

## **POLYTECHNIC UNIVERSITY OF THE PHILIPPINES, PETITIONER, VS. GOLDEN HORIZON REALTY CORPORATION, RESPONDENT.**

*G.R. No. 183612. March 15, 2010*

Ponente: VILLARAMA, JR., J.

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### **VILLARAMA, JR., J.:**

The above-titled consolidated petitions filed under Rule 45 of the 1997 Rules of Civil Procedure, as amended, seek to reverse the Decision[1] dated June 25, 2008 and Resolution dated August 22, 2008 of the Court of Appeals (CA) in CA-G.R. CV No. 84399 which affirmed the Decision[2] dated November 25, 2004 of the Regional Trial Court (RTC) of Makati City, Branch 144 in Civil Case No. 88-2238.

The undisputed facts are as follows:

Petitioner National Development Company (NDC) is a government- owned and controlled corporation, created under Commonwealth Act No. 182, as amended by Com. Act No. 311 and Presidential Decree (P.D.) No. 668. Petitioner Polytechnic University of the Philippines (PUP) is a public, non-sectarian, non-profit educational institution created in 1978 by virtue of P.D. No. 1341.

In the early sixties, NDC had in its disposal a ten (10)-hectare property located along Pureza St., Sta. Mesa, Manila. The estate was popularly known as the NDC Compound and covered by Transfer Certificate of Title Nos. 92885, 110301 and 145470.

On September 7, 1977, NDC entered into a Contract of Lease (C-33-77) with Golden Horizon Realty Corporation (GHRC) over a portion of the property, with an area of 2,407 square meters for a period of ten (10) years, renewable for another ten (10) years with mutual consent of the parties. [3]

On May 4, 1978, a second Contract of Lease (C-12-78) was executed between NDC and GHRC covering 3,222.80 square meters, also renewable upon mutual consent after the expiration of the ten (10)-year lease period. In addition, GHRC as lessee was granted the "option to purchase the area leased, the price to be negotiated and determined at the time the option to purchase is exercised." [4]

Under the lease agreements, GHRC was obliged to construct at its own expense buildings of strong material at no less than the stipulated cost, and other improvements which shall automatically belong to the NDC as lessor upon the expiration of the lease period. Accordingly, GHRC introduced permanent improvements and structures as required by the terms of the contract. After the completion of the industrial complex project, for which GHRC spent P5 million, it was leased to various manufacturers, industrialists and other businessmen thereby generating hundreds of jobs. [5]

On June 13, 1988, before the expiration of the ten (10)-year period under the second lease contract, GHRC wrote a letter to NDC indicating its exercise of the option to renew the lease for another ten (10) years. As no response was received from NDC, GHRC sent another letter on August 12, 1988, reiterating its desire to renew the contract and also requesting for priority to negotiate for its purchase should NDC opt to sell the leased premises. [6] NDC

still did not reply but continued to accept rental payments from GHRC and allowed the latter to remain in possession of the property.

Sometime after September 1988, GHRC discovered that NDC had decided to secretly dispose the property to a third party. On October 21, 1988, GHRC filed in the RTC a complaint for specific performance, damages with preliminary injunction and temporary restraining order. [7]

In the meantime, then President Corazon C. Aquino issued Memorandum Order No. 214 dated January 6, 1989, ordering the transfer of the whole NDC Compound to the National Government, which in turn would convey the said property in favor of PUP at acquisition cost. The memorandum order cited the serious need of PUP, considered the "Poor Man's University," to expand its campus, which adjoins the NDC Compound, to accommodate its growing student population, and the willingness of PUP to buy and of NDC to sell its property. The order of conveyance of the 10.31-hectare property would automatically result in the cancellation of NDC's total obligation in favor of the National Government in the amount of P57,193,201.64. [8]

On February 20, 1989, the RTC issued a writ of preliminary injunction enjoining NDC and its attorneys, representatives, agents and any other persons assisting it from proceeding with the sale and disposition of the leased premises. [9]

