

PATRICK CHUA PENG HIAN, DOING BUSINESS AS NUEVA ECIJA LUMBER, PETITIONER, VS. COURT OF APPEALS, EMILIANA R. VENERACION AND THE HEIRS OF THE LATE MIGUEL VENERACION, RESPONDENTS.

G.R. No. 60015. December 19, 1984

Ponente: AQUINO, J.

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AQUINO, J.:

This case is about the recovery of possession of a leased lot where the lessee bound himself to transfer to the lessor the building which he erected thereon.

Miguel C. Veneracion, owner of a 2,194-square-meter lot located at 787 Melencio Street, Cabanatuan City, leased it in 1948 to Patrick Chua Peng Hian for ten years. The lease was renewed for another ten years.

Chua constructed on that lot a two-storey building where he conducted his sawmill and lumber business on the ground floor. He and his family occupied the second floor as residence.

On May 25, 1968, after the second lease agreement had expired, Veneracion leased to Chua 1,850 square meters of the lot for three years or from May 1, 1968 to May 1, 1971 at the monthly rental of P1,500.

It was stipulated in paragraph 5 of the lease contract that it "shall terminate automatically with-out extension and the lessee shall vacate and surrender the premises without any obstruction thereon". Paragraph 7 thereof provides:

"7. That in the event that the Lessee fails to surrender and vacate the leased premises at the expiration of this lease on May 1, 1971, and/or to remove his buildings and improvements, same shall automatically remain as property of the Lessor without the necessity of executing a Deed of Transfer or conveyance of the aforementioned properties; that this document will serve as Deed of Transfer and Conveyance of the above-mentioned buildings and improvements in favor of the Lessor as stipulated herein; provided, however, and it being understood that upon the expiration or earlier termination of this lease, in order to comply with his obligation of peacefully and quietly surrendering and restoring to the Lessor the possession of the leased premises, the Lessor hereby gives and grants to the Lessee a period of three (3) months within which to make such removal but with the obligation to pay the rental corresponding to such time;"

Chua also agreed to pay Veneracion "compensatory damages" of P20,000 plus attorney's fee of P2,000 should Veneracion seek judicial relief by reason of Chua's non-fulfillment or violation of the term of the lease.

On February 6, 1969 Veneracion died. After the third lease contract expired or on May 21, 1971, Veneracion's heirs demanded that Chua vacate the premises and pay the accrued rentals. Chua did not comply with their demand.

On April 11, 1972, the Veneracions filed in the Court of First Instance of Nueva Ecija an action for specific performance against Chua. The trial court rendered a decision from which both parties appealed. On October 30, 1980, the Appellate Court rendered judgment ordering Chua and his family to vacate the land in question; to

convey the buildings and improvements existing on the land to the Veneracion heirs and to pay the monthly rental of P1,500 from June, 1971 until he delivers possession thereof and the amount of P20,000 as compensatory damages plus P2,000 as attorney's fee (CA-G. R. No. 64925-R). Chua appealed to this Court. He contends that the trial court had no jurisdiction over the case.

We hold that the Court of First Instance had jurisdiction over the case. Where the issues raised before the inferior court do not only involve possession of the lot but also the rights of the parties to the building constructed thereon, the Court of First Instance and not the municipal or city court has jurisdiction over the case (*Ortigas and Co., Ltd. Partnership vs. Court of Appeals*, G. R. No. 52488, July 25, 1981, 106 SCRA 121).

Moreover, the action was for specific performance of the stipulations of a lease contract. It was not capable of pecuniary estimation. It was within the exclusive original jurisdiction of the Court of First Instance (*De Jesus vs. Garcia*, 125 Phil. 955; *Lapitan vs. Scandia, Inc.*, L-24668, July 31, 1968, 24 SCRA 479).

The contention that Chua's alienation in the contract of lease of his improvements was tantamount to a disposition of conjugal realty without the wife's consent has no merit. The said building and improvements on the leased land may be treated as personal properties (*Standard Oil Co. of New York vs. Jaramillo*, 44 Phil. 630; *Luna vs. Encarnacion*, 91 Phil. 531; *Manarang vs. Ofilada*, 99 Phil. 108; *Tumalad vs. Vicencio*, L-30173, September 30, 1971, 41 SCRA 143, 152-3).

The validity of a stipulation that the lessor would become the owner of the improvements constructed by the lessee on the leased land has been sustained (*Lao Chit vs. Security Bank & Trust Co. and Consolidated Investment, Inc.*, 105 Phil. 490; *Co Bun Kin vs. Liongson*, 100 Phil. 1091).

The other points raised in the petition (petitioner did not file any memorandum) such as the four-year extension of the lease made by the trial court and the amount of damages do not merit any serious consideration. The case is governed by the lease contract which is the law between the parties.

WHEREFORE, the judgment of the Court of Appeals is affirmed. Costs against the petitioner.

SO ORDERED.

Makasiar (Chairman), Abad Santos, Escolin, and Cuevas, JJ., concur.

Concepcion, Jr., J., did not take part.

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