

RENT INCREASE LIMIT OF 25% IN RESIDENTIAL LEASES IS ABOLISHED

With the provisional article introduced to Turkish Code of Obligations No. 6098, the annual rate of increase in rent for residential leases, where the rent is determined in Turkish lira, was capped at a maximum of 25% until 1 July 2023, application of which was later extended until 1 July 2024. As no new regulation has been enacted to extend the application of such practice for the period after 1 July 2024, the 25% limit is no longer applicable. The following issues should be considered by the tenants and landlords regarding rent increases in the upcoming period:

1. The CPI rate will be applied as the maximum limit for rent increases.

After 1 July 2024, the provisions, which are applied prior to the enactment of provisional articles regarding the maximum increase rate, will continue to be applied and parties will be able to annually increase the rents determined in Turkish lira by the Consumer Price Index (the "**CPI**") at most pursuant to the Turkish Code of Obligations. As CPI rate, "the rate of change in the CPI in the previous lease year according to the twelve-months' averages" announced by the Turkish Statistical Institute will be taken into account.

The CPI rate should not be considered as the rate that must be applied for the rent increases. The CPI rate is only a maximum limit imposed by the law. If another increase rate has been agreed by the parties which does not exceed the CPI rate for the relevant period, this rate will be applied. However, if the rate of increase agreed by the parties is higher than the CPI rate, the rent will be increased based on the CPI rate, which is the maximum limit for rent increases.

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2. **No additional rent increase can be made before the completion of the lease year for residential leases for which the new lease period started before 1 July 2024**

In residential leases for which the new lease period started on or before 1 July 2024, no additional increase in the rent can be made before the completion of the relevant lease year if a rent increase has already been made in accordance with the maximum limit of 25%. In such cases, landlords must wait for the next lease period to implement another increase in the rent.

For lease agreements for which the new lease period starts after 1 July 2024, the rent increase rate agreed by the parties will be applied, subject to the maximum limit of the CPI rate.

3. **Workplace Leases and Rents Determined in Foreign Currency**

The 25% maximum limit for the rent increase rates was introduced only for residential leases where the rent is determined in Turkish lira. During the period before 1 July 2024, the maximum limit for the rent increase for roofed workplace leases was the CPI rate. In both residential and roofed workplace leases where the rent is determined in foreign currency, no increase in the rent could be made until the end of five years from the commencement of the lease. These principles will continue to be applied in the period after 1 July 2024, as there has been no amendment in the legislation regarding roofed workplace leases and leases where the rent is determined in foreign currency.

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