On February 23, 1989, PUP filed a motion to intervene as party defendant, claiming that as a purchaser pendente lite of a property subject of litigation it is entitled to intervene in the proceedings. The RTC granted the said motion and directed PUP to file its Answer-in-Intervention. [10]

PUP also demanded that GHRC vacate the premises, insisting that the latter's lease contract had already expired. Its demand letter unheeded by GHRC, PUP filed an ejectment case (Civil Case No. 134416) before the Metropolitan Trial Court (MeTC) of Manila on January 14, 1991. [11]

Due to this development, GHRC filed an Amended and/or Supplemental Complaint to include as additional defendants PUP, Honorable Executive Secretary Oscar Orbos and Judge Ernesto A. Reyes of the Manila MeTC, and to enjoin the afore-mentioned defendants from prosecuting Civil Case No. 134416 for ejectment. A temporary restraining order was subsequently issued by the RTC enjoining PUP from prosecuting and Judge Francisco Brillantes, Jr. from proceeding with the ejectment case. [12]

In its Second Amended and/or Supplemental Complaint, GHRC argued that Memorandum Order No. 214 is a nullity, for being violative of the writ of injunction issued by the trial court, apart from being an infringement of the Constitutional prohibition against impairment of obligation of contracts, an encroachment on legislative functions and a bill of attainder. In the alternative, should the trial court adjudge the memorandum order as valid, GHRC contended that its existing right must still be respected by allowing it to purchase the leased premises. [13]

Pre-trial was set but was suspended upon agreement of the parties to await the final resolution of a similar case involving NDC, PUP and another lessee of NDC, Firestone Ceramics, Inc. (Firestone), then pending before the RTC of Pasay City. [14]

On November 14, 2001, this Court rendered a decision in G.R. Nos. 143513 (Polytechnic University of the Philippines v. Court of Appeals) and 143590 (National Development Corporation v. Firestone Ceramics, Inc.), [15] which declared that the sale to PUP by NDC of the portion leased by Firestone pursuant to Memorandum Order No. 214 violated the right of first refusal granted to Firestone under its third lease contract with NDC. We thus decreed:

WHEREFORE, the petitions in G.R. No. 143513 and G.R. No. 143590 are DENIED. Inasmuch as the first contract of lease fixed the area of the leased premises at 2.90118 hectares while the second contract placed it at

2.60 hectares, let a ground survey of the leased premises be immediately conducted by a duly licensed, registered surveyor at the expense of private respondent FIRESTONE CERAMICS, INC., within two (2) months from the finality of the judgment in this case. Thereafter, private respondent FIRESTONE CERAMICS, INC., shall have six (6) months from receipt of the approved survey within which to exercise its right to purchase the leased property at P1,500.00 per square meter, and petitioner Polytechnic University of the Philippines is ordered to reconvey the property to FIRESTONE CERAMICS, INC., in the exercise of its right of first refusal upon payment of the purchase price thereof.

SO ORDERED. [16]

The RTC resumed the proceedings and when mediation and pre-trial failed to settle the case amicably, trial on the merits ensued. [17]

On November 25, 2004, the RTC rendered its decision upholding the right of first refusal granted to GHRC under its lease contract with NDC and ordering PUP to reconvey the said portion of the property in favor of GHRC. The dispositive portion reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiff and against the defendants ordering the plaintiff to cause immediate ground survey of the premises subject of the leased contract under Lease Contract No. C-33-77 and C-12-78 measuring 2,407 and 3,222.8 square meters respectively, by a duly licensed and registered surveyor at the expense of the plaintiff within two months from receipt of this Decision and thereafter, the plaintiff shall have six (6) months from receipt of the approved survey within which to exercise its right to purchase the leased property at P554.74 per square meter. And finally, the defendant PUP, in whose name the property is titled, is hereby ordered to reconvey the aforesaid property to the plaintiff in the exercise of its right of its option to buy or first refusal upon payment of the purchase price thereof.

