



# WHITE PAPER

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## Mapping Out Rent Controls Across Europe

The term “Rent Controls” refers to measures designed to restrict the amount of rent that a landlord can charge a tenant for residential premises. Rent control measures appear in various forms across Europe, ranging from strict caps on the initial rent that can be charged under a tenancy, or measures that allow free negotiation of the initial rent but moderate any rental increases. Rent controls are generally employed in an attempt to alleviate inflationary or unaffordable rents that would otherwise arise on a free market; whether that is because of housing shortages or for other reasons. While their effectiveness and utility are a matter of ongoing debate, investors in residential property across Europe will want to understand the regulation landscape, and how rent controls are applied in different ways in different jurisdictions. To that end, this *White Paper* maps out the various rent control measures in place across key jurisdictions in Europe.

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## MAP OF POLICIES

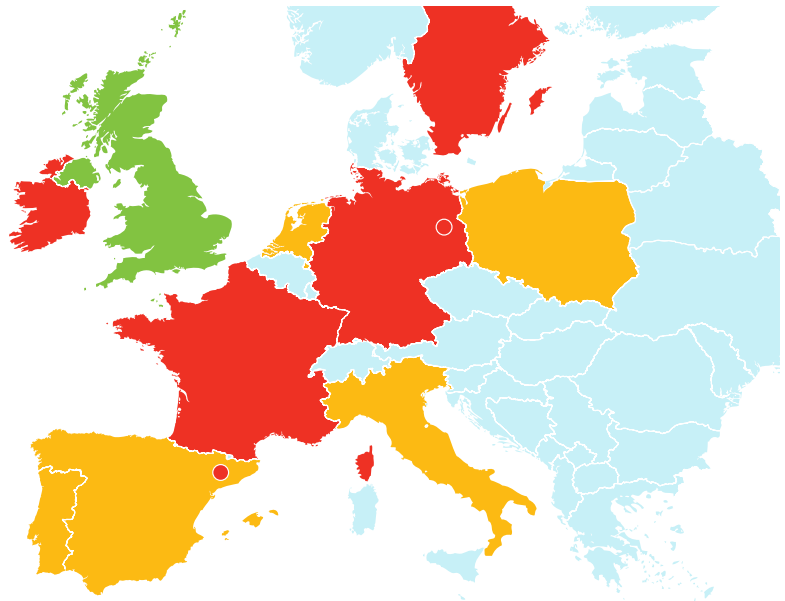
-  Rent Caps apply
-  Rent Moderation measures in place
-  No rent control measures in place

### KEY TERMS

**Rent Caps** — The initial rent chargeable by the landlord is capped by reference to a market or comparative rent; these caps are often implemented in local designated areas.

**Rent Moderation** — Measures which moderate rental increases (as opposed to capping initial rents), for example, by reference to a CPI.

**CPI** — Consumer Price Index – a measurement of the average change over time in the prices of certain goods and services



### England

- No direct rent controls.
- London developments require 35% affordable housing: a quasi-rent control measure.
- Proposed abolition of “no fault” evictions may impact the landlord’s ability to impose rent increases.
- The 2021 London Mayoral Election has been described as a “referendum on rent control”.

### France

- In certain densely populated areas: (i) upon renewal, rent may not exceed the previous rent, except within the variation of the rent reference index and (ii) rents (including initial rents) may be capped by reference to a pre-determined “reference median rent”.

### Germany

- Where a new residential lease is concluded within an area with a “tense housing situation”: (a) rent must not exceed the higher of (i) 10% higher than the customer comparative rent or (ii) subject to specific conditions, the level of rent in the previous lease; and (b) the rent must not increase by more than 20% over a period of three years and, in any event, must not be more than 10% higher than the comparative rent. Certain exceptions apply, including in relation to student housing.

### Berlin

- Berlin Senate has declared a “tense housing situation”; the Rent Brake has applied since 1 June 2015.
- In addition: (i) in respect of existing leases of residential space built before 1 January 2014, rent is frozen at the level of rent agreed as at 18 June 2019 (and in any event it must not exceed certain Rent Caps); (ii) in respect of residential space built before 1 January 2014, which is let for the first time or re-let after 23 February 2020, certain Rent Caps apply.
- Certain exceptions apply.

