow:
Put a "✓ ''mark for your selection

No	Questions	Strongly Agree	Agree	Disagree	Strongly Disagree
1	Current rent control act is actually benefited to me				
2	Rent act is best solution for housing shortage				
3	Rent Act is need for present Sri Lankan economy				
4	Rent Act is out dated one				
5	I aware that landlord can get vacant possession mentioned under act				
6	I knew that I have vacate this building any day				
7	Redevelopment opportunity has more benefited to landlord				
8	Current compensation amount is adequate				