The defendant NDC is hereby further ordered to pay the plaintiff attorney's fees in the amount of P100,000.00.

The case against defendant Executive Secretary is dismissed and this decision shall bind defendant Metropolitan Trial Court, Branch 20 of Manila.

With costs against defendants NDC and PUP.

SO ORDERED. [18]

NDC and PUP separately appealed the decision to the CA. [19] By Decision of June 25, 2008, the CA affirmed in toto the decision of the RTC. [20]

Both the RTC and the CA applied this Court's ruling in *Polytechnic University of the Philippines v. Court of Appeals* (supra), considering that GHRC is similarly situated as a lessee of NDC whose right of first refusal under the lease contract was violated by the sale of the property to PUP without NDC having first offered to sell the same to GHRC despite the latter's request for the renewal of the lease and/or to purchase the leased premises prior to the expiration of the second lease contract. The CA further agreed with the RTC's finding that there was an implied renewal of the lease upon the failure of NDC to act on GHRC's repeated requests for renewal of the lease contract, both verbal and written, and continuing to accept monthly rental payments from GHRC which was allowed to continue in possession of the leased premises.

The CA also rejected the argument of NDC and PUP that even assuming that GHRC had the right of first refusal, said right pertained only to the second lease contract, C-12-78 covering 3,222.80 square meters, and not to the first lease contract, C-33-77 covering 2,407 square meters, which had already expired. It sustained the RTC's finding that the two (2) lease contracts were interrelated because each formed part of GHRC's industrial complex,

such that business operations would be rendered useless and inoperative if the first contract were to be detached from the other, as similarly held in the afore-mentioned case of *Polytechnic University of the Philippines v. Court of Appeals*.

Petitioner PUP argues that respondent's right to exercise the option to purchase had expired with the termination of the original contract of lease and was not carried over to the subsequent implied new lease between respondent and petitioner NDC. As testified to by their witnesses Leticia Cabantog and Atty. Rhoel Mabazza, there was no agreement or document to the effect that respondent's request for extension or renewal of the subject contracts of lease for another ten (10) years was approved by NDC. Hence, respondent can no longer exercise the option to purchase the leased premises when the same were conveyed to PUP pursuant to Memorandum Order No. 214 dated January 6, 1989, long after the expiration of C-33-77 and C-12-78 in September 1988. [21]

Petitioner PUP further contends that while it is conceded that there was an implied new lease between respondent and petitioner NDC after the expiration of the lease contracts, the same did not include the right of first refusal originally granted to respondent. The CA should have applied the ruling in *Dizon v. Magsaysay* [22] that the lessee cannot any more exercise its option to purchase after the lapse of the one (1)-year period of the lease contract. With the implicit renewal of the lease on a monthly basis, the other terms of the original contract of lease which are revived in the implied new lease under Article 1670 of the Civil Code are only those terms which are germane to the lessee's right of continued enjoyment of the property leased. The provision entitling the lessee the option to purchase the leased premises is not deemed incorporated in the impliedly renewed contract because it is alien to the possession of the lessee. Consequently, as in this case, respondent's right of option to purchase the leased premises was not violated despite the impliedly renewed contract of lease with NDC. Respondent cannot favorably invoke the decision in G.R. Nos. 143513 and 143590 (*Polytechnic University of the Philippines v. Court of Appeals*) for the simple reason, among others, that unlike in said cases, the contracts of lease of respondent with NDC were not mutually extended or renewed for another ten (10) years. Thus, when the leased premises were conveyed to PUP, respondent did not any more have any right of first refusal, which incidentally appears only in the second lease contract and not in the first lease contract. [23]