### Ireland

- Rent must not be greater than the “market rent”.
- Increases in rent in designated “Rent Pressure Zones” (“RPZs”) are restricted to 4% per annum, applying a formula set out in the legislation.
- Additional procedural restrictions apply to the rent review process.

### Italy

- The parties are free to determine the initial rent, provided that the minimum term of the lease is four years, with an automatic renewal for a further four-year period.
- Annual increase of the rent cannot exceed the cap of 100% of the National Institute of Statistics (“ISTAT”) Index variation.

### Netherlands

- Rental market is divided into social and private sector housing. Tenants may request the Rent Tribunal to determine if their rent is reasonable and to reclassify the property as social housing.
- In the private sector, freedom of contract is the main principle and only indirect Rent Moderation measures are in place. An index clause (i.e., an annual increase on the basis of e.g., the CPI) is valid. If the tenancy agreement does not contain an index clause, a landlord can only increase the rent by offering the tenant a new tenancy agreement including the increased rent. If the tenant rejects this offer, the landlord may request the court to terminate the agreement. The court will only do so if it deems the proposed rent increase to be reasonable.
- Recent proposals suggest stricter rent moderation measures are on the horizon.

### Poland

- No Rent Caps apply, though Rent Moderation measures are in place.
- Subject to certain exceptions, rent increases capped at 3% of the restoration value of the residential space per year.

### Portugal

- No Rent Caps apply, though limited Rent Moderation measures are in place.
- If the parties have not agreed to rent-review provisions, only annual rent reviews will be permitted and these must not exceed the annual legal coefficient published by the government each year.

### Spain

- No Rent Caps apply.
- Rent increases must not exceed the CPI.
- The government has announced proposals to introduce rental controls where rents have experienced “exorbitant increases”. Stricter rent controls may be on the horizon.

### Catalonia

- For new (or renewal) leases where the property constitutes permanent housing for the tenant and it is situated in an area declared as “of difficult access to housing” the initial rent may not exceed: (a) the reference rental price for units with similar characteristics in the same urban environment; and (b) (provided the dwelling was leased during the five years prior to the legislation entering into force) the rent agreed in the last lease of the premises, increased in accordance with the “competitiveness guarantee index”.
- Certain exceptions apply.

### Sweden

- In practice indirect Rent Caps apply. If rent negotiations are unsuccessful, the Rent and Tenancy Tribunal will determine what rent is reasonable by reference to the property’s “utility value” (which is determined by the characteristics of equivalent properties).
- Landlords of newly constructed residential property can seek to charge higher “Presumption Rents”.

## MAPPING OUT RENT CONTROLS ACROSS EUROPE

We set out below an analysis of rent control policies currently in place in several European countries, namely England, Ireland, Spain, Portugal, France, Germany, the Netherlands, Sweden, Poland, and Italy. This description of the regimes in place in these jurisdictions is in summary form and the pace of regulatory change with rent control is high; so please treat accordingly. Jones Day does not have offices in Ireland, Portugal, Sweden, and Poland. The information in respect of these jurisdictions has been provided by Mason Hayes & Curran LLP, PLMJ, Hannes Snellman Attorneys Ltd and Kochanski & Partners respectively. This publication is for general information purposes only, and specific legal advice should be obtained as required for any specific facts or circumstances

### ENGLAND

Rent controls in respect of residential leases are not currently in place in England. That being said, the current restriction on private developers in London to deliver 35% affordable housing has the effect of imposing quasi-rent controls on landlords of new build properties in London.

