

ESTATE OF ORLANDO LLENADO AND WENIFREDA T. LLENADO, IN HER CAPACITY AS (A) ADMINISTRATRIX OF THE ESTATE OF ORLANDO A. LLENADO AND (B) JUDICIAL GUARDIAN OF THE MINOR CHILDREN OF ...*G.R. No. 145736. March 04, 2009*

Ponente: YNARES-SANTIAGO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-145736/>**YNARES-SANTIAGO, J.:**

This petition for review on certiorari assails the May 30, 2000 Decision[1] of the Court of Appeals in CA-G.R. CV No. 58911 which reversed the May 5, 1997 Decision[2] of the Regional Trial Court of Valenzuela City, Branch 75 in Civil Case No. 4248-V-93, and the October 6, 2000 Resolution[3] which denied the motion for reconsideration. The appellate court dismissed for lack of merit the complaint for annulment of deed of conveyance, title and damages filed by petitioner against herein respondents.

The subject of this controversy is a parcel of land denominated as Lot 249-D-1 (subject lot) consisting of 1,554 square meters located in Barrio Malinta, Valenzuela, Metro Manila and registered in the names of Eduardo Llenado (Eduardo) and Jorge Llenado (Jorge) under Transfer of Certificate of Title (TCT) No. V-1689.[4] The subject lot once formed part of Lot 249-D owned by and registered in the name of their father, Cornelio Llenado (Cornelio), under TCT No. T-16810.

On December 2, 1975, Cornelio leased Lot 249-D-1 to his nephew, Romeo Llenado (Romeo), for a period of five years, renewable for another five years at the option of Cornelio. On March 31, 1978, Cornelio, Romeo and the latter's cousin Orlando Llenado (Orlando) executed an Agreement[5] whereby Romeo assigned all his rights to Orlando over the unexpired portion of the aforesaid lease contract. The parties further agreed that Orlando shall have the option to renew the lease contract for another three years commencing from December 3, 1980, up to December 2, 1983, renewable for another four years or up to December 2, 1987, and that "during the period that [this agreement] is enforced, the x x x property cannot be sold, transferred, alienated or conveyed in whatever manner to any third party."

Shortly thereafter or on June 24, 1978, Cornelio and Orlando entered into a Supplementary Agreement[6] amending the March 31, 1978 Agreement. Under the Supplementary Agreement, Orlando was given an additional option to renew the lease contract for an aggregate period of 10 years at five-year intervals, that is, from December 3, 1987 to December 2, 1992 and from December 3, 1992 to December 2, 1997. The said provision was inserted in order to comply with the requirements of Mobil Philippines, Inc. for the operation of a gasoline station which was subsequently built on the subject lot.

Upon the death of Orlando on November 7, 1983, his wife, Wenifreda Llenado (Wenifreda), took over the operation of the gasoline station. Meanwhile, on January 29, 1987, Cornelio sold Lot 249-D to his children, namely, Eduardo, Jorge, Virginia and Cornelio, Jr., through a deed of sale, denominated as "Kasulatan sa Ganap Na Bilihan,"[7] for the sum of P160,000.00. As stated earlier, the subject lot, which forms part of Lot 249-D, was

sold to Eduardo and Jorge, and titled in their names under TCT No. V-1689. Several months thereafter or on September 7, 1987, Cornelio passed away.

Sometime in 1993, Eduardo informed Wenifreda of his desire to take over the subject lot. However, the latter refused to vacate the premises despite repeated demands. Thus, on September 24, 1993, Eduardo filed a complaint for unlawful detainer before the Metropolitan Trial Court of Valenzuela, Metro Manila against Wenifreda, which was docketed as Civil Case No. 6074.

On July 22, 1996, the Metropolitan Trial Court rendered its Decision in favor of Eduardo and ordered Wenifreda to: (1) vacate the leased premises; (2) pay Eduardo reasonable compensation for the use and occupation of the premises plus attorney's fees, and (3) pay the costs of the suit.

