

French leaseback: duration of the lease / revision of the rent

If you are purchasing a French property under a leaseback scheme, you should bear in mind that the duration of the lease and the revision of the rent are subject to very strict rules (despite what developers say...).

1- duration of the lease

Subject to the provisions of the decree of 30 September 1953, the lease should be granted for a minimum of 9 years. At the end of the 9-year period the lease is automatically renewed for a further 9 years. The only way to terminate the renewal process is to pay compensation to the tenant (corresponding to his commercial loss).

2 – revision of the rent

The revision is also strictly controlled. Unless agreed by the parties, the revision can only be requested before the Tribunal de Commerce once every three years. In the case of a 9-year lease, the amount of the rent increase will be limited according to the index of the construction costs and the index is fixed by a governmental institution, the so-called “ceiling”.

If the lease is for a period of over 9 years, the ceiling rule will not apply and the tribunal will determine the rent in accordance with the average rent in the area where the property is situated.

These two rules should be kept in mind if a short-term investment is intended.

For further details and assistance, please contact

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January 2006