

Statutory Provisions Regulating the Relationship between the Lessor and the Lessee

Royal Decree No. M/73

Date: 2/4/1447H

With the help of Allah Almighty,

We, Salman bin Abdulaziz Al Saud,

King of the Kingdom of Saudi Arabia

Based on Article 70 of the Basic Law of Governance, issued by Royal Order No. A/90 dated 27/8/1412H;

Based on Article 20 of the Law of the Council of Ministers, issued by Royal Order No. A/13 dated 3/3/1414H;

Based on Article 18 of the Law of the Shura Council, issued by Royal Order No. A/91 dated 27/8/1412H;

Upon perusal of Shura Council Resolution No. 8/1, dated 22/3/1447H;

Upon perusal of Council of Ministers Resolution No. 226, dated 24/3/1447H;

We hereby decree as follows:

First: Approval of the Statutory Provisions Regulating the Relationship between the Lessor and the Lessee, in the form attached.

Second: His Royal Highness the Prime Minister, the ministers, and heads of the independent relevant agencies, each within their jurisdiction, shall implement this Decree.

Salman bin Abdulaziz Al Saud

Council of Ministers Resolution No. 226

Date: 24/3/1447H

The Council of Ministers,

Upon perusal of Communication No. 23074, dated 22/3/1447H, received from the Royal Court which includes Telegram No. 6248, dated 18/3/1447H, of the Secretariat of the Council of Economic and Development Affairs regarding the draft Statutory

Provisions Regulating the Relationship between the Lessor and the Lessee;

Upon perusal of the aforementioned draft Statutory Provisions;

Upon perusal of the Real Estate Brokerage Law, issued by Royal Decree No. M/130 dated 30/11/1443H;

Upon perusal of the Civil Transactions Law, issued by Royal Decree No. M/191, dated 29/11/1444H;

Upon perusal of Council of Ministers Resolutions No. 405, dated 22/9/1437H, No. 292 dated 16/5/1438H, and No. 94, dated 11/2/1439H;

Upon perusal of Memoranda No. 1112, dated 19/3/1447H, and No. 1155, dated 23/3/1447H, prepared at the Bureau of Experts at the Council of Ministers;

Upon perusal of Minutes No. 452/47/M, dated 18/3/1447H, prepared at the Council of Economic and Development Affairs;

Upon review of Shura Council Resolution No. 8/1, dated 22/3/1447H;

Upon perusal of Recommendation No. 3101, dated 23/3/1447H, of the General Committee of the Council of Ministers;

Resolves:

Approval of the Statutory Provisions Regulating the Relationship between the Lessor and the Lessee, in the form attached.

A draft Royal Decree has been prepared to this effect, its form attached herein.

Prime Minister

Statutory Provisions Regulating the Relationship Between the Lessor and the Lessee

First: For the purposes of implementing these Provisions, the following terms shall have the meanings assigned thereto:

- 1. Real Property:** All buildings and lands located within the urban boundary, used for residential or commercial purposes, or both.
- 2. Total Rent:** The rent of the real property and any other monetary amounts paid by the lessee to the lessor pursuant to the lease contract.

3. Authority: Real Estate General Authority.

Second:

1. The lessor may not increase the amount of the total rent in lease contracts in force upon the entry into force of these provisions or concluded after their entry into force.
2. If a vacant real property has previously been leased, the amount of its total rent must not exceed the amount of the total rent in the most recent lease contract.
3. The amount of the total rent for a real property that has not previously been leased shall be calculated as agreed between the lessor and the lessee.

Third:

1. The lessor shall have the right to object to the amount of the total rent determined based on Clause (Second)(2) of these Provisions, in any of the following cases:
 - a) If the real property has undergone essential structural or foundational restoration works that affected the amount of its total rent.
 - b) If the most recent lease contract of the real property was concluded before 2024.
 - c) Any other cases decided by the Board of Directors of the Authority.
2. The objection shall be submitted to the Authority and decided in accordance with the controls and mechanisms set by the Board of Directors of the Authority.

Fourth: If the lessee wishes to renew the lease contract, the lessor may not refuse renewal and obligate the lessee to vacate the real property except in the following cases:

1. Failure of the lessee to pay.
2. The existence of structural defects in the real property that affect its safety and the safety of its occupants, according to a technical report approved by the competent government authority.
3. The lessor's desire to recover possession of the residential real property for personal use or for use by a first-degree relative.
4. Any other cases decided by the Board of Directors of the Authority, in accordance with the controls and criteria set thereby.

