



Documents Check List:

Finished Apartment, Office, or Retail Unit

The seller should prepare a recent Property Certificate (Ifada Iqariya) to show the buyer that there are no legal or financial claims on the property (such as pending lawsuits, unpaid taxes, alignment regulations, or new zoning regulations).

Sanad Tamlik describes the property and defines its ownership. After signing the sale contract, it is the buyer's responsibility to obtain an official Rental Valuation (Qima Ta'jiriya) from the Ministry of Finance.

- Ownership or Title Deed (Sanad Tamlik)
- Unit Property Certificate (Ifada Iqariya lil Qism)
- Property Certificate for the common areas (Ifada Iqariya lil Aqsam al Mushtaraka)
- Allotment Map (Kharitat Ifraz)
- Survey Map (Kharitat Masaha)
- Building's Ownership Regulations (Nizam Melkiyeh)

1. What are the main differences between real estate law in your jurisdiction and other major jurisdictions?

The main difference between the real estate law in Lebanon and other jurisdictions pertains to the rights of acquisition of real estate properties in Lebanon. In a brief summary of such prominent difference, the Legislative Decree No. 11614, dated January 4, 1969 concerning real estate acquisition by non-Lebanese stipulated:

1. Foreigners (non-Arabs) must receive the approval of the Council of Ministers before the acquisition of real estate and,
2. Arab nationals may acquire up to 5000 sq m of real estate without seeking prior approval.

However after promulgation of the amendment of the aforesaid law through Law No. 296 of April 3, 2001, the legal terms for the acquisition of foreigners is regulated as follows:

A. The rule:

All non-Lebanese persons, whether legal or natural persons, and Lebanese legal persons considered by the Law as non-Lebanese as defined by Article 2 (at least one share owned by a non-Lebanese), willing to acquire any real estate right in Lebanon are required to obtain a license granted by decree from the Council of Ministers upon proposal of the Minister of Finance.

B. Exception:

There are some cases that do not require a license notably the acquisition by non-Lebanese naturals, legal persons and Lebanese legal persons considered by the Law as non-Lebanese of built property or property set for building, of a maximum of 3.000 sq m throughout the Lebanese Territory.

C. Limitations:

1. It is forbidden to license non-Lebanese naturals and legal persons and Lebanese legal persons considered by the Law as non-Lebanese to acquire more than 3% of the total surface of Lebanon, providing that it would not exceed 3% of the surface of each department, or 10% of Beirut, where they are allowed to acquire up to 10% of its surface.
2. In the following two cases, the rule is only applicable to 50% of the area owned:
 - a) Partnerships or Limited Liability Companies, in cases where more than 50% of the parts are held by Lebanese partners or fully Lebanese-owned companies whose statutes prohibits the transfer of shares to non-Lebanese,
 - b) Joint Stock Companies or Limited Partnerships by Shares, where more than 50% of shares are held by Lebanese partners or by fully Lebanese-owned companies whose statutes prohibits the transfer of shares to non-Lebanese.

2. Are there any jurisdictional differences between things operate in freezones and secondary jurisdictions?

Free zones are not applicable in Lebanon as the country is not regionally and geographically divided into zones having different jurisdictions.

3. What are the key stages in the conveyancing process?

The conveyance process has many stages of which differ depending on whether the subject at matter is an apartment or a piece of land. The foresaid key stages for the conveyance of an apartment are:

- 1- Obtaining a rental value from the ministry of finance.
- 2- Obtaining a swabbed sale contract from the notary public.
- 3- Obtaining a title deed.
- 4- Head to the real estate department where the transfer process occurs after the payment of the property registration fee.

However, the key stages for the conveyance of a piece of land slightly differ from the above in the following:

- 1- Instead of obtaining a rental value, one must obtain a statement of contents from the municipality where the land is located.
- 2- One must obtain a swabbed sale contract from the notary public.
- 3- One must obtain a title deed.
- 4- One must obtain a map location of the property.

5- Head to the real estate department where the transfer process occurs after the payment of the property registration fee.

4. What is the key documentation required in the conveyancing process?

As mentioned above the key documentation required in the conveyance process are:

- 1- Rental Value.
- 2- Swabbed sale contract.
- 3- Title deed.
- 4- Location map of the property.
- 5- Statement of contents.