Further, in April 2019 the government announced its intention to abolish “no fault” evictions by repealing section 21 of the Housing Act 1988. This would result in more secure residential tenancies and prevent landlords from evicting tenants at short notice without good reason, including where the landlord simply wishes to increase the rent which the existing tenant is not willing or able to pay. With the benefit of security of tenure, it is anticipated that a tenant is more likely to challenge rental increases in the First Tier Tribunal Property Chamber (Residential Property). That ability to challenge rental increases in ongoing periodic tenancies already exists but it is not often used as the landlord can simply terminate the tenancy on notice on “no fault” grounds and then obtain a higher rent on the open market.

If “no fault” evictions are abolished, the oversight of the Tribunal on rental increases is likely to become a form of indirect rent control for renewal tenancies. Further, in its consultation the government has made it clear that there must not be any mechanism which would enable landlords to force a tenant to leave a property by including clauses in fixed-term

tenancy agreements which hike up the rent to excessive or unreasonable amounts just before the agreement is due to expire. Landlords would still be able to adjust the rent in line with market levels by negotiating a new fixed-term contract with the tenant. A Renters Reform Bill, which will enact these measures (among other things), was formally announced in the Queen’s speech in December 2019. As of the date of this article, there is no set timeframe for when it will become law.

In the face of government resistance, earlier this year Sadiq Khan announced his plans to make the London Mayoral Election of 2020 a referendum on rent control. In his view, his re-election as Mayor would represent a clear and compelling mandate for the introduction of rent controls in London. The London Mayoral Election has since been postponed to 2021. It therefore remains to be seen whether that will be the case.

### IRELAND

The Residential Tenancies Act 2004 (as amended) (the “RTA”) regulates levels of rent and rent reviews. The RTA imposes Rent Caps by requiring landlords to ensure that rent (both at the commencement of the tenancy and in any review) is not greater than the “market rent”, being the rent a “willing tenant” would pay and a “willing landlord” would accept (ignoring any pre-existing occupation). In addition, properties outside of designated “Rent Pressure Zones” (or “RPZs”) benefit from “rent certainty” measures, such that rents may only be revised once in any 24 month period. This measure will remain in place until 31 December 2021.

Restrictions on increases in rent were also introduced by the Planning and Development (Housing) and Residential Tenancies Act 2016 (which came into effect on 24 December 2016). As a result, increases in rents in designated RPZs are capped at 4% per annum applying a formula set out in the legislation. For rental properties located in RPZs, landlords may review the rent every 12 months. The rent cap rules apply to reviews of rent during the course of a tenancy and on the commencement of a new tenancy. Certain exceptions apply. In all cases, the rent on a rent review or on the grant of a new tenancy must not exceed the market rent.

In addition, the RTA imposes certain procedural requirements with respect to rent review for all residential tenancies.

In particular: (i) landlord's must give at least 90 days' written notice (in the prescribed form) of the rent review—which must state: (a) the amount of the revised rent and (b) the date that the revised rent will take effect; (ii) there is certain mandatory information that the landlord must include in its rent review notice, failing which it will be considered invalid. For example, among other things, the landlord must include a statement that in his or her opinion the new rent is not greater than the market rent, having regard to: (i) the other terms of the tenancy; and (ii) the letting values of dwellings of a “similar size, type and character to the dwelling that is the subject of the tenancy” and situated in a comparable area to that in which the dwelling is situated. Further still, the landlord must specify “the amount of rent sought” for three dwellings of a similar type, size and character and situated in a comparable area. For properties located in RPZs, landlords must also specify how the revised rent has been calculated using the rental cap formula set out in the legislation, and they are also required to notify the Residential Tenancies Board of revised rents.

By virtue of the Residential Tenancies (Amendment) Act 2019, the majority of the provisions in the RTA now apply to student accommodation, including the abovementioned measures on rent review restrictions and notices.

Finally, in respect of certain tenants who have been financially impacted by COVID-19, certain protections are in place which ensure they cannot be required to leave their accommodation due to rent being in arrears, or subject to rent increases, until January 2021.

