

Abu Dhabi rent controls and lease renewals

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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.

Law No. (4) introduces changes for renewal of leases upon their expiry and 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 set for 9 November 2010, however the deadline has subsequently been extended three times. The resolution issued on 13 November 2012 now states that the law will not be fully implemented until 9 November 2013. We currently await publication of this resolution in the Official Gazette.