5. Are there specific factors for a foreign investor to be aware of?

Foreign ownership in Lebanon is governed by the Legislative Decree Number 11614 dated January 4, 1969 in addition to its subsequent amendment (296/2001). The ownership of real estate property in Lebanon by foreigners is subject to the below principles:

- A foreign person/individual Lebanese entity deemed as foreign can own up to 3000 square meters of land in aggregate (including built property) without prior permit or authorization. Spouses and minor descendants are considered as one individual. The acquisition above 3000 square meters requires an approval of the Lebanese Council of Ministers. The Council issues a decree in that respect. The

foreigners are granted one year to purchase and register the property. After such period the license shall be cancelled.

· For foreigners aiming to complete business projects, such projects should be completed in five years renewable for one time only. Real estate and properties owned by foreigners cannot exceed the following limits:

- 3% of the total surface of the Lebanese Territory.
- 3% of the total surface of a particular regional sector (caza).
- Within Beirut, 10% of its total surface.

6. How would repatriation of capital work for a foreign investor?

Lebanon's liberal investment policies are designed to attract foreign direct investment to foster economic recovery and rebuild its civil war damaged infrastructure. In addition to limiting the maximum income tax rate to 10% for foreign investors, the movement of funds in and out of Lebanon is free from taxes, fees, or restrictions. Lebanon also has bilateral trade investment agreements with China and a number of European, East European, and Arab countries.

To conserve cash, the government uses "build, operate, and transfer" (BOT) agreements to finance major projects. In 1997 total foreign direct investment (FDI) totaled USD 150 million. By 2000 this had nearly doubled to USD 297.8 million. Lebanon allows full repatriation of capital, profits and dividends. There are no restrictions on the inflow and outflow of funds as long as they are justified.

7. Are there any types of property transaction only a national or specific type of person can be involved in?

There are no specific types of property transaction only a national can be involved in, however a national can assign another person to handle his property transactions through an authenticated proxy from the notary.

8. What specific liabilities can impact a property owner?

An ownership of a property comes with certain liabilities obliging the landlord to comply to it. Therefore the landlord must pay the due fees whether to the ministry of finance or to the municipality where the land is located.

9. Are there any specific environmental or health and safety legislation a property owner needs to be aware of?

The property owner is entitled to a full discretion regarding his property, however this should be according to the laws and regulations, where regarding certain actions it is mandatory for an owner to obtain a license or a permit and especially if it related to environmental or health and safety, for example: demolition of buildings, cutting down trees, construction ...etc.

10. Do covenants get put on properties - what are the typical types and why?

Restrictive covenants are imposed by a real estate property seller to prevent the buyer from using or developing the land in such a way that could be damaging the surrounding lands.

In Lebanon, such covenants are not required or stated under the real estate laws however there are no legal provisions prohibiting such restrictions. Therefore, the covenants can be subject to the mutual consent of the buyer and the seller (contractual freedom) and shall be regulated by the Lebanese Code of Obligations and Contracts.

11. What liabilities can be passed on from one owner to a subsequent owner?

The purchase of a property not only provides the transaction of the land to the subsequent owner but also the covenants and liabilities get passed on as well, for example all references on the property's record shall be passed on with no exclusions.

12. How does the law over boundary disputes work?

If there are any boundary disputes between two neighboring property owners, the claiming owner can file a lawsuit at the real estate court where the properties are located requesting the appointment of a surveyor expert. After the surveyor expert prepares the report containing a details survey of the properties and its boundaries, it is presented to the judge. However the surveyor expert's report is not binding to the judge where he has the discretionary authority in such cases, but most of the time the judge sentences according to the report.

13. How does the law governing title disputes work?

The law governing title dispute is the real estate property law, the claiming owner can file a lawsuit at the real estate civil court where the property is located and go through the court procedures and present the supporting documents in order to reach a verdict.

14. Which courts cover property disputes and what remedies can be sought?

The same procedure as the above answer.

15. Are there any specific taxes impacting property purchase, ownership or sale?

Properties that are not built however registered to its owners name in the land registry according to the Lebanese law, are not subject to any tax as long as it is not used for industrial or commercial purposes.

During the purchase of a property, the buyer is subjected to the payment of a fee in order to finalize the property transfer and registry to his name amounting to around 6% of the value of the deal.

16. What features must a valid property contract have?

There are several kinds of property contracts which must have certain features to be considered valid.