Wenifreda appealed to the Regional Trial Court of Valenzuela, Metro Manila, which reversed the decision of the court a quo. Thus, Eduardo appealed to the Court of Appeals which rendered a Decision[8] on March 31, 1998 reversing the decision of the Regional Trial Court and reinstating the decision of the Metropolitan Trial Court. It also increased the amount of reasonable compensation awarded to Eduardo for the use of the leased premises. Wenifreda's appeal to this Court, docketed as G.R. No. 135001, was dismissed in a Resolution[9] dated December 2, 1998. Accordingly, an Entry of Judgment[10] was made in due course on July 8, 1999.

Previously, after Eduardo instituted the aforesaid unlawful detainer case on September 24, 1993, herein petitioner Wenifreda, in her capacity as administratrix of the estate of Orlando Llenado, judicial guardian of their minor children, and surviving spouse and legal heir of Orlando, commenced the subject Complaint,[11] later amended, on November 10, 1993 for annulment of deed of conveyance, title and damages against herein respondents Eduardo, Jorge, Feliza Llenado (mother of the Llenado brothers), and the Register of Deeds of Valenzuela, Metro Manila. The case was docketed as Civil Case No. 4248-V-93 and raffled to Branch 75 of the Regional Trial Court of Valenzuela, Metro Manila.

Petitioner alleged that the transfer and conveyance of the subject lot by Cornelio in favor of respondents Eduardo and Jorge, was fraudulent and in bad faith considering that the March 31, 1978 Agreement provided that while the lease is in force, the subject lot cannot be sold, transferred or conveyed to any third party; that the period of the lease was until December 3, 1987 with the option to renew granted to Orlando; that the subject lot was transferred and conveyed to respondents Eduardo and Jorge on January 29, 1987 when the lease was in full force and effect making the sale null and void; that Cornelio verbally promised Orlando that in case he (Cornelio) decides to sell the subject lot, Orlando or his heirs shall have first priority or option to buy the subject lot so as not to prejudice Orlando's business and because Orlando is the owner of the property adjacent to the subject lot; and that this promise was wantonly disregarded when Cornelio sold the said lot to respondents Jorge and Eduardo.

In their Answer,[12] respondents Eduardo and Jorge claimed that they bought the subject lot from their father, Cornelio, for value and in good faith; that the lease agreement and its supplement were not annotated at the back of the mother title of the subject lot and do not bind them; that said agreements are personal only to Cornelio and Orlando; that the lease expired upon the death of Orlando on November 7, 1983; that they were not aware of any verbal promise to sell the subject lot granted by Cornelio to Orlando and, even if there was, said option to buy is unenforceable under the statute of frauds.

After the parties presented their respective evidence, the Regional Trial Court rendered judgment on May 5, 1997 in favor of petitioner, viz:

WHEREFORE, PREMISES CONSIDERED, this Court finds the [petitioner's] civil action duly established by preponderance of evidence, renders judgment (adjudicates) in favor of the [petitioner], Estate of Orlando Llenado represented by Wenifreda Llenado, and against [respondents] e.g. Jorge, Eduardo, Felisa Gallardo, all

surnamed Llenado, and the Register of Deeds of Valenzuela, Metro Manila, as follows:

1) It hereby judicially declare as non-existence (sic) and null and void, the following:

a) The Kasulatan Sa Ganap na Kasunduan or Deed of Sale;

b) TCT- Transfer Certificate of Title No. V-9440, in the name of [respondent] Eduardo Llenado, TCT- Transfer Certificate of Title No. V-1689, in the name of Jorge Llenado, and Eduardo Llenado, and all deeds, documents or proceedings leading to the issuance of said title, and all subsequent title issued therefrom and likewise whatever deeds, documents or proceedings leading to the issuance of said subsequent titles;

2) It hereby orders the reconveyance of the said properties embraced in the said TCTs-Transfer Certificate of Title Nos. V-9440 and V-1689 to the [petitioner] for the same consideration, or purchase price, paid by [respondents] Eduardo Llenado and Jorge Llenado for the same properties;

