

The new rent control regulation in Paris: analysis of the measures

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In Paris, for all the rental agreements concluded or renewed since August 1st, 2015, the rents must comply with caps set by prefectural decree.

In this way, for the 14 geographic sectors defined in Paris, the Prefect sets every year, a reference rent, an increased reference rent and a reduced reference rent in accordance with several criteria: number of rooms, construction date, furnished accommodation or not.

- **The reference rent** is equal to the median rent based on the level of rents observed by "l'Observatoire des Loyers de l'Agglomération Parisienne (l'OLAP)".

- **The increased reference rent** is equal to the reference rent +20%. The aim is to limit the level of rents set at the entering in a new housing and to reduce the renewed rent.

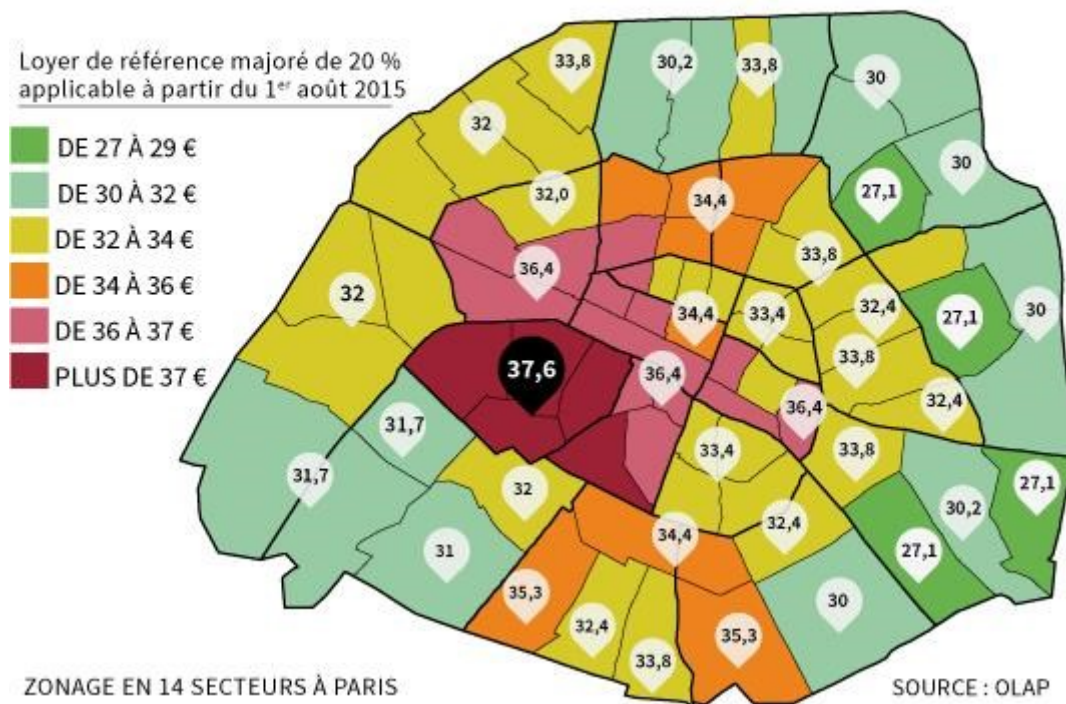
- **The reduced reference rent** is equal to the reference rent -30%. If the rent is underestimated, the landlord is allowed to realign the rent upwards until the reduced reference rent.

The maximum practicable rents in Paris

Price per square meter in euro (per month) for the rent of a studio in a former building (before 1946)

Les loyers maximaux applicables à Paris

PRIX AU M² EN EUROS PAR MOIS POUR LA LOCATION D'UN STUDIO
DANS UN IMMEUBLE ANCIEN (ANTÉRIEUR À 1946)



You have the possibility to know the maximum level of the applicable rent for your accommodation by visiting the official website referidf.com. Complete the form with the requested information and you will get: a reference rent, an increased reference rent and a reduced reference rent.

Rent cap = increased reference rent X number of square meters of living area

There are two assumptions:

If the actual rent is below the rent cap => you can apply to the new tenant the rent charged to the previous tenant without decrease. When your housing is rented again, you have the possibility to increase your rent but this increase is capped to the progression of the "IRL" (the rent reference index) and limited to the increased reference rent.

- If the actual rent is higher than the rent cap => you must lower your rent to the cap but you have also the possibility to apply a rent supplement, above the rent cap (under certain conditions).

In which case is it possible to apply a rent supplement?

To charge a rent supplement to your tenant, two criteria have to be filled:

- Only the landlords who're charging an actual rent at least equal to the rent cap can apply a rent supplement;
- The housing must fill "*some specific features of localization or comfort compared to other accommodation of same category located in the same geographic sector*" (article 17 of the law dated 6 July 1989 modified by the ALUR law).

However, the legislation doesn't give any specification concerning "*the features of localization and comfort*".

What is the maximum amount of the rent supplement?

The law doesn't provide any indication of calculation or a cap for the rent supplement.

Concerned housing

The measures concern the rent of bare or furnished accommodation.

To take account of the furnished housing's characteristic, a unit increase by square meter of living area is applied to the reference rents defined for the bare accommodation (increase based on differences observed by the OLAP between furnished and unfurnished rent). However, there is an issue concerning the lack of references for furnished accommodation collected by the OLAP, making the law more complicated to apply, except if a percentage of increase based on few examples is applied (but there is a risk to generalize).

For some experts "*an increase around 11% of the reference rent is applied to the furnished accommodation whatever the localizations or the characteristics*"^[1].

The furnished accommodation raised also an issue concerning the rent supplement. The question is doubly asked, because it's relevant to add the items at the disposal of the tenant as well as the features concerning localization or comfort. It should be noted that the landlords must comply with a list of compulsory items set by the law from now (**see our article on the new mandatory equipment for the furnished rental**). But if a furnished housing offers more luxurious and with a

better quality items than the other accommodation in the same area, it seems possible to apply a rent supplement. It remains to be seen if this interpretation will be validated in the future.

The rent control is not applied to the accommodation rented as principal residence.

The legislation is not applied to the social housing, housing rented as second home, company accommodation, hall of residence, tourist rental, housing rented by local authority.

In fact, the article 25-3 of the law dated 6 July 1989 modified by the law dated 24 March 2014 and 6 August 2015, provides that the rent control concerns the rental agreements for furnished accommodation if they constitute the principal residence of the tenant.

Tenant contesting concerning a rent higher than the plus reference rent

If the rent exceeds the plus reference rent, the tenant can ask a rent's reduction before a protest committee "Commission Départementale de Conciliation (CDC)" or directly in court within 3 years starting from the signature of the rental agreement.

The rent resulting of conciliation or court's decision must be applied retroactively, starting from the beginning of the rental agreement. The overpayments will be repaid to the tenant.

Tenant contesting concerning the rent supplement

The tenant can protest against the rent supplement within three months starting from the signature of the rental agreement, bringing the case before the CDC (under penalty of inadmissibility).

You have to demonstrate that the accommodation offers all the features of localization or comfort which justify a rent supplement compared to similar housing, located in the same geographic area.

If the conciliation failed, the tenant has 3 months starting from the notice of the Commission to go in Court to contest the rent supplement.

When you go in Court, it's also a way to justify the legitimacy of the additional rent. The tenant must keep up to pay the rent until the judicial decision. The supplement rent resulting of conciliation or court's decision must be applied retroactively, starting from the beginning of the rental agreement. If the court rules in favor of the tenant, you have to repay the overpayments.