

Some Aspects of Determining Rent Prices

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Along with the purchase of land, no less important is the question of rent prices. Today land is most commonly used through leasing.

The size of the rent payment is a significant term in an agreement and depends on a number of various factors.

Issues about land rents are regulated by land and civil legislations of the federal government, by various government authorities that are the subjects of the federal government, and by local governments.

Rental rates for government and municipal land are officially regulated.

For this reason, the rent of such facilities should be determined by taking into account applicable laws that regulate rental rates on the conditions stipulated in the lease contract.

Since rents are regulated, the parties are obligated to follow the prescribed rent for land that belongs to the state or municipality, and the rent amount is not subject to change.

In connection with this, the typical legal practice comes from the fact that regardless of the mechanism that exists to change the amount of rent, it can change with new regulations; mandatory changes to the contract are not required.

By itself, the adoption by the authorized bodies of new regulations that have established different amounts and a system of payments for land belonging to the state or municipality is a sufficient reason for the lessee to be obliged to make payments under the new rates.

In this case we are talking about the current land tenant, bearing in mind the so-called "original" tenant, or that tenant who first concluded the lease directly with the landlord.

But now there is a widespread practice to transfer rights and obligations of land owned by the state or municipality to another party. Signing a new lease agreement between the new tenant and the landlord is not necessary. The transfer of the lease is performed without the consent of the owner whose land is the subject of the transaction.

Certain questions arise concerning the amount of rent that the new tenant must pay.

The example of cases in the Moscow region shows that this can be a rather complicated question.

The Moscow region's law on regulation of land relations in the region defines the formula used to calculate rates of renting land and shows that the rate of rent in the region is formed by five components. Changing any one of these components changes the amount of rent.

On the grounds that the rights and obligations are transferred from the original tenant to a new tenant, landlords demand that the new tenant make rent payments at the rates established by regulations for the category of the original tenant.

In other regions, rental rates for private citizens are lower than for companies. For this reason, new tenants have deemed the demands of landlords unfair and unlawful, and they turned to us to help with this problem.

We have analyzed all the terms of the lease, taking into account additional agreements, amendments, contracts and concessions, and in accordance with federal and provincial legislation concluded that the requirements presented to the new tenants by the landlords are unreasonable.

We also came to the conclusion that the transfer of rights and obligations of a lease to a new tenant from the original tenant does not obligate the new tenant to pay rent at the rate established by the original tenant.

The courts have agreed with our position and found the claims brought against the tenants to be unfounded. This decision has now come into legal force.

This example confirms the fact that there are some difficulties in determining rental rates and, in order to determine the correct rate, it is necessary to not only properly know and apply the law and jurisprudence but also carefully study all the conditions of land lease contracts and concession rights.

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