On its part, petitioner NDC assails the CA in holding that the contracts of lease were impliedly renewed for another ten (10)-year period. The provisions of C-33-77 and C-12-78 clearly state that the lessee is granted the option "to renew for another ten (10) years with the mutual consent of both parties." As regards the continued receipt of rentals by NDC and possession by the respondent of the leased premises, the impliedly renewed lease was only month-to-month and not ten (10) years since the rentals are being paid on a monthly basis, as held in *Dizon v. Magsaysay*. [24]

Petitioner NDC further faults the CA in sustaining the RTC's decision which erroneously granted respondent the option to purchase the leased premises at the rate of P554.74 per square meter, the same rate for which NDC sold the property to petitioner PUP and/or the National Government, which is the mere acquisition cost thereof. It must be noted that such consideration or rate was imposed by Memorandum Order No. 214 under the premise that it shall, in effect, be a sale and/or purchase from one (1) government agency to another. It was intended merely as a transfer of one (1) user of the National Government to another, with the beneficiary, PUP in this case, merely returning to the petitioner/transferor the cost of acquisition thereof, as appearing on its accounting books. It does not in any way reflect the true and fair market value of the property, nor was it a price a "willing seller" would demand and accept for parting with his real property. Such benefit, therefore, cannot be extended to respondent as a private entity, as the latter does not share the same pocket, so to speak, with the National Government. [25]

The issue to be resolved is whether or not our ruling in *Polytechnic University of the Philippines v. Court of Appeals* applies in this case involving another lessee of NDC who claimed that the option to purchase the portion

leased to it was similarly violated by the sale of the NDC Compound in favor of PUP pursuant to Memorandum Order No. 214.

We rule in the affirmative.

The second lease contract contained the following provision:

III. It is mutually agreed by the parties that this Contract of Lease shall be in full force and effect for a period of ten (10) years counted from the effectivity of the payment of rental as provided under sub-paragraph (b) of Article I, with option to renew for another ten (10) years with the mutual consent of both parties. In no case should the rentals be increased by more than 100% of the original amount fixed.

Lessee shall also have the option to purchase the area leased, the price to be negotiated and determined at the time the option to purchase is exercised. [emphasis supplied]

An option is a contract by which the owner of the property agrees with another person that the latter shall have the right to buy the former's property at a fixed price within a certain time. It is a condition offered or contract by which the owner stipulates with another that the latter shall have the right to buy the property at a fixed price within a certain time, or under, or in compliance with certain terms and conditions; or which gives to the owner of the property the right to sell or demand a sale. [26] It binds the party, who has given the option, not to enter into the principal contract with any other person during the period designated, and, within that period, to enter into such contract with the one to whom the option was granted, if the latter should decide to use the option. [27]

Upon the other hand, a right of first refusal is a contractual grant, not of the sale of a property, but of the first priority to buy the property in the event the owner sells the same. [28] As distinguished from an option contract, in a right of first refusal, while the object might be made determinate, the exercise of the right of first refusal would be dependent not only on the owner's eventual intention to enter into a binding juridical relation with another but also on terms, including the price, that are yet to be firmed up. [29]

As the option to purchase clause in the second lease contract has no definite period within which the leased premises will be offered for sale to respondent lessee and the price is made subject to negotiation and determined only at the time the option to buy is exercised, it is obviously a mere right of refusal, usually inserted in lease contracts to give the lessee the first crack to buy the property in case the lessor decides to sell the same. That respondent was granted a right of first refusal under the second lease contract appears not to have been disputed by petitioners. What petitioners assail is the CA's erroneous conclusion that such right of refusal subsisted even after the expiration of the original lease period, when respondent was allowed to continue staying in the leased premises under an implied renewal of the lease and without the right of refusal carried over to such month-to-month lease. Petitioners thus maintain that no right of refusal was violated by the sale of the property in favor of PUP pursuant to Memorandum Order No. 214.

Petitioners' position is untenable.