## SPAIN

In Spain, the parties freely agree on the initial rent in tenancies. No Rent Caps apply, currently, to residential urban leases, save for limitations relating to protected or social housing rental schemes. That being said, residential leases are regulated in Spain under the Urban Lease Act, and in March 2019, the Spanish Central Government introduced certain measures designed to encourage Rent Moderation. These measures include: (i) once rent is agreed upon the commencement of the lease, rent reviews/updates must be agreed to expressly and can only be effective annually on each anniversary of the lease; (ii) the rent increase as a result of such updates cannot exceed the annual percentage of variation in the CPI

published at the time of each anniversary; and (iii) municipalities are entitled to establish up to a 95% discount on real estate tax on residential properties leased subject to a legal rent limitation.

The Spanish Central Government has the power to create specific reference indexes relating to the price of rental housing. Further, each region in Spain is entitled to create its own reference index as part of its own policies and public guidelines on residential housing. These indexes have yet to be approved but it is anticipated that they will replace the CPI as a reference for maximum rental increases. In addition, it is the intention of the Spanish government to submit to Parliament proposals for new legislation which would impose rent controls in areas where prices have experienced “exorbitant increases”. Therefore, greater rent control may be on the horizon.

The parties to the lease might agree that the tenant is required to pay “common expenses” of the building in which the property is located, i.e., in the form of a service charge. If the parties agree to annually review these “common expenses”, the percentage increase must not be more than double the percentage increase in the rent. Notably, where the landlord is a company, the minimum term of a residential lease is seven years. Where this period has elapsed (and neither party has served a termination notice), the lease will automatically extend for additional periods of one year up to a maximum of three years.

Finally, in accordance with an amendment to the General Urban Plan of Barcelona, for properties with a buildability (“*techo urbanístico*”) above 600 sq.m which are of new construction or subject to major refurbishment, developers are obliged to allocate 30% of the units as “social units”.

## SPAIN-CATALONIA

New legislation on rent controls came into force in Catalonia on 9 September 2020. For new lease agreements where: (a) the property constitutes permanent housing for the tenant; and (b) the property is situated in an area declared as “of difficult access to housing” Rent Caps will apply. The Rent Caps do not apply to certain dwellings, including those that have been leased prior to 1 January 1995. In addition, in relation to existing leases which comply with (a) and (b) above, the Rent

Caps will only apply in the event of an amendment to the rent or an extension of the lease term.

An area will qualify as “of difficult access to housing” where: (a) the price of housing rentals in the area is experiencing a sustained increase which is clearly higher than the average of the territory of Catalonia; (b) the average rent exceeds 30% of the usual household income or the average income of people under 35 years of age; or (c) in the five years prior to the declaration, there has been a year-on-year increase in rent at least 3% higher than the annual rate of the CPI for Catalonia.

Where this legislation applies, the initial rent agreed at the commencement of a new lease (or renewal lease) may not exceed: (a) the reference rental price for units with similar characteristics in the same urban environment, as reflected in the Price Reference Index (“PRI”); and (b) (provided the dwelling was leased during the five years prior to the entry into force of this legislation) the rent agreed in the last lease of the premises, increased in accordance with the “competitiveness guarantee index”, which is applied on an accumulated basis during the period between the execution of the former lease and the new lease. By way of exception, if a dwelling rented in the last five years is rented by a natural person who has an income equal to or less than 2.5 times the income adequacy indicator of Catalonia (including the rent), the amount of the rent in the last lease will be the cap and, only if the rent in the last lease is lower than the PRI, may the new rent be increased up to the PRI. Every offer to rent relevant premises must contain certain prescribed information including with respect to the application of the PRI. Rent of leases of new properties or of properties that have been subject to major renovations, may not be higher than the top margin of the PRI during the five years from the execution of the final works certificate. If landlords fail to comply they will be subject to varying levels of fines depending on the seriousness of the breach.

In addition to rent, the tenant might also agree to pay certain expenses for the property. Within one month from the end of the calendar year, the landlord must notify the tenant of the amount of actual expenses incurred during the previous year and, if the actual costs are less than those agreed and paid by the tenant, the landlord must return the balance to the tenant.

## PORTUGAL

According to the Civil Code, rent in “urban leases” (which includes residential leases) is determined by the parties when signing the lease; no Rent Caps are in place at either a local or central government level.