The property contract types are: sale, rent, endowment, insurance, mortgage, and waiver.

All above mentioned contracts must state the name of the property owner and the person of which the property is to be transferred to as well as the property's number and real

estate area. These contracts must be registered in the real estate registry to be considered valid.

17. What are the typical features in a property sale contract?

A property sale contract is one of the most common contracts and it must state clearly the name of the landlord and the name of the buyer in addition to the property's number and location, most importantly it must state the selling price and the payment method and deadline. The contract must be a swabbed sale contract, authenticated at the notary public and registered by the buyer at the real estate registry for the preservation of the rights and prevention of any illegal concurrence.

18. Does Islamic law impact the structure for property contracts or sales process?

The Lebanese law follows the French law considering Lebanon was under the French mandate. Therefore, laws in Lebanon governing all legal actions, rights and responsibilities specifically property contract or sales process are not impacted by the Islamic law, they are explicitly subject to the Lebanese law. However in a case where a Lebanese Muslim owning a property in Lebanon dies, the Islamic law governs the distribution of inheritance for the beneficiary.

19 -What are the key differences between legislation on leasing in this jurisdiction and other jurisdictions?

The Lebanese rental market is divided into two broad categories: (1) the old controlled market, and (2) lease contracts signed after 23 July 1992. Leasing can be freely agreed between landlord and tenant only in contracts signed after 23 July 1992. These contracts are governed by the leasing contracts' chapter in the Code of Obligations and Contracts, whose main feature is contractual freedom.

Contracts relating to real estate property signed before the date above are not free as to rents signed before 1992. They are not covered by the Code of Obligations, but instead by the Temporary Law No. 160 (promulgated 23/7/1992), which systematized the 'temporary' rent control provisions which applied in previous years.

Rent contracts for real property exceeding three years must be registered in the real estate registry.

Contracts signed after 23 July 1992

In this case, the tenant who signed a one-year contract has the right to hold onto the property for three consecutive years. This clause is implied in all rental contracts by article 543 of the Code of Obligations and Contracts, and cannot be avoided. Thereafter, the landlord is entitled to end the contract, or to renegotiate.

Excluded from this rule are:

1. Seasonal rents contracts for summering and wintering places.
2. Rent contracts of places presented by employers to their employees.

If the tenant benefiting from an extension desires to leave, he should notify the landlord two months before the end of the extended period, by registered exposed mail, or via a notary.

Certain other terms are implied in contracts signed after 23 July 1992, but these terms can all be specifically varied by contract:

1. The landlord pays taxes and other dues, unless otherwise agreed.
2. Subletting is allowed for the same use unless otherwise stipulated in the contract. The secondary tenant is responsible towards the landlord. The landlord may pursue the original tenant, or the secondary tenant, in which case the original tenant maintains the right to intervene.

The contract is cancelled if the tenant uses the place for a purpose different from that stipulated in the contract, or neglects the place so that serious damage results, or if the tenant does not pay due rent.

The contract does not end upon the death of the tenant or the landlord.

Contracts signed before 23 July 1992

In this case, the tenant has the right to continuously renew the contract for the lifetime of Law 160, with rent increases according to predetermined formulae.

Law 160 excludes:

- Rental contracts for agricultural lands and attached buildings
- Seasonal rents of summer and wintering places
- Dwellings provided as part of the work contract to employees, whether free or for pay.
- Rent contracts of villas built after March 25, 1974
- Contracts of state and municipal properties
- Contracts of furnished places specified as 'touristic' (Art. 2)

The contract is terminated, and the tenant may be evicted, in the following cases:

1. Non-payment of rent for two months after being legally notified.
2. Abuse of the property causing damage beyond ordinary use, or violating contract conditions without written approval of the landlord.
3. Total or partial concession of the property, without written approval of the landlord.
4. The tenant acquiring an equivalent residential place, within a distance of seven kilometers.

5. Leaving the property for other than security reasons for a full year without interruption, while paying the rent, and for 6 months, while not paying the rent.

6. For non-Lebanese, leaving the property for six months without interruption. (Article 10 of law 160/90)

In case of the death of the tenant, or if he leaves the rented dwelling, he can be replaced by his spouse, his ascendants and his children who continue to live in the dwelling, i.e. relatives who entered to the dwelling at the beginning of the contract and continue to live therein (article 5 of law 160/90)

The tenant may not sub-let except with the consent of the landlord in writing, or unless stipulated in the conditions of the contract (Article 7 of law 160/90). In case of full or partial sub-letting with the landlord's approval, the rental relationship remains a relationship between the landlord and the original tenant. The secondary contract period ends with the original contract.

