



COVID-19: Initiatives Supporting Tenants, Landlords and Real Estate Investors in the United Arab Emirates

The United Arab Emirates ("UAE") is currently not only implementing measures to slow the spread of the COVID-19 pandemic but also initiatives that shall curb the economic implications of the crisis for residents, businesses and investors. Below, we introduce seven initiatives specifically designed to ease the burden on tenants, landlords and real estate investors in the UAE.

Initiative 1

Reduction of electricity and water bills

On 15.03.2020, the Dubai Stimulus Package was announced. A part thereof is dedicated to reducing living expenses of both private and commercial tenants in the Emirate of Dubai for the upcoming three months.

The Dubai Water and Electricity Authority ("DEWA") has consequently already applied a 10% cut in charges for the March billing period. Tenants in the Emirates of Abu Dhabi, Sharjah and Ras Al Khaimah benefit from similar reductions.

Furthermore, DEWA has reduced the amounts of the security deposits to be provided by 50%. In the Emirate of Abu Dhabi, such costs shall be fully subsidised for specific startups until the end of 2020.

On 17.03.2020, Empower, a district cooling company in the Emirate of Dubai, followed suit and announced a 10% discount on district cooling bills for all consumer categories for the next three months.

Pursuant to a series of decisions taken by the UAE cabinet approved on 25.03.2020, the Federal Electricity & Water Authority ("FEWA") was instructed to offer all subscribers renting commercial and industrial premises a 20% cut on water and electricity bills for a period of three months starting from April 2020. Concerned tenants shall also benefit from six months' payment deferrals for water and electricity connection charges. These measures specifically help hotels, hotel apartments, shopping malls, commercial shops and industrial facilities.

Initiative 2

Suspension of Rent Evictions

Starting from 23.03.2020, the Emirate of Abu Dhabi has halted all rental property eviction cases currently underway for a period of two months.

Tenants of residential and commercial premises in the Emirate of Dubai are also being safeguarded since all eviction judgments relating to residential and commercial facilities have been postponed for judgments issued in March and April 2020. This, however, is not applicable to abandoned homes. Furthermore, imprisonment judgments on all rental-related cases are suspended for the time being.

Initiative 3

Flexibility in rental payments

The Dubai Land Department is currently developing programs that shall support tenants facing financial difficulties caused by the COVID-19 pandemic in the Emirate of Dubai. In addition, the authority requested all landlords in the Emirate to offer tenants with financial straits flexible rental payment terms or even a decrease of the annual rent and encouraged them to apply the "correct moral standards".

The master developer and mall operator Nakheel announced an AED 230 million economic relief package in the wake of the COVID-19 outbreak which shall particularly ease the burdens of its retail and hospitality tenants who operate within the Nakheel Malls portfolio. Amongst other measures, the waiver of rental payments and administration fees as well as a reduction of district cooling charges by 10% for three months have been decided. In addition, tenants shall be eligible to apply for a so-called rental holiday.

Al-Futtaim Group announced a fund of AED 100 million to help its eligible mall tenants in Dubai Festival City and Festival Plaza by offering rent reliefs of up to three months.

Similar programs worth AED 1 billion and AED 25 million, specifically designed to partially alleviate the strains faced by their tenants, were announced by Dubai Holding and Meraas as well as Al Zarooni Group, respectively.

Wasl Asset Management Group provides rental reliefs for both its private and commercial tenants by way of rental deferrals by three to six months and the waiver of late payment penalty fees.

Sharjah Asset Management and RAK Properties also supplied its commercial tenants in the Emirates of Sharjah and Ras Al Khaimah with rental aids.

Within the scope of the Ghadan 21 initiative, the Emirate of Abu Dhabi offers the exemption of tenancy contract registration fees for commercial and industrial tenants as well as commercial real estate registration fees. For new contracts concerning industrial spaces, industrial land leasing fees are cut by 25%. Additionally, tenants in the restaurant, tourism and entertainment sectors can avail of rent reductions of up to 20%.



Initiative 4

Relief packages of free zone authorities

The Dubai Free Zones Council, of which various free zones, such as Jebel Ali Free Zone ("JAFZ"), Dubai Airport Freezone, Dubai Multi Commodities Centre ("DMCC"), Dubai International Financial Centre and Dubai South, are a member of, has launched an economic stimulus package on 28.03.2020 which includes the following five key elements: postponing rent payments by a period of six months, facilitating instalments for payments, refunding security deposits and guarantees, cancelling fines for both companies and individuals and permitting temporary contracts that allow the free movement of labour between companies operating in the free zones for the rest of the year.

Beyond that, individual free zone authorities offer further aids. As an example, DMCC, in its capacity as landlord of commercial premises, remits outdoor area rents for a specific duration. Also, commercial tenants forced to close their establishments permanently due to governmental COVID-19 directives can take advantage of a two months' rent waiver. Earlier, JAFZ announced its Customer Support Initiative which is designed to slash business-related fees by between 50% and 70% for registration, licensing and related administrative functions.

Initiative 5

Deferred payment terms for real estate investors

Some property developers, such as Nakheel, intend to offer those customers who have purchased real estate properties more flexible payment options. Also, penalties due to delayed payment shall be suspended altogether.

Initiative 6

Support provided by local banks

Emirates NBD, Dubai Islamic Bank, Emirates Islamic, Mashreq and Commercial Bank of Dubai have joined the effort to provide relief to their respective customers, in particular landlords of mortgaged properties who can no longer service their loans due to them not or only partially receiving rental payments or them facing income reductions. Such measures include repayment holidays, adjusted payment plans and the reduction of interest

rates. Tenants affected by salary cuts or unpaid leave schemes shall also be supported through payment deferrals and by simplifying requirements with regard to extensions of credit.

Initiative 7

Cut of interest rates

Following the US Federal Reserve Board's decision to cut the Federal Funds Rate to near zero, the UAE Central Bank cut interest rates by 75 basis points a day later on 16.03.2020. Borrowing of money and existing mortgages with variable rates should thus become more affordable.

Recommendations

Should it become obvious that you will not be able to meet your tenancy and/or real estate-related financial responsibilities on time, you are well advised to communicate your situation to the respective creditor sooner rather than later in order to attempt to find an amicable solution.

You should proceed as such not only in your dealings with banks and licensing authorities but also when you have concluded a tenancy contract with a private landlord who does not offer rental relief on his own. You should certainly neither unilaterally cease making rental payments or instalments for your real estate property nor risk post-dated cheques to bounce without contacting the landlord, the authority or the real estate developer first.

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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