Fifth: Application of Clauses (Second), (Third), and (Fourth) of these Provisions shall end upon the lapse of five years from the date of their entry into force.

Sixth:

1. Application of Clauses (Second), (Third), (Fourth), and (Fifth) of these Provisions shall be limited to real properties in the city of Riyadh.

2. Pursuant to a decision of the Board of Directors of the Authority, following the approval of the Council of Economic and Development Affairs, Clauses (Second), (Third), (Fourth), and (Fifth) of these Provisions may be applied to all, or parts, of other cities, counties, and townships, based on the determinants, indicators, and criteria referred to in paragraph (3) of this Clause.

3. The ministerial committee formed by Council of Ministers Resolution No. 94, dated 11/2/1439H, shall develop the determinants and indicators for the activation, suspension, and escalation of Clause (Second), (Third), (Fourth), and (Fifth) of these Provisions, determine the criteria to be followed when updating such determinants and indicators, and submit its findings to the Council of Economic and Development Affairs within 90 days from the date of entry into force of these Provisions for approval.

Seventh: Subject to Clause (First) of Council of Ministers Resolutions No. 405, dated 22/9/1437H, and No. 292, dated 16/5/1438H, the lessor must, in a lease contract not registered in the electronic network for lease services (Ejar), apply to register the contract in Ejar. The lessee may request registration of the contract in Ejar. The other party may object to the contract data before the Authority within 60 days from the date of notification of the registration. If such period lapses without objection, the contract data shall be deemed correct.

Eighth:

1. Without prejudice to Clause (Fourth) of these Provisions, the lease contract shall be automatically renewed unless either party notifies the other party of intention not to renew it at least 60 days before the end date of the term of the contract, except for the following cases:

a. Fixed-term contracts for which 90 days or less remained of their term upon entry into force of these Provisions.

b. Contracts that the parties agree to terminate by mutual consent after the lapse of the deadline specified for submitting the notice of intention not to renew.

2. The Authority may increase the period provided for in paragraph (1) of this Clause in the standard form contracts in a manner consistent with the term and type of lease contract.

Ninth:

1. Any person who violates Clause (Second), (Fourth), and (Seventh) of these Provisions shall be subject to a fine not exceeding the amount of the total rent for 12 months for the real property that is the subject matter of the contract, and correction of the violation in accordance with controls set by the Board of Directors of the Authority, without prejudice to the right of the aggrieved party to claim compensation.

2. The Board of Directors of the Authority shall issue a schedule of violations of Clause (Second), (Fourth), and (Seventh) of these Provisions and the corresponding fines, in accordance with the maximum provided for in paragraph (1) of this Clause. In determining the amount of the fine, the gravity of the violation and its circumstances shall be considered.

Tenth: The committees formed based on Article 20 of the Real Estate Brokerage Law, issued by Royal Decree No. M/130 dated 30/11/1443H, shall review violations of Clause (Second), (Fourth), and (Seventh) of these Provisions, as provided for in said Article, and impose the fines referred to in Clause (Ninth) of these Provisions. The Chief Executive Officer of the Authority shall determine the remuneration for the members of such committees, upon agreement with the Ministry of Finance.

Eleventh: An incentive reward, the percentage of which not exceeding 20% of the collected fine for any violation of Clause (Second), (Fourth), and (Seventh) of these Provisions, shall be granted to any person who reports such violation, from among persons not tasked with applying the provisions of such Clauses, if the person provides information that led to the issuance of a final decision establishing the violation. The Board of Directors of the Authority shall establish the procedures necessary for reporting violations, the controls for disbursing rewards, and the mechanism for allocating the reward in case of multiple reporters.

Twelfth:

1. In matters for which no special provision is provided for in these Provisions, the provisions of the Civil Transactions Law, issued by Royal Decree No. M/191 dated 29/11/1444H, shall apply.

2. The Council of Ministers may amend these Provisions pursuant to a recommendation from the Council of Economic and Development Affairs, in light of reports submitted by the Authority regarding the challenges and difficulties it encountered in the course of implementing these Provisions, in a manner that does not conflict with applicable laws.