

Changes to the Landlord and Tenant law in Abu Dhabi

David Bowman - Senior Counsel - Real Estate

d.bowman@tamimi.com - Abu Dhabi

Abu Dhabi Law No. (20) of 2006 (the "Landlord and Tenant Law") as amended by Laws No. (6) of 2009 and No. (4) of 2010 ("Law No. (4)") and Executive Council Resolutions No. (56) of 2010 and No. (25) of 2011 ("Resolution No. (25)") regulates most landlord and tenant relationships in the Emirate of Abu Dhabi except those relating to:

- Agricultural lands and the buildings thereon;
- Lands and properties owned by the government and leased for residential purposes;
- Land and Property allocated to ADNOC which is being leased for purposes specifically related to services in the petroleum industry;
- Properties leased for hospitality and tourism purposes including furnished apartments; and
- Properties occupied as labour accommodation.

The Landlord and Tenant Law allows the parties to a lease to fix the rent by agreement in the lease. Where the rent is not fixed, the landlord currently has the right to an annual rent increment. This right is currently subject to a maximum increase of 5% of the existing rental amount (the "Rent Cap"). The Rent Cap may be increased, reduced or cancelled from time to time by the Chairman of the Executive Council as he considers appropriate. A tenant may refer the matter to the Abu Dhabi Rent Committee for determination of the rent where a landlord exceeds the Rent Cap.

The term of a lease will remain in force until its expiry and may be renewed upon the mutual consent of both parties. Should a tenant remain in occupation upon expiry of a lease with the knowledge and consent of his landlord, then the lease shall be deemed to have been renewed for a similar term on the same terms and conditions. Should either party not wish to renew a lease, then at least 2 months' (for residential property) or 3 months' (for commercial property) prior written notice must be given to the other party.

The most significant change to the Landlord and Tenant Law introduced by Law No. (4) relates to renewal of leases upon their expiry and changes to the determination of rent payable under renewal leases. Under the current law, a landlord may not request that a tenant vacates a property upon expiry of his lease. Once Law No. (4) has been fully implemented a landlord will be entitled to request that a tenant vacates a property on expiry of his lease and may refuse the renewal of the lease, subject to requirement for necessary notice provisions to be observed. Therefore whilst Rent Caps will continue to apply during the lease terms there will be no protection for tenants against rent increases upon lease renewals. The deadline for full implementation set by Law No. (4) was originally 9 November 2010, however this has subsequently been extended twice and currently expires on 9 November 2012 (Resolution No 25 of 2011). The Executive Council has the power to further delay this date.