When a lease contract contains a right of first refusal, the lessor has the legal duty to the lessee not to sell the leased property to anyone at any price until after the lessor has made an offer to sell the property to the lessee and the lessee has failed to accept it. Only after the lessee has failed to exercise his right of first priority could the lessor sell the property to other buyers under the same terms and conditions offered to the lessee, or under terms and conditions more favorable to the lessor. [30]

Records showed that during the hearing on the application for a writ of preliminary injunction, respondent adduced in evidence a letter of Antonio A. Henson dated 15 July 1988 addressed to Mr. Jake C. Lagonera, Director and Special Assistant to Executive Secretary Catalino Macaraeg, reviewing a proposed memorandum

order submitted to President Corazon C. Aquino transferring the whole NDC Compound, including the premises leased by respondent, in favor of petitioner PUP. This letter was offered in evidence by respondent to prove the existence of documents as of that date and even prior to the expiration of the second lease contract or the lapse of the ten (10)-year period counted from the effectivity of the rental payment -- that is, one hundred and fifty (150) days from the signing of the contract (May 4, 1978), as provided in Art. I, paragraph (b) of C-12-78, or on October 1, 1988.

Respondent thus timely exercised its option to purchase on August 12, 1988. However, considering that NDC had been negotiating through the National Government for the sale of the property in favor of PUP as early as July 15, 1988 without first offering to sell it to respondent and even when respondent communicated its desire to exercise the option to purchase granted to it under the lease contract, it is clear that NDC violated respondent's right of first refusal. Under the premises, the matter of the right of refusal not having been carried over to the impliedly renewed month-to-month lease after the expiration of the second lease contract on October 21, 1988 becomes irrelevant since at the time of the negotiations of the sale to a third party, petitioner PUP, respondent's right of first refusal was still subsisting.

Petitioner NDC in its memorandum contended that the CA erred in applying the ruling in *Polytechnic University of the Philippines v. Court of Appeals* pointing out that the case of lessee *Firestone Ceramics, Inc.* is different because the lease contract therein had not yet expired while in this case respondent's lease contracts have already expired and never renewed. The date of the expiration of the lease contract in said case is December 31, 1989 which is prior to the issuance of Memorandum Order No. 214 on January 6, 1989. In contrast, respondent's lease contracts had already expired (September 1988) at the time said memorandum order was issued. [31]

Such contention does not hold water. As already mentioned, the reckoning point of the offer of sale to a third party was not the issuance of Memorandum Order No. 214 on January 6, 1989 but the commencement of such negotiations as early as July 1988 when respondent's right of first refusal was still subsisting and the lease contracts still in force. Petitioner NDC did not bother to respond to respondent's letter of June 13, 1988 informing it of respondent's exercise of the option to renew and requesting to discuss further the matter with NDC, nor to the subsequent letter of August 12, 1988 reiterating the request for renewing the lease for another ten (10) years and also the exercise of the option to purchase under the lease contract. Petitioner NDC had dismissed these letters as "mere informative in nature, and a request at its best." [32]

Perusal of the letter dated August 12, 1988, however, belies such claim of petitioner NDC that it was merely informative, thus:

August 12, 1988

HON. ANTONIO HENSON  
General Manager  
NATIONAL DEVELOPMENT COMPANY  
377 Se(n). Gil J. Puyat Avenue  
Makati, Metro Manila

REF: Contract of Lease  
Nos. C-33-77 & C-12-78

Dear Sir:

This is further to our earlier letter dated June 13, 1988 formally advising your goodselves of our intention to exercise our option for another ten (10) years. Should the National Development Company opt to sell the property covered by said leases, we also request for priority to negotiate for its purchase at terms and/or

conditions mutually acceptable.

As a backgrounder, we wish to inform you that since the start of our lease, we have improved on the property by constructing bodega-type buildings which presently house all legitimate trading and manufacturing concerns. These business are substantial taxpayers, employ not less than 300 employees and contribute even foreign earnings.

It is in this context that we are requesting for the extension of the lease contract to prevent serious economic disruption and dislocation of the business concerns, as well as provide ourselves, the lessee, an opportunity to recoup our investments and obtain a fair return thereof.