The landlord may terminate the contract and regain the property, if:

1. The landlord, or for a member of his/her direct family, needs the dwelling for personal use, provided he/she does not own another equivalent property in the same municipal area.

2. The landlord intends to demolish the building and reconstruct the property.

In both cases the landlord should pay to the tenant damages of not less than 25% and not more than 50% of the property value (article 8 of law 160/90).

20 - What are the main points for lessors to check when reviewing a lease?

In case of a lease contract the lessors must check the following main points when reviewing a lease since they do vary according to the concerned parties:

- The identity of the lessee.
- The rental fee as well as the payment method
- The lease period
- The Private conditions governing the party's relationship for reference in case of ruin, breaking or the non-payment of the required fees.

21- Are there any specific laws designed to protect leaseholders, e.g. deposit protection schemes?

There are no specific laws designed to protect leaseholders, however whether in a case of a dispute, or a non dispute but a preservation of rights, there are certain procedures that ensure the leaseholders rights. Therefore one of the most certified procedures is when the leaseholder deposits the rental and/or services fee at the notary public.

22- Are there any fair rent/rent review laws?

The rental law in Lebanon is divided into two laws:

1- 160/92 exceptional law where any rental contract that has been signed any time before 22nd of July 1992 is subject to this law which is considered to be fair for the tenant that can constantly extend the lease contract for a very cheap rental fee. Therefore it is considered unfair for the landlord that cannot ask the tenant to vacate the apartment without having paying a compensation equal to 30 to 50 percent of the apartment's value.

2- 159/92 law where any lease contract signed after the 22nd of July 1992 follows this law which is subject to the terms and conditions of the involved contractors as they can specify the lease rental and period freely.

However the parliament is working on completely canceling the 160/92 exceptional law in a way where both the leaseholder and landlord's rights are fully preserved. This is will be valid and effective in January 2015.

23- Are there any rules around the types of people who can rent specific types of property?

There are no rules around the types of people who can rent out specific types of property since the leaseholder can be Lebanese or a foreigner renting any kind of property, however the leaseholder should match the terms required in any standard contract i.e. an adult, qualified for contracting.

The landlord should monitor the use of the property where it must be exactly as stated in the contract i.e. residence, office, under the penalty of the contract's termination. In addition the landlord must check that there are no violations of the Lebanese law during the occupancy of the property otherwise the contract will be terminated and the leaseholder will face legal prosecution.

24- How actively are renting laws enforced?

As previously mentioned the renting laws are divided into two. Any lease contract before the 22nd of July 1992 is subject to the 160/92 law and any lease contract after the aforesaid date is subject to the 159/92 law. The laws regarding both are fully enforced, in case of dispute the rental court where the property is located is the right reference, since it will ensure the application of the law.

25- How does the repossession process work?

Under the Lebanese laws, repossession process is restrictively initiated by the Lebanese government as per the below conditions:

-A compensation should be paid by the government to the landlord in accordance to the real estate property value at the time of the repossession;

-The repossession decision shall be promulgated by the primary repossession committee and the appeal repossession committee; such committees shall decide and approve the compensation to be paid to the landlord;

-The Compensation shall not be due to the landlord by the Lebanese government if only the third of the surface is repossessed.

26 -How do repossessions work if the lender is based outside the jurisdiction?

The same procedure detailed above shall apply.

27 - How are mortgage interest rates regulated?

Mortgage interest rates are basically 9%. However this may differ according to the bank that is being dealt with depending on what they have to offer.

28-Are there any unusual forms of guarantee on property purchases - if so how do these work in the event of a default?

In the case of a property purchase, the buyer has the right to register the contract in the real estate records in order to protect himself from any third party buyer the original landlord might attempt to sell to. Even though the landlord would be committing fraud however the property is considered to be for the buyer that registers first the contract.

29- How is title registered and how easily can it be checked?

A buyer can register his new property at the real estate department once he signs the contract and authenticates it at the notary.

Then, the title is registered in his name and the property transaction is completed and finalized.

Checking the title registry is very common and any national can do it and especially if they have a proxy for that purpose.