



Leasing in Dubai - The Particularities of Tenancy Contracts and their Enforcement

Renting premises in Dubai - whether it concerns a residential, commercial or industrial property - continues to be a trying experience for landlords and tenants alike. Although there are laws in force that structure the relationship between the parties, they fall short in many aspects. It is, therefore, essential for all those involved to know the law and to take measures to safeguard the respective interests. In this article, we are going to outline the crucial contents that should be included in every tenancy contract in the Emirate of Dubai, regardless of what kind of property is being rented and where it is located.

1. Legal Basis and Standardised Tenancy Contract

Tenancies in Dubai are regulated by Law No. 26 of 2007 as amended ("Dubai Landlord and Tenant Law"). It applies to all leases concluded in the Emirate of Dubai, including its free zones, but with the exception of the Dubai International Financial Centre ("DIFC"), with durations of less than ten years, irrespective of whether it concerns residential, commercial or industrial premises.

The Dubai Landlord and Tenant Law unfortunately does not address most of the matters that are causing disaccord between the parties, such as maintenance issues, the handling of security deposits, termination clauses or reconstruction of shell and core units.

Regrettably, the EJARI Standard Tenancy Contract ("EJARI Contract") - which has to be mandatorily used when concluding a lease in the Emirate of Dubai - does not address these concerns either, especially since it does not distinguish between residential, commercial or industrial leases. Thus, the EJARI Contract neither offers any further clarifications nor provides any additional value to the relationship between landlords and tenants in any setting. Therefore, it is a must to conclude additional terms and conditions that supplement the EJARI Contract.

2. Most Common Additional Terms and Conditions

Regardless of whether the parties negotiate additional terms and conditions on an equal basis or whether the terms are rather imposed by one party (usually the landlord), the parties should always be aware of all applicable provisions, read them carefully and consider the practical and financial implications of the clauses.

The most common additional terms and conditions concern the following issues:

- Rent increase
- Payment of specific charges, for example security deposits, service charges, fit-out fees and deposits, administration, registration and renewal charges, early termination and late renewal fees as well as their reimbursement

- Payment terms, in particular modes of payment
- Fit-out, decoration and subsequent reinstatement of the leased premises
- Repair and maintenance, especially with regard to the definition of the terms "wear and tear" and "minor and major maintenance" as well as payment thresholds
- Additional termination rights for the benefit of the landlord, even though these violate the conclusive list of permissible grounds for termination as stated in the Dubai Landlord and Tenant Law
- Grounds for termination and break options for the tenant
- Definition of the rented space as well as any ancillary rights, such as the usage of certain additional areas, and the permitted use of the premises
- Insurances and their coverage
- In commercial settings, turnover rents, marketing costs, keep-open obligations and relocation options

3. Leasing in Dubai Free Zones

Leases in free zones generally do not follow different rules. With the exception of DIFC, the free zone authorities are obligated to observe all rental laws applicable in the Emirate of Dubai.

Usually, the free zones dictate non-negotiable terms and conditions of tenancy contracts which cover the contents of the EJARI Contract but regularly contain numerous additional clauses.

4. Disputes and Enforcement

In the event of a tenancy dispute, the Rental Disputes Center ("RDC") is the competent authority to hear claims and to settle any issues related to the contents of lease agreements in the Emirate of Dubai, including its free zones, but with the exception of the DIFC and certain specific other topics.



In order to be able to file a claim with the RDC, the tenancy contract must be registered with EJARI, all relevant documents must be translated into Arabic and the RDC's fees amounting to 3.5% of the annual rent of the leased premises must be paid.

It should always be carefully examined whether to actually file a claim with the RDC as in certain instances the endeavour proves to be utterly unfeasible.

5. Conclusion & Outlook

To conclude, the applicable rental laws in the Emirate of Dubai are currently neither sufficient to safeguard the respective party's rights and obligations nor to avoid disputes. Although the Dubai Land Department has plans to issue new rules and regulations that cater to the needs of the market and distinguish between residential as well as commercial and industrial leases, it remains to be seen when such new laws will come into effect and to what extent they will benefit the rental environment and the parties' interests.

In the meantime, it continues to be essential to carefully draft additional terms and conditions to EJARI Contracts in order to define - to the utmost possible degree - the rights and obligations of both landlord and tenant. This contributes to a stress-free tenancy and the avoidance of disputes during and upon termination of the lease.

Do you have questions? - We would be glad to answer them!

From our office located in the heart of Dubai, our team of German attorneys has been advising small and medium-sized companies, corporations and individuals on the laws of the United Arab Emirates for more than a decade. Our areas of expertise include corporate and commercial law (in particular business set ups), commercial agency law, employment law as well as tenancy and real estate law. We would be happy to attend to your questions as well. Contact us!

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