Your favorable consideration on our request will be very much appreciated.

very truly yours,

TIU HAN TENG  
President [33]

As to petitioners' argument that respondent's right of first refusal can be invoked only with respect to the second lease contract which expressly provided for the option to purchase by the lessee, and not in the first lease contract which contained no such clause, we sustain the RTC and CA in finding that the second contract, covering an area of 3,222.80 square meters, is interrelated to and inseparable from the first contract over 2,407 square meters. The structures built on the leased premises, which are adjacent to each other, form part of an integrated system of a commercial complex leased out to manufacturers, fabricators and other businesses. Petitioners submitted a sketch plan and pictures taken of the driveways, in an effort to show that the leased premises can be used separately by respondent, and that the two (2) lease contracts are distinct from each other. [34] Such was a desperate attempt to downplay the commercial purpose of respondent's substantial improvements which greatly contributed to the increased value of the leased premises. To prove that petitioner NDC had considered the leased premises as a single unit, respondent submitted evidence showing that NDC issued only one (1) receipt for the rental payments for the two portions. [35] Respondent further presented the blueprint plan prepared by its witness, Engr. Alejandro E. Tinio, who supervised the construction of the structures on the leased premises, to show the building concept as a one-stop industrial site and integrated commercial complex. [36]

In fine, the CA was correct in declaring that there exists no justifiable reason not to apply the same rationale in *Polytechnic University of the Philippines v. Court of Appeals* in the case of respondent who was similarly prejudiced by petitioner NDC's sale of the property to PUP, as to entitle the respondent to exercise its option to purchase until October 1988 inasmuch as the May 4, 1978 contract embodied the option to renew the lease for another ten (10) years upon mutual consent and giving respondent the option to purchase the leased premises for a price to be negotiated and determined at the time such option was exercised by respondent. It is to be noted that Memorandum Order No. 214 itself declared that the transfer is "subject to such liens/leases existing [on the subject property]." Thus:

...we now proceed to determine whether FIRESTONE should be allowed to exercise its right of first refusal over the property. Such right was expressly stated by NDC and FIRESTONE in par. XV of their third contract denominated as A-10-78 executed on 22 December 1978 which, as found by the courts a quo, was interrelated to and inseparable from their first contract denominated as C-30-65 executed on 24 August 1965 and their second contract denominated as C-26-68 executed on 8 January 1969. Thus -

Should the LESSOR desire to sell the leased premises during the term of this Agreement, or any extension thereof, the LESSOR shall first give to the LESSEE, which shall have the right of first option to purchase the leased premises subject to mutual agreement of both parties.

In the instant case, the right of first refusal is an integral and indivisible part of the contract of lease and is inseparable from the whole contract. The consideration for the right is built into the reciprocal obligations of the parties. Thus, it is not correct for petitioners to insist that there was no consideration paid by FIRESTONE to entitle it to the exercise of the right, inasmuch as the stipulation is part and parcel of the contract of lease making the consideration for the lease the same as that for the option.

It is a settled principle in civil law that when a lease contract contains a right of first refusal, the lessor is under a legal duty to the lessee not to sell to anybody at any price until after he has made an offer to sell to the latter at a certain price and the lessee has failed to accept it. The lessee has a right that the lessor's first offer shall be in his favor.

The option in this case was incorporated in the contracts of lease by NDC for the benefit of FIRESTONE which, in view of the total amount of its investments in the property, wanted to be assured that it would be given the first opportunity to buy the property at a price for which it would be offered. Consistent with their agreement, it was then implicit for NDC to have first offered the leased premises of 2.60 hectares to FIRESTONE prior to the sale in favor of PUP. Only if FIRESTONE failed to exercise its right of first priority could NDC lawfully sell the property to petitioner PUP. [37] [emphasis supplied]

