



SUBJECT: Fair Rental Law

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On July 17, 2017, the Knesset approved the new Fair Rental Law (the “Law”) which is to become effective 60 days after its publication in Reshumot. The Law contains many of the provisions which are generally addressed by lawyers involved in the process of preparing/reviewing leases, adds protections which did not previously apply by default but did not address one of the most frustrating issues for tenants – limitation on increases in rent.

Following is a very general summary of some of the highlights of the new Law:

- The landlord is required to deliver possession of the rental to the tenant pursuant to the terms agreed upon between the parties and the landlord must notify the tenant at or before the time of signing the lease of any non-conformance (e.g. dampness in walls/*ritivut*) in the premises or its environs;
- Non-conformance cannot be claimed by the tenant under various circumstances (e.g. if the tenant was aware of the non-conformance at the time that s/he entered into the lease);
- Possession is to be delivered free of third party rights which would interfere with the tenant’s possession of the premises;
- Any provision of a lease which constitutes a waiver of the landlord’s liability for non-conformance, is void if the landlord knew or should have known of the non-conformance at the time of entering into the lease or delivery of possession if the landlord did not notify the tenant of same;
- If the tenant demands a repair of a defect or non-conformance in the premises and the landlord shall not have made such repair within a reasonable period of time, the tenant may make such repair and require the landlord to reimburse him or reduce the rent until such repair is made based upon a proportionate share of the damage/non-conformance to the premises as a whole; if the defect or non-conformance is urgent, the tenant is not required to wait a reasonable period of time;
- The tenant may not make changes to the premises without first receiving the consent of the landlord;
- If the tenant continues in possession after the end of the lease and if the parties shall not have agreed to the term of the ongoing period, either party may terminate the lease upon giving reasonable advance notice to the other;

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- At the end of the lease term the tenant must return possession of the premises to the landlord vacant of any person or item other than items belonging to the landlord;
- If the tenant made changes in the premises with the consent of the landlord, the tenant may choose to leave the premises as is after the approved changes without compensation to the tenant or to undo the changes; If the tenant made changes not approved by the landlord, the landlord may demand that the changes be undone on the account of the tenant;
- A lease may not be assigned nor a sublet entered into without the landlord's prior, written consent provided that if the consent is unreasonably withheld, it can be done without having received the landlord's approval [RDM comment: what is considered to be "unreasonable" will likely be a source of dispute];
- The Law provides that a lease is breached (and, therefore, may be cancelled) if the residential unit subject to the lease is uninhabitable. For these purposes, the Law sets forth the conditions which would make an apartment uninhabitable including: lack of sewage connection, lack of electrical/lighting system, lack of natural ventilation and doors and windows which can close off that access as well as a lockable front door, lack of drinkable water system, does not have a separation between the toilet and rest of the apartment and if it constitutes an unreasonable risk to the safety and health of the tenant;
- A lease for a residential unit should be in writing and signed by the parties but the lack of the formalities does not, necessarily, indicate that a lease does not exist – the Law provides a list of the contents which should be included in a written lease;
- Unless the parties agree to the contrary, the tenant is responsible for repairing damage in the apartment including defects, which are caused by use which is not reasonable by the tenant. The landlord is responsible to make other repairs which have significant cost within 30 days of receiving notice from the tenant provided that urgent repairs (which would make the apartment reasonably unlivable) must be made within a reasonable period of time but in any case within 3 days from receipt of notice;
- The Law sets forth payments which are the responsibility of the tenant (e.g. Arnona, utilities) and those which are not (e.g. such as structural insurance, taxes which fall upon owners);
- Among other things, a tenant is not responsible to pay broker's fees to a broker if the broker acted on behalf of the landlord;
- The security which a landlord may require and which imposes a financial burden on the tenant, may not exceed the lower of one-third the rent for the entire term of the lease or 3 months' rent. The conditions pursuant to which the landlord may access the security are also set forth (e.g. non-payment of rent, failure to make required repairs);
- The landlord must notify the tenant a reasonable period of time before the end of the lease if the landlord is interested in extending the term of the lease and, if so, on what terms. If the landlord has the option whether to offer an extension, the landlord must notify the tenant of his decision not less than 90 days before the end of the lease term – if the tenant



has the option to extend, the tenant must notify the landlord at least 60 days before the end of the lease term if the tenant intends to exercise the option;

- The landlord may only have the right to cancel in the absence of default by the tenant, if the tenant has the same right – if the rights exist then the landlord must give 90 days; advance notice if it wishes to cancel and the tenant must give at least 60 days' notice.

As the Law is new and has not yet even become effective, there will no doubt be much uncertainty including among legal practitioners. We also note that this summary of the Law is quite basic and there are numerous conditions and additional provisions which are important in one's understanding of rights and obligations under the new provisions. This memorandum is not a legal opinion and is intended for the general information of the reader. You should not rely upon this summary as being definitive and are advised to consult with your own lawyer to interpret the provisions of the Law.

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