3) It hereby orders [respondent], Register of Deeds of Valenzuela, Metro Manila, to cause the issuance of new transfer certificates of title over the said property in the name of the [petitioner];

4) And, because this Court is not only a court of law, but of equity, it hereby rendered the following damages to be paid by the [respondents], as the [respondents] litigated under bonafide assertions that they have meritorious defense, viz:

a) P400,000.00 as moral damages;

b) 10,000.00 as nominal damages;

c) 10,000.00 as temperate damages;

d) 10,000.00 as exemplary damages;

e) 10,000.00 attorney's fees on the basis of quantum merit; and

f) costs of suit.

SO ORDERED.[13]

The Regional Trial Court found that upon the death of Orlando on November 7, 1983, his rights under the lease contract were transmitted to his heirs; that since the lease was in full force and effect at the time the subject lot was sold by Cornelio to his sons, the sale violated the prohibitory clause in the said lease contract. Further, Cornelio's promise to sell the subject lot to Orlando may be established by parole evidence since an option to buy is not covered by the statute of frauds. Hence, the same is binding on Cornelio and his heirs.

Respondents appealed before the Court of Appeals which rendered the assailed May 30, 2000 Decision reversing the judgment of the Regional Trial Court and dismissing the Complaint. The appellate court held that the death of Orlando did not extinguish the lease agreement and had the effect of transmitting his lease rights to his heirs. However, the breach of the non-alienation clause of the said agreement did not nullify the sale between Cornelio and his sons because the heirs of Orlando are mere lessees on the subject lot and can never claim a superior right of ownership over said lot as against the registered owners thereof. It further ruled that petitioner failed to establish by a preponderance of evidence that Cornelio made a verbal promise to Orlando granting the latter the right of first refusal if and when the subject lot was sold.

Upon the denial of its motion for reconsideration, petitioner is now before this Court on the following assignment of errors:

[T]he Court of Appeals erred:

- - In finding and concluding that there is no legal basis to annul the deed of conveyance involved in the case and in not applying R.A. No. 3516, further amending R.A. No. 1162; and
- - In not finding and holding as null and void the subject deed of conveyance, the same having been executed in direct violation of an expressed covenant in said deed and in total disregard of the pre-emptive, or preferential rights of the herein petitioners to buy the property subject of their lease contract under said R.A. No. 3516, further amending R.A. No. 1162.[14]

The petition lacks merit.

Petitioner contends that the heirs of Orlando are entitled to the rights of a tenant under Republic Act (R.A.) No. 1162,[15] as amended by R.A. No. 3516.[16] The right of first refusal or preferential right to buy the leased premises is invoked pursuant to Section 5[17] of said law and this Court's ruling in *Mataas Na Lupa Tenants Association, Inc. v. Dimayuga*.[18]

This issue is being raised for the first time on appeal. True, in *Mataas Na Lupa Tenants Association, Inc.*, the Court explained that Section 1 of R.A. No. 1162, as amended by R.A. No. 3516, authorizes the expropriation of any piece of land in the City of Manila, Quezon City and suburbs which have been and are actually being leased to tenants for at least 10 years, provided said lands have at least 40 families of tenants thereon.[19] Prior to and pending the expropriation, the tenant shall have a right of first refusal or preferential right to buy the leased premises should the landowner sell the same. However, compliance with the conditions for the application of the aforesaid law as well as the qualifications of the heirs of Orlando to be beneficiaries thereunder were never raised before the trial court, or even the Court of Appeals, because petitioner solely anchored its claim of ownership over the subject lot on the alleged violation of the prohibitory clause in the lease contract between Cornelio and Orlando, and the alleged non-performance of the right of first refusal given by Cornelio to Orlando. The rule is settled, impelled by basic requirements of due process, that points of law, theories, issues and arguments not adequately brought to the attention of the lower court will not be ordinarily considered by a reviewing court as they cannot be raised for the first time on appeal.[20] As the issue of the applicability of R.A. No. 1162, as amended, was neither averred in the pleadings nor raised during the trial below, the same cannot be raised for the first time on appeal.