As we further ruled in the afore-cited case, the contractual grant of a right of first refusal is enforceable, and following an earlier ruling in *Equatorial Realty Development, Inc. v. Mayfair Theater, Inc.*, [38] the execution of such right consists in directing the grantor to comply with his obligation according to the terms at which he should have offered the property in favor of the grantee and at that price when the offer should have been made. We then determined the proper rate at which the leased portion should be reconveyed to respondent by PUP, to whom the lessor NDC sold it in violation of respondent lessee's right of first refusal, as follows:

It now becomes apropos to ask whether the courts a quo were correct in fixing the proper consideration of the sale at P1,500.00 per square meter. In contracts of sale, the basis of the right of first refusal must be the current offer of the seller to sell or the offer to purchase of the prospective buyer. Only after the lessee-grantee fails to exercise its right under the same terms and within the period contemplated can the owner validly offer to sell the property to a third person, again, under the same terms as offered to the grantee. It appearing that the whole NDC compound was sold to PUP for P554.74 per square meter, it would have been more proper for the courts below to have ordered the sale of the property also at the same price. However, since FIRESTONE never raised this as an issue, while on the other hand it admitted that the value of the property stood at P1,500.00 per square meter, then we see no compelling reason to modify the holdings of the courts a quo that the leased premises be sold at that price. [39] [emphasis supplied]

In the light of the foregoing, we hold that respondent, which did not offer any amount to petitioner NDC, and neither disputed the P1,500.00 per square meter actual value of NDC's property at that time it was sold to PUP at P554.74 per square meter, as duly considered by this Court in the *Firestone* case, should be bound by such determination. Accordingly, the price at which the leased premises should be sold to respondent in the exercise of its right of first refusal under the lease contract with petitioner NDC, which was pegged by the RTC at P554.74 per square meter, should be adjusted to P1,500.00 per square meter, which more accurately reflects its true value at that time of the sale in favor of petitioner PUP.

Indeed, basic is the rule that a party to a contract cannot unilaterally withdraw a right of first refusal that stands upon valuable consideration. [40] We have categorically ruled that it is not correct to say that there is no consideration for the grant of the right of first refusal if such grant is embodied in the same contract of lease. Since the stipulation forms part of the entire lease contract, the consideration for the lease includes the consideration for the grant of the right of first refusal. In entering into the contract, the lessee is in effect stating

that it consents to lease the premises and to pay the price agreed upon provided the lessor also consents that, should it sell the leased property, then, the lessee shall be given the right to match the offered purchase price and to buy the property at that price. [41]

We have further stressed that not even the avowed public welfare or the constitutional priority accorded to education, invoked by petitioner PUP in the Firestone case, would serve as license for us, and any party for that matter, to destroy the sanctity of binding obligations. While education may be prioritized for legislative and budgetary purposes, it is doubtful if such importance can be used to confiscate private property such as the right of first refusal granted to a lessee of petitioner NDC. [42] Clearly, no reversible error was committed by the CA in sustaining respondent's contractual right of first refusal and ordering the reconveyance of the leased portion of petitioner NDC's property in its favor.

WHEREFORE, the petitions are DENIED. The Decision dated November 25, 2004 of the Regional Trial Court of Makati City, Branch 144 in Civil Case No. 88-2238, as affirmed by the Court of Appeals in its Decision dated June 25, 2008 in CA-G.R. CV No. 84399, is hereby AFFIRMED with MODIFICATION in that the price to be paid by respondent Golden Horizon Realty Corporation for the leased portion of the NDC Compound under Lease Contract Nos. C-33-77 and C-12-78 is hereby increased to P1,500.00 per square meter.

No pronouncement as to costs.

**SO ORDERED.**

Puno, (Chairperson), Carpio Morales, Leonardo-De Castro, and Bersamin, JJ., concur.

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[1] Rollo (G.R. No. 184260), pp. 35-48. Penned by Associate Justice Fernanda Lampas Peralta and concurred in by Associate Justices Edgardo P. Cruz and Ricardo R. Rosario.