Once the rent is agreed at the outset, any rent review not provided for in the lease must be agreed upon expressly between the parties. If the parties have not agreed to rent review provisions in the lease, subsidiary provisions shall apply. In particular, only annual rent reviews will be permitted and these must not exceed the annual legal coefficient published by the Portuguese government each year.

In parallel the Portuguese government is implementing: (i) several affordable housing programs (though these are not mandatory and only applicable to the investors that wish to enter into such programs); and (ii) measures to encourage residential leases with longer terms by, for example, (a) restricting landlords’ ability to terminate leases; (b) implementing tax benefits where leases have longer terms; and (c) restricting short-term rentals in certain areas of Portugal.

## FRANCE

Pursuant to act n° 89 462 dated 6 July 1989 in France Rent Moderation measures apply to residential leases in certain designated densely populated areas. Upon renewal, the rent may not exceed the previous rent, except within the variation of the rent reference index.

These measures do not apply where: (i) the premises are not the residence of the tenant; (ii) the premises are not located in a designated densely populated area; (iii) the premises have been empty for more than 18 months before being rented again; and/or (iv) the landlord has completed improvement works less than six months prior to the renewal for an amount at least equal to the previous year’s rent. The landlord may also deviate from these measures if the initial rent was patently underestimated, or the landlord has implemented improvement works for an amount at least equal to half of the previous year’s rent.

Further to the ELAN Act n° 2018-1021, dated 23 November 2018, local authorities in densely populated areas may decide to enforce even stricter rent control measures in the form of Rent Caps whereby, in addition to the above, the rent (including the initial rent) may be capped at an amount ranging between 30% below and 20% above a predetermined “reference median rent”. Deviations may only apply for properties that offer exceptional features (for example, a garden in the heart of the city).

These stricter measures have been implemented in Paris from 1 July 2019, in Lille from 1 March 2020, and additional cities are contemplating following suit.

If the landlord does not comply with the Rent Moderation measures and stricter Rent Caps, the tenant is entitled to challenge the rent and the landlord may be subject to fines.

## GERMANY

While generally parties are free to agree to the initial rent when entering into a new lease, in 2015 (and as later amended in 2020) the German Civil Code introduced a “rent brake” (*Mietpreisbremse*). This rent brake does not apply automatically, but rather it entitles the government of a German state to issue a decree declaring that within a defined area, usually a bigger city, there is a “tense housing situation” (*angespannter Wohnungsmarkt*) for a maximum term of five years (such term must not end after 31 December 2025, if not extended). A “tense housing situation” might arise because, among other things: (i) the rent increase is significantly higher than in other parts of Germany; (ii) the average financial burden for a household caused by the rent is significantly higher than in other parts of Germany; (iii) the population grows faster than residential space can be built; or (iv) the vacancy rate is low, but the demand for residential space is high.

Where a new lease for residential space is concluded within an area with a “tense housing situation”, the following limitations apply: (a) rent must not be more than the higher of: (i) 10% higher than the customary comparative rent (i.e., the rent that is paid for residential space of comparable standard in the vicinity (“Comparative Rent”)) or (ii) subject to specific conditions, the level of rent in the previous lease; and (b) the rent must not be increased by more than 20% (or 15% in municipalities

where residential space is insufficient) over a period of three years (provided, in all circumstances, that the increased rent is not more than 10% higher than the Comparative Rent). In relation to furnished apartments, an additional amount in excess of the indicative rent may be permitted to reflect the use of the furniture. The limitations do not apply to residential space completed or substantially modernized after 1 October 2014. The rent brake does not apply to student housing.

## GERMANY-BERLIN

The Berlin Senate issued a decree declaring a “tense housing situation”, and the rent brake has applied in Berlin since 1 June 2015.

In addition to the rent brake, on 30 January 2020 the Parliament of the Federal State of Berlin adopted a law to impose a five-year rent freeze, as well as certain Rent Caps in respect of residential space (“Rent Cap Act”).

