



THE LAW AMENDING THE ATTORNEYSHIP LAW AND THE LAW OF OBLIGATIONS ENTERED INTO FORCE ON JUNE 11, 2022. A PROVISIONAL ARTICLE ADDED TO THE TURKISH LAW ON OBLIGATIONS ABOUT RESIDENTIAL LEASES.

Provisional Article 1 was added to the Turkish Code of Obligations No. 6098 with the 4th Article of the Law No. 7409 on the Amendment of the Turkish Code of Obligations and the Law on Attorneyship, which was published in the Official Gazette No. 31863, dated 11.06.2022.

In this note we have examined the important issues regarding the regulation made in terms of residential leases in accordance with the Provisional Article 1 added to the Turkish Code of Obligations No. 6098 ("TCO").

EXECUTIVE SUMMARY

(i) For residential rents, the limit of the rent increase rate to be applied in terms of rental periods renewed until 1 July 2023 shall not exceed 25% of the previous rental price.

(ii) If the rate of change in CPI according to 12-month averages is below 25% in terms of the renewed rental period, it is not 25%, but TCO m. In accordance with 344, the change rate will be applied based on the lower CPI 12-month averages.

(iii) This regulation only relates to residential rents, and Temporary Article 1 will not be applied to workplace rents. In terms of workplace rents, TCO m. 344 provision will continue to be applied.

(iv) Since the law has entered into force as of its publication, Temporary Article 1 will be applicable for lease agreements renewed between 11 June 2022 and 1 July 2023.

Provisional Article 1 added to the TCO

Article 344/1 of the TCO, which regulates the determination of the rental price for the residential leases and roofed workplaces, states that *“The agreements of the parties regarding the rental price to be applied in the renewed rental periods shall be valid, provided that it should not exceed the change rate according to the twelve-month averages in the consumer price index in the previous rental year. This rule also applies to lease agreements for more than one year”*. In this respect, the parties can determine the increase in the renewed rental periods according to the change rate of the CPI in the previous rental year according to the 12-month averages and can increase according to this rate. However, in the Law on Amending the Attorneyship Law and the TCO (“Law”) and the Temporary Article 1 added to the TCO, a limitation has been made for the residential leases.

“PROVISIONAL ARTICLE 1- In terms of residential leases, agreements regarding the rental price to be applied in renewed rental periods between the date of entry into force of this article and 1/7/2023 (including this date) are valid, provided that it does not exceed twenty-five percent of the rental price of the previous rental year. If the rate of change in the consumer price index of the previous rental year is below twenty-five percent compared to the twelve-month averages, the rate of change is valid. This rule also applies to lease agreements for more than one year. Contracts made to exceed these rates are invalid in terms of excess amount. The provision of this paragraph is also applied for the decisions to be made by the judge pursuant to the second paragraph of Article 344.”

Pursuant to the aforementioned regulation, the rate of increase in rents in renewed rental periods in terms of residential leases is limited to 25%. In this context, the limit of the rent increase rate to be applied in terms of renewed rental periods until 1 July 2023 will not exceed 25% of the previous rental price. Of course, in accordance with the article 344, the lower change rate will be applied according to the 12-month averages of the CPI, if the rate of change in CPI compared to 12-month averages in terms of renewed rental period remains below 25%. Below is an example to better explain the above;

A lease agreement was signed by the parties on 1 June 2019. The lease contract is automatically renewed for periods of one year. Let's assume that as of June 1, 2021, the rental price is 10.000 TL per month. On 1 June 2022, the parties increased the rental price by 39.33%, which is the change rate compared to the 12-month averages of the previous year's CPI, and the rental price in the renewed rental period became 13,933 TL per month. In this case, the parties will pay 13,933 TL per month until 31 May 2023. On 1 June 2023, they will determine the new rent amount as 17,416,25 TL per month by increasing this amount by 25% and they will pay this rent until 31 May 2024. However, if the change rate is lower than 25% compared to the 12-month averages of the previous year's CPI announced on 1 June 2023, an increase will be made over the lower rate. It is also clearly regulated that the increases made above the 25 percent rate announced by the Temporary Article 1 will be invalid.

One of the most important issues regarding the relevant regulation is that it finds an area of application only in terms of residential leases and therefore Temporary Article 1 will not be applied to workplace leases. In terms of workplace leases, the provision of article 344 will continue to be applied and the rent increases will be valid provided that they do not exceed the change rate according to the CPI 12-month averages.

Its enforcement was regulated by Article 5 of the Law and it was stated that the Law entered into force as of its publication. In this context, in lease agreements renewed between 11 June 2022 and 1 July 2023, the rental prices will not exceed twenty-five percent of the rental price of the previous rental year, otherwise it will be invalid in terms of the previous rental year.

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