At any rate, the allegations in the Complaint and the evidence presented during the trial below do not establish that Orlando or his heirs are covered by R.A. No. 1162, as amended. It was not alleged nor shown that the subject lot is part of the landed estate or haciendas in the City of Manila which were authorized to be expropriated under said law; that the Solicitor General has instituted the requisite expropriation proceedings pursuant to Section 2[21] thereof; that the subject lot has been actually leased for a period of at least ten (10) years; and that the subject lot has at least forty (40) families of tenants thereon. Instead, what was merely established during the trial is that the subject lot was leased by Cornelio to Orlando for the operation of a gasoline station, thus, negating petitioner's claim that the subject lot is covered by the aforesaid law. In *Mataas Na Lupa Tenants Association, Inc.*, the Court further explained that R.A. No. 1162, as amended, has been superseded by Presidential Decree (P.D.) No. 1517[22] entitled "Proclaiming Urban Land Reform in the Philippines and Providing for the Implementing Machinery Thereof." [23] However, as held in *Tagbilaran Integrated Settlers Association Incorporated v. Court of Appeals*, [24] P.D. No. 1517 is applicable only in specific areas declared, through presidential proclamation, [25] to be located within the so-called urban zones. [26] Further, only legitimate tenants who have resided on the land for ten years or more who have built their homes on the land and residents who have legally occupied the lands by contract, continuously for the last ten years, are given the right of first refusal to purchase the land within a reasonable time. [27] Consequently, those lease contracts entered into for commercial use are not covered by said law. [28] Thus, considering that petitioner failed to prove that a proclamation has been issued by the President

declaring the subject lot as within the urban land reform zone and considering further that the subject lot was leased for the commercial purpose of operating a gasoline station, P.D. No. 1517 cannot be applied to this case.

In fine, the only issue for our determination is whether the sale of the subject lot by Cornelio to his sons, respondents Eduardo and Jorge, is invalid for (1) violating the prohibitory clause in the lease agreement between Cornelio, as lessor-owner, and Orlando, as lessee; and (2) contravening the right of first refusal of Orlando over the subject lot.

It is not disputed that the lease agreement contained an option to renew and a prohibition on the sale of the subject lot in favor of third persons while the lease is in force. Petitioner claims that when Cornelio sold the subject lot to respondents Eduardo and Jorge the lease was in full force and effect, thus, the sale violated the prohibitory clause rendering it invalid. In resolving this issue, it is necessary to determine whether the lease agreement was in force at the time of the subject sale and, if it was in force, whether the violation of the prohibitory clause invalidated the sale.

Under Article 1311 of the Civil Code, the heirs are bound by the contracts entered into by their predecessors-in-interest except when the rights and obligations therein are not transmissible by their nature, by stipulation or by provision of law. A contract of lease is, therefore, generally transmissible to the heirs of the lessor or lessee. It involves a property right and, as such, the death of a party does not excuse non-performance of the contract.[29] The rights and obligations pass to the heirs of the deceased and the heir of the deceased lessor is bound to respect the period of the lease.[30] The same principle applies to the option to renew the lease. As a general rule, covenants to renew a lease are not personal but will run with the land.[31] Consequently, the successors-in-interest of the lessee are entitled to the benefits, while that of the lessor are burdened with the duties and obligations, which said covenants conferred and imposed on the original parties.

The foregoing principles apply with greater force in this case because the parties expressly stipulated in the March 31, 1978 Agreement that Romeo, as lessee, shall transfer all his rights and interests under the lease contract with option to renew "in favor of the party of the Third Part (Orlando), the latter's heirs, successors and assigns"[32] indicating the clear intent to allow the transmissibility of all the rights and interests of Orlando under the lease contract unto his heirs, successors or assigns. Accordingly, the rights and obligations under the lease contract with option to renew were transmitted from Orlando to his heirs upon his death on November 7, 1983.

