



## Newsflash | Reform of Residential Leases



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The [law of 23 July 2024](#) on the reform of residential leases has been published on the Luxembourg Official Gazette.

The main purpose of the reform is to remedy the difficult situation on the rental market in the Grand Duchy of Luxembourg due to existing legal inaccuracies and abuses, particularly regarding the concept of “luxury housing”.

Initiated by the previous government in 2020, the draft law was taken up by the new government formed after the October 2023 elections.

Most of the changes proposed in the initial text of the draft law tabled in July 2020 have been approved, except for the reform of the rent ceiling, which was intended to cap rents to 3.5% of the capital invested in the property by the owner. The reform will enter into force on 1st August 2024.

The key points of the reform are as follows:

### **Co-Tenancy contracts**

Following the example of neighbouring countries, the Luxembourg legislator has decided to regulate co-tenancy by means of provisions designed to protect the interests of all parties involved in a shared accommodation.

- **The concept of shared accommodation**

Shared accommodation refers to the rental of the same property by several tenants, known as co-tenants, who opt, with the express agreement of the landlord, to apply the specific rules governing shared accommodation.

The shared tenancy agreement must be in writing. The rented accommodation must include at least one living room or shared sanitary facilities.

- **Co-tenants solidarity**

The co-tenants are jointly and severally liable to the landlord for the obligations arising from the shared accommodation.

- **Joint tenancy agreement**

When the shared tenancy agreement is signed, the roommates must establish a written co-tenancy pact. This pact must set out the specific rules of the shared tenancy and clarify the responsibilities and joint liability of the roommates. The landlord will need to be informed of the identity of the roommates, and any changes will require his agreement.

- **Termination of the shared lease**

If a co-tenant wishes to be released from his obligations before the end of the lease term, he must give three months' notice to both the landlord and his co-tenants. The landlord must be notified by registered letter with acknowledgement of receipt. Before the expiry of the notice period, the co-tenant must look for a replacement co-tenant. The other roommates or the landlord may also propose a replacement candidate. Failing this, the outgoing tenant must be able to demonstrate that he or she has made an active and sufficient search for a new roommate.



### **Real estate agency fees**

Real estate agency fees will now be paid in equal shares by the landlord and the tenant. Tenants will no longer have to bear the full agency fees.

### **Rental guarantee**

The maximum legal amount of the rental guarantee is reduced from three to two months' rent.

A legal framework for the restitution of the rental guarantee has also been set. From now on, at the end of the lease, if all the rent and charges due have been paid by the tenant and if no damage has been noted by the landlord when the keys are handed over, the landlord will return 50% of the rental deposit within one month. The other 50% must be returned within one month of receipt of the service charge statements.

### **Rent ceiling**

The total sum of the rents paid by tenants under a lease agreement, co-tenancy contract or multiple lease agreements may not be greater than the limit of the maximum annual rent, defined by the rule of 5% of the capital invested in the property.

A rent supplement for furniture can be requested by the landlord in case of furnished accommodation. This supplement will be calculated based on the value of furniture that is no more than 10 years old. However, the rent supplement for the use of the furniture in the dwelling may not exceed 1.5% of the total amount of the furniture bills.

### **Rent adjustment**

The rent may only be adjusted every 2 years.

Each time the rent is adjusted, the increase may not exceed 10%.

### **Written lease obligation**


All lease contracts must now be in writing and contain certain mandatory information. An oral contract will no longer have any legal value if it is entered into after the law comes into force.

### **Repeal of the concept of “luxury housing“**

The concept of “luxury housing”, which allowed the parties to contractually exclude a certain number of mandatory provisions which protect a tenant (legal rent and rental guarantee ceilings, in particular) is abolished.



## YOUR RELATIONSHIP PARTNER

 A black and white portrait of Hervé Michel, a man with short hair, wearing a dark suit, white shirt, and patterned tie. He is sitting at a desk with his hands clasped in front of him, smiling slightly.	<p>Hervé Michel</p> <p><i>Senior Counsel</i></p> <p><a href="mailto:hmichel@bsp.lu">hmichel@bsp.lu</a></p>
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## ABOUT BSP

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