[2] Records, Vol. III, pp. 389-403. Penned by Judge Oscar B. Pimentel.

[3] Records, Vol. III, pp. 83-89.

[4] Id., at pp. 91-97.

[5] Id., at pp. 77, 137-138.

[6] Records, Vol. I, pp. 25-26.

[7] Id., at pp. 1-8.

[8] Records, Vol. III, pp. 100-101.

[9] Records, Vol. I, pp. 143-144.

[10] Id., at pp. 163-170, 224, 232-246.

[11] Id., at pp. 411-418.

[12] Id., at pp. 290-328.

[13] Id., at pp. 390-391.

[14] Records, Vol. II, pp. 757, 770-806.

**[15] 368 SCRA 691.**

[16] *Id.*, at p. 799.

[17] Records, Vol. III, pp. 6-73.

[18] *Id.*, at pp. 402-403.

[19] *Id.*, at pp. 404-415.

[20] CA rollo, pp. 223-236.

[21] Rollo (G.R. No. 183612), pp. 20-21.

[22] No. L-23399, May 31, 1974, 57 SCRA 250.

[23] *Id.*, at pp. 21-25.

[24] Rollo (G.R. No. 184260), pp. 22-26.

[25] *Id.*, at pp. 27-28.

[26] *Eulogio v. Apeles*, G.R. No. 167884, January 20, 2009, 576 SCRA 561, citing *Tayag v. Lacson*, G.R. No. 134971, March 25, 2004, 426 SCRA 282, 304.

[27] *Carceller v. Court of Appeals*, G.R. No. 124791, February 10, 1999, 302 SCRA 718, 724, citing Tolentino, *Commentaries and Jurisprudence on the Civil Code of the Philippines* (Vol. IV), 1991 ed., pp. 466-467.

[28] *Rosencor Development Corporation v. Inquing*, G.R. No. 140479, March 8, 2001, 354 SCRA 119.

[29] *Vazquez v. Ayala Corporation*, G.R. No. 149734, November 19, 2004, 443 SCRA 231, 255, citing *Ang Yu Asuncion v. Court of Appeals*, G.R. No. 109125, December 2, 1994, 238 SCRA 602.

[30] *Villegas v. Court of Appeals*, G.R. Nos. 111495 and 122404, August 18, 2006, 499 SCRA 276, 288, citing *Riviera Filipina, Inc. v. Court of Appeals*, 430 Phil. 8 (2002); *Parañaque Kings Enterprises, Inc. v. Court of Appeals*, G.R. No. 111538, February 26, 1997, 268 SCRA 727; *Guzman, Bocaling & Co. v. Bonnevie*, G.R. No. 86150, March 2, 1992, 206 SCRA 668.

[31] Rollo (G.R. No. 184260), pp. 282-283.

[32] *Id.*, at p. 278.

[33] Records, Vol. III, p. 99.

[34] Records, Vol. III, pp. 163 to 163-A, 330, 337-341.

[35] Exhibit "M", Records, Vol. III, pp. 173 and 185; Judicial Affidavit of Mr. Tiu Han Teng, Records, Vol. III, pp. 77 and 79.

[36] Records, Vol. III, pp. 159-161, 163 to 163-A (Exhibits "N" and "O").

[37] *Polytechnic University of the Philippines v. Court of Appeals*, *supra*, at pp. 707-708.

[38] G.R. No. 106063, November 21, 1996, 264 SCRA 483.

[39] *Polytechnic University of the Philippines v. Court of Appeals*, *supra*, at pp. 708-709.

[40] *Id.*, at p. 702.

[41] *Lucrative Realty and Development Corporation v. Bernabe, Jr.*, G.R. No. 148514, November 26, 2002, 392 SCRA 679, 685, citing *Equatorial Realty Development, Inc. v. Mayfair Theater, Inc.*, *supra*.

[42] *Polytechnic University of the Philippines v. Court of Appeals*, *supra* at p. 703.

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