It does not follow, however, that the lease subsisted at the time of the sale of the subject lot on January 29, 1987. When Orlando died on November 7, 1983, the lease contract was set to expire 26 days later or on December 3, 1983, unless renewed by Orlando's heirs for another four years. While the option to renew is an enforceable right, it must necessarily be first exercised to be given effect.[33] As the Court explained in *Dioquino v. Intermediate Appellate Court*: [34]

A clause found in an agreement relative to the renewal of the lease agreement at the option of the lessee gives the latter an enforceable right to renew the contract in which the clause is found for such time as provided for. The agreement is understood as being in favor of the lessee, and the latter is authorized to renew the contract and to continue to occupy the leased property after notifying the lessor to that effect. A lessor's covenant or agreement to renew gives a privilege to the tenant, but is nevertheless an executory contract, and until the tenant has exercised the privilege by way of some affirmative act, he cannot be held for the additional term. In the absence of a stipulation in the lease requiring notice of the exercise of an option or an election to renew to be given within a certain time before the expiration of the lease, which of course, the lessee must comply with, the general rule is that a lessee must exercise an option or election to renew his lease and notify the lessor thereof before, or at least at the time of the expiration of his original term, unless there is a waiver or special circumstances warranting equitable relief.

There is no dispute that in the instant case, the lessees (private respondents) were granted the option to renew the lease for another five (5) years after the termination of the original period of fifteen years. Yet, there was never any positive act on the part of private respondents before or after the termination of the original period to show their exercise of such option. The silence of the lessees after the termination of the original period cannot be taken to mean that they opted to renew the contract by virtue of the promise by the lessor, as stated in the original contract of lease, to allow them to renew. Neither can the exercise of the option to renew be inferred from their persistence to remain in the premises despite petitioners' demand for them to vacate. x x x.[35]

Similarly, the election of the option to renew the lease in this case cannot be inferred from petitioner Wenifreda's continued possession of the subject lot and operation of the gasoline station even after the death of Orlando on November 7, 1983 and the expiration of the lease contract on December 3, 1983. In the unlawful detainer case against petitioner Wenifreda and in the subject complaint for annulment of conveyance, respondents consistently maintained that after the death of Orlando, the lease was terminated and that they permitted petitioner Wenifreda and her children to remain in possession of the subject property out of tolerance and respect for the close blood relationship between Cornelio and Orlando. It was incumbent, therefore, upon petitioner as the plaintiff with the burden of proof during the trial below to establish by some positive act that Orlando or his heirs exercised the option to renew the lease. After going over the records of this case, we find no evidence, testimonial or documentary, of such nature was presented before the trial court to prove that Orlando or his heirs exercised the option to renew prior to or at the time of the expiration of the lease on December 3, 1983. In particular, the testimony of petitioner Wenifreda is wanting in detail as to the events surrounding the implementation of the subject lease agreement after the death of Orlando and any overt acts to establish the renewal of said lease.

Given the foregoing, it becomes unnecessary to resolve the issue on whether the violation of the prohibitory clause invalidated the sale and conferred ownership over the subject lot to Orlando's heirs, who are mere lessees, considering that at the time of said sale on January 29, 1987 the lease agreement had long been terminated for failure of Orlando or his heirs to validly renew the same. As a result, there was no obstacle to the sale of the subject lot by Cornelio to respondents Eduardo and Jorge as the prohibitory clause under the lease contract was no longer in force.

Petitioner also anchors its claim over the subject lot on the alleged verbal promise of Cornelio to Orlando that should he (Cornelio) sell the same, Orlando would be given the first opportunity to purchase said property. According to petitioner, this amounted to a right of first refusal in favor of Orlando which may be proved by parole evidence because it is not one of the contracts covered by the statute of frauds. Considering that Cornelio sold the subject lot to respondents Eduardo and Jorge without first offering the same to Orlando's heirs, petitioner argues that the sale is in violation of the latter's right of first refusal and is, thus, rescissible.

