

Government Forces Extension of Lease Contracts to State Institutions

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A new HLP law, intended for 2020 but released in January 2021, prolongs by two years an existing lease extension system for public sector property tenants. The law raises questions over potential conflicts of interest between Syrian businessmen looking for cheap urban property, and governmental and public sector tenants hoping to hold onto property they have long rented at low prices.

Decree No. 38 prolongs by two years an existing system of compulsory extension for privately owned [properties leased to public and political institutions](#).

The system of compulsory extension in place provides for a lengthening of the lease contract, regardless of the desires of the lessor. Such extensions often harm the rights of the lessor and contradict the principle that "the contract is law for the signatories," as stipulated in Article 148 of the Syrian Civil Code. [Rental Law No. 20 of 2015](#) subjected any new leases of real estate to public and political institutions to the will of the contract signatories. However, this rule does not apply to properties leased before 2006, which remain subject to the provisions of the system of compulsory extension. Those properties are subjected to the previous Rental Law No. 10 of 2006.

The leasing of publicly owned properties, meanwhile, remains subject to Investment Law No. 106 of 1958, which allows the eviction of such properties' occupants, and the adjustment of their investment allowances according to market prices.

Rental Law No. 20 of 2015 set January 1, 2018 as the date for terminating the compulsory extension system for public entities and political bodies. Under Article 12 of the law, the owner of a property that has been leased to political parties, public entities, municipalities, public or joint sector institutions, popular organisations, syndicates or charities has the right, as of January 1, 2018, to request termination of the rental relationship. They may request recovery of the leased property as per the provisions of the extension system, in exchange for paying 40 percent of the property's value to the renter, according to a court appraisal taking market prices into account.

However, before the existing extension period expired, Law No. 42 of 2017 was issued, extending that period by another three years until January 1, 2021. Decree No. 38 issued on December 31, 2020, lengthened the extension period for another two years.

In reality, though, Decree No. 38 was only published in the Official Gazette on January 13, 2021. In other words, the decree was issued about two weeks after Law No. 42 expired, and thus after the extension period had already ended.

During those two weeks in which the system of compulsory extension was not implemented, property owners submitted at least two claims to cancel lease contracts with public entities, rights sources told *The Syria Report*. The sources declined to provide details on the two claims. They indicated that Decree No. 38 was not in fact issued on December 31, 2020, as mentioned in the text of the law, but rather after the two claims were filed. According to informed sources, the text of Decree No. 38 mentioned an earlier date than the actual date of its issue, in an attempt to cover the time gap that followed the end of the previous extension period.

Rights sources told *The Syria Report* that this discrepancy was not a mistake, but rather the result of an internal conflict among relevant authorities over the decades-old sensitive issue of real estate

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leased to the public sector.

These properties have become more or less “dead” for their owners, many of whom have died since the initial leases, and have passed the properties on to heirs. These heirs now receive only meagre rental payments for the properties, many of which are located in important city centres.

That said, it does not appear that the owners themselves are behind the push to release the properties from the system of compulsory extension, but rather real estate brokers and businesspeople vying for the opportunity to buy the properties cheaply, according to real estate experts who spoke to *The Syria Report*. As property owners must compensate leaseholders 40 percent of the property’s current value, few are able to afford the cost of evicting tenants. However, businesspeople can enter as intermediaries, ending the rental relationship and buying the property by paying the 40 percent sum to the leaseholder and the remaining 60 percent to the lessor. This method may allow businesspeople to obtain important properties in vital city centres at “negotiated” low prices.

This workaround presents a potential conflict between businesspeople and government or public sector institutions, the latter of which benefits from renting at low prices under the current system of compulsory extension. This conflict is reflected in the delay in issuing Decree No. 38, according to informed sources who spoke to *The Syria Report*. The decree favors the interest of public sector entities, which may not be able to purchase the real estate that they currently rent, or pay 60 percent of the property value to the property owners. In addition, if those entities are evicted, they may be unable to secure new headquarters under the same conditions as the previous ones, due to the significant increase in urban real estate prices. This is not to mention other intangible impacts of changing the addresses of public sector headquarters.

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