In summary, the Rent Cap Act provides as follows: (i) Rent Freeze: in respect of existing leases of residential space built before 1 January 2014, rent is frozen at the level of rent agreed between the parties as at 18 June 2019 (from which date the law is effective and the five-year period starts to run). In any event, it must not exceed the Maximum Rent (as defined below). (ii) Rent Caps: in respect of residential space built before 1 January 2014, which is let for the first time or re-let after 23 February 2020, Rent Caps will apply. The monthly maximum rent is fixed between EUR 3.92 and EUR 9.80 per square meter depending on (a) the year the property was built; (b) the standard of the residential space; and (c) for older buildings in particular, the availability of a bathroom and central heating (the “Maximum Rent”). Detailed calculations of the Rent Caps are set out in a rent table. If the contractual rent is less than the Maximum Rent, moderate annual increases are permitted as long as the Maximum Rent is not exceeded.

There are certain exceptions to the Rent Cap Act. For example, the Rent Cap Act does not apply to: (i) newly constructed buildings that were available to occupy on or after 1 January 2014; (ii) publicly subsidized residential space (including the publicly subsidized modernization of residential space); (iii) residential space that was or is uninhabitable and was not used for residential purposes, but has been restored after

1 January 2014; and (iv) rent increases in connection with certain modernizations due to statutory obligations. The Rent Cap Act also does not apply to “hostels” which arguably includes student hostels. The rent may also exceed the Maximum Rent in cases of economic hardship for the landlord, in particular if the Maximum Rent would cause certain losses to the landlord or threaten the substance of the residential space.

If a landlord breaches the Rent Cap Act, the authorities may impose a fine up to EUR 500,000. The Rent Cap Act is currently subject to challenge in the constitutional courts. Until a final decision is made, there will be a high degree of uncertainty for investors as well as tenants.

## THE NETHERLANDS

The rental housing market in the Netherlands is divided into social housing and private sector (nonsubsidized) housing. The rent liberalization threshold (*Huurliberalisatiegrens*) determines whether a property qualifies as social housing or private housing. The current threshold for social housing is a base rent of EUR 737.14 per month. If the rent exceeds this threshold, the property is considered private sector housing and the landlord will be free to set the rent with no statutory maximum.

Within 6 months after entering into a tenancy agreement a tenant can request the Rent Tribunal (*Huurcommissie*) to determine whether the rent is reasonable. The Rent Tribunal is an independent agency and the procedure is a form of alternative dispute resolution. The rental value of a property is determined on the basis of a points system whereby various aspects of the property (e.g., square meters, number of bathrooms) are taken into account. If the Rent Tribunal decides that the rent should be set below the rent liberalization threshold, it can reclassify the property as social housing and reduce the rent. If the Rent Tribunal decides that the rent of a property that is classified as social housing should in fact be higher than the rent liberalization threshold, the tenancy agreement will remain the same and no changes to the rent will be made.

In the private housing sector, rent is not regulated and thus freedom of contract is the main principle, with the following exceptions:

- The landlord can only increase the rent once every 12 months. Any increase of the rent before the end of this 12 months is only possible if the landlord made improvements to the property.
- An index clause (i.e., an annual increase on the basis of e.g., the CPI) is valid. If the tenancy agreement does not contain an index clause, a landlord can only increase the rent by offering the tenant a new tenancy agreement including the increased rent. If the tenant rejects this offer, the landlord may request the court to terminate the agreement. The court will only do so if it deems the proposed rent increase to be reasonable.

In connection with the COVID-19 crisis, the Dutch government implemented emergency legislation allowing temporary (fixed term) tenancy agreements ending between 1 April 2020 and 31 August 2020, to be extended until 1 November 2020. Two additional legislative proposals have also been put forward: (i) the first proposal gives landlords renting out social housing the option to lower the rent for a maximum of three years; and (ii) the second proposal would cap the rent increase in the private housing sector at the CPI + 1% per year.

