

SUBJECT: Renting an Apartment

BY: Russell D. Mayer, Adv.

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When you consider establishing your foothold in Israel, you will likely be confronted with the some of the following issues to consider regarding real estate: (a) whether to purchase or rent, (b) the location of the property you would consider, (c) whether to acquire an interest for investment purposes or for your own residence, (d) whether to finance or not, (e) olim rights and (f) tax ramifications of your decision. In this article we will briefly address some of the aspects of renting residential property.

There are three individuals with whom you will likely be involved in selecting your rental property: (a) a real estate broker, (b) lawyer and (c) engineer. The fees for the real estate broker are payable by the party with whom they contracted and is usually in an amount equal to a month's rent plus Value Added Tax (VAT) which is currently at the rate of 17%. Lawyer's fees in rental transactions are also usually in an amount equal to a month's rent plus VAT. Engineers typically charge fixed amounts (unrelated to the amount of rent). While it is not crucial that you have an engineer inspect the apartment before you sign the lease, they often discover defects which prospective renters do not notice.

Common provisions in residential leases in Israel

- details of the landlord and tenant – make certain that they are correct and that the prospective landlord has the right to enter into a lease for the property
- confirmation of it not being a protected tenancy (שירות בלתי מוגנת) – (e.g. rent controlled apartments in NYC)
- clear identification of the property including address, any apartment number if applicable, floor number, number of rooms, storage areas, yard, parking rights
- contents included in the lease (furnishings, appliances, electronics, phone line, internet, cable)
- warranty from landlord that they have and are conveying exclusive, unencumbered use of the premises
- term of the lease, amount of rent (currency for calculation, method of determining – e.g. linked to Dollar, COL and means of payment)
- use of premises
- declaration as to the condition of the apartment – what repairs are incumbent upon the landlord/tenant's waiver of defects (make sure it states other than hidden defects)
- duty of care/maintenance – incumbent on tenant/landlord
- duty to repair/paint – if relevant – caution if tenant expected to paint at end of lease

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- insurance obligation? What insurance and who provides it
- what additional payments required of tenant (e.g. Arnona, utilities, internet, phone)
- other obligations of tenant/landlord
- option(s) to extend – terms/rent amount in option term(s)
- option to purchase – registration requirement (consult with your lawyer)
- right of sublet? Assignment? Early termination (mutual?)
- security/collateral/promissory note/guarantees – when the collateral must be released
- penalties for late vacation/holding over
- requirement to return the apartment in same condition as at commencement of lease – be certain that it states “other than reasonable wear and tear”

Some issues for consideration:

- (i) your lawyer should make certain that the lease reflects your expectations such as whether you will have access to a storage room/area (known in Hebrew as a “machsán”), a parking space and a yard – if applicable. That which is not reflected in the lease will be difficult if not impossible to prove after you sign (and may cost you extra if you come to the realization after the lease is signed (“oh, you intended for the storage room to be available to you? That will cost you another X per month”);
- (ii) your lawyer should review with you and try to negotiate on your behalf the terms of collateral which you will likely be required to provide (e.g. promissory note (*shtar chov*), guarantors, checks to utilities);
- (iii) you/your lawyer should negotiate payment terms (e.g. how many installments, post-dated checks, linked to what currency);
- (iv) before signing, you should turn on faucets to see if water pressure is adequate, that water drains quickly and that the faucets do not drip;
- (v) you or your engineer should look in corners on the ceiling for signs of *retivut* (seepage);
- (vi) if possible, check to see if the current occupants overload the electrical system (ask them if the lines are adequate);
- (vii) ask current occupants about noise from neighbors (or neighbors’ sensitivity to noise from the apartment);
- (viii) see if the home requires painting. you should discuss with your lawyer whether you expect the apartment to be painted before you move in and whether you are prepared to paint when you vacate – often an issue in lease negotiations;
- (ix) make a list of any items that you wish to ensure are in the premises when you move in – those items and their condition should be noted in the lease. Local practice considers a lease to include the walls and little else – appliances are not automatically included (not even an oven or fridge let alone washer and dryer) nor furnishings nor even light fixtures, etc.;



- (x) if you expect the landlord to supply you with a telephone line you should ask your lawyer to make certain that it is reflected in the lease;
- (xi) verify and record the readings on the gas, electricity and water meters before the term of your lease begins (similarly, when you vacate the premises).

Putting down roots in Israel through acquiring an interest in a home, whether for investment, rental or purchase, is one of the most satisfying and meaningful ways of showing your commitment with the home of the Jewish people in the State of Israel.

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*This article is not to be considered as a legal opinion.
For legal advice, we suggest that you contact legal counsel directly.*

R.D.M

RUSSELL D. MAYER is senior partner at the Jerusalem-based law firm of **Livnat, Mayer & Co.** (www.LMF.co.il). If you have any comments or questions with respect to this article, please contact Russell at mayer@LMF.co.il

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