The question as to whether a right of first refusal may be proved by parole evidence has been answered in the affirmative by this Court in *Rosencor Development Corporation v. Inquiring*:[36]

We have previously held that not all agreements "affecting land" must be put into writing to attain enforceability. Thus, we have held that the setting up of boundaries, the oral partition of real property, and an agreement creating a right of way are not covered by the provisions of the statute of frauds. The reason simply is that these agreements are not among those enumerated in Article 1403 of the New Civil Code.

A right of first refusal is not among those listed as unenforceable under the statute of frauds. Furthermore, the application of Article 1403, par. 2(e) of the New Civil Code presupposes the existence of a perfected, albeit unwritten, contract of sale. A right of first refusal, such as the one involved in the instant case, is not by any means a perfected contract of sale of real property. At best, it is a contractual grant, not of the sale of the real property involved, but of the right of first refusal over the property sought to be sold.

It is thus evident that the statute of frauds does not contemplate cases involving a right of first refusal. As such, a right of first refusal need not be written to be enforceable and may be proven by oral evidence.[37]

In the instant case, the Regional Trial Court ruled that the right of first refusal was proved by oral evidence while the Court of Appeals disagreed by ruling that petitioner merely relied on the allegations in its Complaint to establish said right. We have reviewed the records and find that no testimonial evidence was presented to prove the existence of said right. The testimony of petitioner Wenifreda made no mention of the alleged verbal promise given by Cornelio to Orlando. The two remaining witnesses for the plaintiff, Michael Goco and Renato Malindog, were representatives from the Register of Deeds of Caloocan City who naturally were not privy to this alleged promise. Neither was it established that respondents Eduardo and Jorge were aware of said promise prior to or at the time of the sale of the subject lot. On the contrary, in their answer to the Complaint, respondents denied the existence of said promise for lack of knowledge thereof.[38] Within these parameters, petitioner's allegations in its Complaint cannot substitute for competent proof on such a crucial factual issue. Necessarily, petitioner's claims based on this alleged right of first refusal cannot be sustained for its existence has not been duly established.

WHEREFORE, the petition is DENIED. The May 30, 2000 Decision of the Court of Appeals in CA-G.R. CV No. 58911 dismissing the complaint for annulment of deed of conveyance, title and damages, and the October 6, 2000 Resolution denying the motion for reconsideration, are AFFIRMED.

Costs against petitioner.

SO ORDERED.

Carpio,[*] Chico-Nazario, Nachura, and Peralta, JJ., concur.

* In lieu of Associate Justice Ma. Alicia Austria-Martinez, per Special Order No. 568 dated February 12, 2009.

[1] Rollo, pp. 29-39; penned by Presiding Justice Salome A. Montoya and concurred in by Associate Justices Romeo J. Callejo, Sr. (later a member of this Court) and Martin S. Villarama, Jr.

[2] Id. at 53-67; penned by Judge Jaime F. Bautista.

[3] Id. at 52; penned by Presiding Justice Salome A. Montoya and concurred in by Associate Justices Romeo J. Callejo, Sr. (later a member of this Court) and Martin S. Villarama, Jr.

[4] This lot was later subdivided into three smaller lots under TCT Nos. V-9438, V-9439 and V-9440.

[5] Exhibit "F," records, pp. 176-179.

[6] Exhibit "G," records, pp. 180-181.

[7] Exhibit "O," records, pp. 192-194.

[8] Rollo, pp. 212-224.

[9] Id. at 226-227.

[10] Id. at 231-232.

[11] Records, pp. 1-8.

[12] Id. at 85-92.

[13] Id. at 465-466; citations omitted.

[14] Rollo, p. 21.

[15] "An Act Providing For The Expropriation Of Landed Estates Or Haciendas Or Lands Which Formed Part Thereof In The City Of Manila, Their Subdivision Into Small Lots, And The Sale Of Such Lots At Cost Or Their Lease On Reasonable Terms, And For Other Purposes." Effective June 18, 1954.