## SWEDEN

The tenant's union generally represents tenants in rent negotiations. If rent negotiations are unsuccessful, the Rent and Tenancy Tribunal (“RTT”) will determine what initial rent is reasonable by reference to the property's “utility value”. To ensure that rents are aligned for comparable properties, the RTT will not consider the rent to be reasonable if it is significantly higher than the rent for premises of equivalent “utility value”. The utility value of residential flats/apartments is determined by reference to certain characteristics of equivalent property in the area, such as the size of the flat, as well as its modernity, construction, standard of repair and level of soundproofing.

The landlord of certain newly constructed residential flats/apartments has the right to negotiate a higher rent with the tenant's union which exceeds the “utility value” of the premises (“Presumption Rents”). A landlord is only entitled to do so if it first enters into a “bargaining agreement” with a tenant's union prior to entering into any lease. The landlord will provide information to the tenant's union, such as drawings, costs estimates, and calculations, to enable the union to assess whether



the proposed level of rent is reasonable. This will generally be the case if it provides costs coverage and reasonable returns on the landlord's investment. Presumption Rents are not used as a reference in the utility value framework.

Presumption Rents cannot be reduced by the RTT for a period of 15 years from when the first tenant received access to the premises. That being said, it is possible to reasonably adjust the Presumption Rent taking into account the general rent development in the area (including market rental increases or decreases), although it cannot be adjusted to reflect an improvement in the standard of the premises.

## POLAND

The initial rent for residential space can be freely negotiated between the parties of a residential lease. Nevertheless, certain rent moderation measures apply.

A rent increase is subject to the limitations under the Polish Residential Tenant Protection Act (the "Protection Act"). As a general rule these limitations do not apply to "occasional" leases (a special form of lease specified in the Protection Act). A landlord is allowed to increase the rent not more often than every six months; an increase in shorter intervals is not permitted (unless the increase relates to costs beyond the landlord's control, such as heating, energy, and water costs). Such a rent increase is implemented by the landlord, giving at least three-months' notice (the parties might agree a longer notice period in the lease). If the tenant does not agree with the rent increase it is entitled to refuse to accept it, in which case the lease ends at the end of the abovementioned notice period.

The abovementioned rent increase is subject to further limitations. As a general rule, a rent increase which does not exceed an amount of 3% of the restoration value of the residential space per year is permitted. The restoration value is determined by the authorities on the level of the *voivodeship* (province). The landlord is allowed to increase the rent by more than 3% of the restoration value if the landlord does not achieve rental revenues which allow for the maintenance of the residential space, as well as ensuring a return on the landlord's capital and making a profit. If the landlord proposes such an increase the tenant is entitled to request from the landlord an explanation for the increase and the details of the calculation.

Such explanation must be provided within 14 days from the tenant's request in writing. The tenant is also entitled to apply to the court to determine whether the proposed increase is justified (or if a different rate should apply). If the rent increase exceeds 3% of the restoration value of the residential space, the rent increase must not in any event exceed (i) 1.5% of the expenses for the construction or purchase of the residential space; or (ii) 10% of the costs for the modernization. Such an increase may include an adequate profit determined by the landlord.

## ITALY

Italian Law No. 431/1998 on residential property lease agreements (the "Fair Rent Law") allows the parties to freely determine the amount of initial rent, provided that the minimum mandatory duration of the residential lease is four years, with an automatic renewal for a further four-year period.

Certain Rent Moderation measures are in place. In terms of annual rent increases, the Fair Rent Law provides that, for the entire duration of the residential lease, these are not permitted to exceed the cap of 100% of the National Institute of Statistics ("ISTAT") index variation.

Pursuant to the Fair Rent Law, there are certain exceptions to the requirement for the lease to be automatically renewed after the first four-year period. In particular: (i) the tenant is always entitled not to renew the contract, as long as the tenant provides the landlord with six-months' prior notice where it chooses not to renew; and (ii) the landlord is entitled not to renew the contract under certain prescribed circumstances (and by giving six-months' prior notice to the tenant) including, for example, if the landlord intends to: (a) directly use the property; (b) complete reconstruction works to the building; or (c) sell the property.

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