

Dubai lease renewals and rent controls

Katrine Kofoed
k.kofoed@tamimi.com

July – August 2013

The relevant law is Law No. 26 of 2007 Regulating the Relationship between Landlords and Tenants in the Emirate of Dubai, as amended by Law No. 33 of 2008 (“Landlord and Tenant Law”), which applies to landlord and tenant relationships for all residential and commercial leased lands and properties in Dubai.

Further, Decree No. 2 of 2011 Regarding Rentals in the Emirate of Dubai (“Rent Cap Law”) regulates rent increases.

1. LEASE RENEWALS

The Landlord and Tenant Law permits landlords to evict tenants upon lease expiry in limited circumstances. Specifically, Article 25 (2) provides that landlords can give tenants notice not to renew leases in the following instances:

1. If the landlord wishes to demolish the property for reconstruction (provided the necessary licences for such reconstruction are obtained);
2. If the landlord wishes to renovate the property (provided such renovations cannot be completed while the tenant is in occupation and this fact has been certified by the Dubai Municipality);
3. If the landlord wishes to recover the property for use by him personally or by his next of kin of first degree; or
4. If the landlord wishes to sell the property.

The landlord must give the tenant at least 12 months notice not to renew stating the applicable reason, and such notice must be sent through a Notary Public or by registered mail.

The landlord’s rights not to renew are strictly limited to the grounds stated in Article 25 (2) and in the event of a dispute, the Rent Committee may require the landlord to prove the applicable reason.

Some leases contain provisions that allow either party to give notice not to renew upon expiry (e.g. by giving 60 notice days prior to the lease expiry date), which is inconsistent with Article 25 (2). In most situations, Article 25 (2) will override any such clauses in a lease but this is not always the case depending upon the specific circumstances.

It should also be noted that if a tenant remains in occupation upon expiry of a lease, and the landlord does not object, then the lease shall be renewed for a similar term or for 1 year (whichever is shorter) on the same terms and conditions.

2. RENT CONTROLS

In any event where there are changes to the lease terms and conditions for the renewal period, at least 90 days notice of such change must be given to the other party before the expiry of the lease (unless otherwise agreed by the parties). This also applies with respect to rent increases.

Pursuant to Article 1 of the Rental Cap Law, no increases are permitted if the rent is up to 25 % below “average similar rent”. If the rent is more than 25% below average similar rent, there is a staggered

permitted increase ranging from 5 % to 20% per annum. “Average similar rent” is determined pursuant to Real Estate Regulatory Agency (“RERA”) rental index.

RERA has established an online rental increase calculator, pursuant to which landlords and tenants can assess whether a rental increase is permitted under the Rent Cap Law.

In any event of dispute, the Rent Committee can determine the applicable rent having regard to the RERA rental index, similar market rent for properties in the same area, the relevant property’s status, the general economic circumstances of Dubai, any valid legislation regarding rental values and any other factors the Rent Committee may decide.

In summary, the Landlord and Tenant Law and Rent Cap Law are similar to other landlord and tenant laws in other emirates within the United Arab Emirates. Its focus is clearly oriented towards residential tenancies and protecting those in a weaker bargaining position. Its terms can, however, be unduly prescriptive for commercial tenancies.