[16] "An Act To Further Amend Certain Sections Of Republic Act Numbered Eleven Hundred and Sixty-Two, Entitled "An Act Providing For the Expropriation of Landed Estates Or Haciendas Or Lands Which Formerly Formed Part Thereof Or Any Piece Of Land In The City Of Manila, Quezon City and Suburbs, Their Subdivision Into Small Lots At Costs Or Their Lease On Reasonable Terms, And For Other Purposes."" Effective May 22, 1963.

[17] Section 5. From the approval of this Act, and even before the commencement of the expropriation herein provided, ejectment proceedings against any tenant or occupant of any landed estates or haciendas or lands herein authorized to be expropriated, shall be suspended for a period of two years, upon motion of the defendant, if he pays in current rentals, and such suspension shall continue upon the filing of expropriation proceedings until the final determination of the latter: Provided, however, That if any tenant or occupant is in arrears in the payment of rentals or any amount due in favor of the owners of said landed estates or haciendas or lands, the amount legally due shall be liquidated either in cash or by surety bond, and shall be payable in eighteen equal monthly installments from the time of liquidation, but this payment of rentals in arrears shall not be a condition precedent to the suspension of ejectment proceedings: Provided, further, That the rentals being collected from the tenants of the landed estates or haciendas or lands herein authorized to be expropriated, shall not be increased above the amounts of rentals being charged as of December thirty-one, nineteen hundred and fifty-three, except in cases where there are existing rental contracts for a fixed period which expired on said date, in which case the court shall fix a reasonable rental not exceeding eight per centum of the assessed value on December thirty-one, nineteen hundred and fifty-three, but, in any case, if after said date there has been an increase in assessment, the rental may also be increased by the corresponding amount of actual increase in the land tax: Provided, furthermore, That no lot or portion thereof actually occupied by a tenant or occupant shall be sold by the landowner to any other person that such tenant or occupant, unless the latter renounce in a public instrument his rights under this Act: Provided, finally, That if there shall be tenant who have constructed bona fide improvements on the lots leased by them, the rights of these tenants should be recognized in the sale or in the lease of the lots, the limitation as to area in Section three notwithstanding

[18] 215 Phil. 18 (1984).

[19] Id. at 27.

[20] *Natalia v. Court of Appeals*, G.R. No. 116216, June 20, 1997, 274 SCRA 527, 538-539.

[21] Section 2. Immediately upon the availability of the necessary funds by the Congress of the Philippines for the payment of just compensation for the said landed estates or haciendas, the Solicitor General shall institute the necessary expropriation proceedings before the competent court of the City of Manila.

[22] Effective June 11, 1978.

[23] *Supra* note 18 at 32.

[24] G.R. No. 148562, November 25, 2004, 444 SCRA 193.

[25] Section 4. Proclamation of Urban Land Redorm Zones. The President shall proclaim specific parcels of urban and urbanizable lands as Urban Land Reform Zones, otherwise known as Urban Zones for purposes of this Decree

x x x.

[26] Supra note 24 at 201.

[27] Section 6. Land Tenancy in Urban Land Reform Areas. Within the Urban Zones legitimate tenants who have resided on the land for ten years or more who have built their homes on the land and residents who have legally occupied the lands by contract, continuously for the last ten years shall not be dispossessed of the land and shall be allowed the right of first refusal to purchase the same within a reasonable time and at reasonable prices, under terms and conditions to be determined by the Urban Zone Expropriation and Land Management Committee created by Section 8 of this Decree.

[28] Supra note 24 at 200-201.

[29] DKC Holdings Corporation v. Court of Appeals, 386 Phil. 107, 118 (2000).

[30] Id.

[31] 50 Am Jur 2d LANDLORD AND TENANT § 1194.

[32] Records, p. 14.

[33] Mercy's Incorporated v. Verde, G.R. No. L-21571, September 29, 1966, 18 SCRA 171, 175.

[34] G.R. Nos. 68580-81, November 7, 1989, 179 SCRA 163.

[35] Id. at 171-172; citations omitted.

[36] 406 Phil. 565 (2001).

[37] Id. at 577-578.

[38] Records, p. 87.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.