



Republic of the Philippines  
DEPARTMENT OF AGRARIAN REFORM

April 11, 1988

MEMORANDUM CIRCULAR


No. 4 <sup>88</sup>  
Series of 1988

SUBJECT: Uniform Standards/Guidelines  
to Determine the Reasonableness  
of the Terms and Rental Rates  
of the Lease Contracts for  
Private or Government Building/  
Spaces

Furnished herewith is a copy of the above-captioned subject matter pursuant to Section 6 of Executive Order No. 301 dated July 26, 1987.

In this connection, it is hereby directed that, henceforth, pertinent provisions of said Guidelines be strictly observed in the preparation of lease contracts for office space(s).

For information, guidance and/or appropriate action.

  
JESLI A. LAPUS  
Undersecretary

Copy furnished:

Regional Directors  
District Officers  
Team Leaders



Republic of the Philippines  
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS  
**OFFICE OF THE SECRETARY**  
Bonifacio Drive, Port Area, Manila

UNIFORM STANDARDS/GUIDELINES TO DETERMINE THE  
REASONABLENESS OF THE TERMS AND RENTAL  
RATES OF LEASE CONTRACTS FOR PRIVATE  
OR GOVERNMENT BUILDINGS/SPACES

Pursuant to Section 6 of Executive Order No. 301, dated 26 July 1987, the following uniform standards/guidelines are hereby formulated:

1. PARTIES TO THE CONTRACT

1.1 LESSOR.--The lessor is the absolute owner of the building/space to be leased. The lessor may be a private individual, a corporation, or a government agency. If a private individual, he may personally enter into contract or authorize somebody, thru a special power of attorney, to represent him. If a corporation, the representative should be duly authorized by a resolution of the governing board. If a government agency, it shall be represented by the official having custody and administration of the building/space, who is duly authorized by law to enter into this contract, and the lease contract shall be subject to approval by the official concerned.

1.2 LESSEE.--The lessee is the party who rents the building/space. The lessee may be a private individual, a corporation or a government agency. If a private individual, he may personally enter into contract or authorize somebody, thru a special power of attorney, to represent him. If a corporation, the representative should be duly authorized by a resolution of the governing board. If a government agency, the head of the agency shall be represented by the official having control of the appropriation against which the contract shall create a charge, and the contract shall be subject to approval by the head of the agency concerned.

2. TERMS AND CONDITIONS

The contract of lease shall be embodied in a public instrument and shall integrate all the covenants, understanding and agreements of the LESSOR and the LESSEE. Such terms and conditions shall include, but not limited to, the following:

## 2.1 Duration of the Lease

As a general rule, the duration of the lease shall not exceed one (1) year and, as far as practicable, shall not go beyond the end of any given calendar year.

## 2.2 Rights and Obligations of Both Parties

The rights and obligations of both parties shall be clearly defined to preclude ambiguity and shall be fair and equitable to both parties. Such rights and obligations shall include:

### 2.2.1 Obligations of the Lessor

- a. To undertake major repairs including damages due to fortuitous events during the effectivity of the lease and to complete such repairs within a specified time frame.
- b. To provide and make available, whenever called for or as may be agreed upon in the contract, such facilities like air-conditioning units and telephone system, and maintain these facilities in operating condition during the lease period.
- c. To maintain the premises of the building/space in good and tenantable condition during the term of the lease.

### 2.2.2 Obligations of the Lessee

- a. To pay promptly and regularly the rentals agreed upon in a manner specified in the contract.
- b. To pay the monthly billings for facilities like electric, water and telephone during the period of lease.
- c. To surrender the building/space upon expiration of the lease contract and to shoulder damages which the LESSOR may suffer for his failure to surrender the same.
- d. To faithfully comply with the terms and conditions of the agreement.

### 2.2.3 Rights of the Lessor

- a. In the event the building/space is deserted by the LESSEE before the expiration of the lease without justifiable cause, the LESSOR shall have the right to enter and relet the same and receive the rentals corresponding to the unexpired period of the lease.
- b. To terminate the lease contract and eject the LESSEE for failure or refusal of the latter to pay the rentals agreed upon during the period stipulated in the lease contract or for violation of contract conditions by the LESSEE.

### 2.2.4 Rights of the Lessee

- a. To withhold payment of rentals in the event the LESSOR fails to make the necessary repairs of damaged facilities or damage to any portion of the building which is its obligation to repair under the agreement within a reasonable time and to undertake such repairs applying the rentals due to cover the cost thereof.
- b. To occupy and use exclusively the building/space leased to the exclusion of the owner or his relatives.
- c. To introduce improvements in the building/space, subject to prior consent of the LESSOR under such terms and conditions as may be agreed upon.

## 3. TERMINATION OF THE CONTRACT

Except for causes expressly stipulated in the contract, neither party shall have the authority to unilaterally terminate the contract. Termination not due to causes provided in the contract shall be mutually agreed upon.

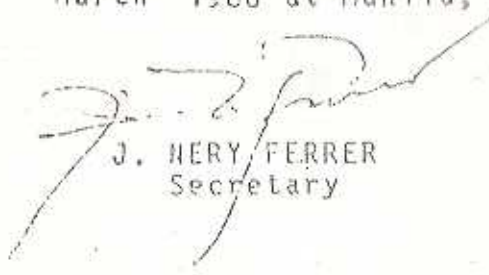
## 4. REASONABLENESS OF RENTAL RATES

- 4.1 As a general rule, rental rates are considered reasonable when they represent or approximate the value of what the LESSEE gets in terms of accommodation, facility and convenience from the leased building/space.

and the LESSOR gets equitable return of his capital or investment in the construction and maintenance of the building/space.

- 4.2 Subject to certain modifications as may be necessary from time to time, the Department of Public Works and Highways hereby adopts the BSKPMO Guidelines in Determining the Reasonable Rental Rates, copy attached, for application to both private and government buildings/spaces for purposes of Section 6 of Executive Order No. 301.

Issued this 3rd day of March 1988 at Manila, Philippines.

  
J. NERY FERRER  
Secretary