

## Rent Increase - Renewal of Tenancy Contract - Termination of Lease: What you need to know in the Emirate of Dubai

Matters related to tenancy law are often of great importance to an individual. For a tenant, the home, i.e. the personal place of retreat, is affected. Moreover, a potentially necessary move not only incurs considerable costs, but also a large expenditure of time. For a landlord, the rental property usually serves as an investment object that is intended to achieve the best possible return. Therefore, amongst others, the issues of rent increase, renewal of tenancy contract and termination of lease are in the focus of conflicting interests of the contracting parties. We explain these aspects on the basis of the tenancy law applicable in the Emirate of Dubai:

### 1. Rent Increase

An increase in the annual rent is permitted only if it is within the limits provided by law and if the tenant has been duly notified.

#### a. Permissibility

The limits of a valid rent increase are regulated by law and based on a rent index.

Accordingly, the annual rent may only be increased if the current rent is comparatively low and, in such a case, only by a certain maximum percentage:

- 5% increase, provided that the current rent is 11% to 20% below the local comparable rent
- 10% increase, provided that the current rent is 21% to 30% below the local comparable rent
- 15% increase, provided that the current rent is 31% to 40% below the local comparable rent
- 20% increase, provided that the current rent is more than 40% below the local comparable rent

Whether there is a right to increase the rent, and if so, by how much, can be checked online by using the so-called Rental Index Calculator, which is available on the website of the Dubai Land Department ("DLD").

#### b. Form and Deadline

The landlord must notify the tenant of his intention to increase the rent in good time, i.e. in principle at least 90 days before the end of the current rental period unless a different period has been contractually agreed.

This notice should be made in writing, if only for evidentiary purposes. Since no particular method of delivery is prescribed by law, the notice can, for example, also be given by eMail, provided that the tenancy contract does not stipulate another form.

#### c. Rent Freeze

Since the beginning of the year, there have been increasing reports about a planned change in the law, according to which a rent increase would only be permissible after the expiry of a contract period of three years (so-called rent freeze). Currently, however, a corresponding law has not been enacted yet.

Thus, under the current legal situation, the landlord is permitted to demand a rent increase on annual basis, provided that the conditions set out in sections 1. a. and 1. b. above are met.

### 2. Renewal of Tenancy Contract

The contracting parties are often not aware of the fact that the tenancy contract, even if concluded for a certain period of time, does not automatically end upon expiry of the agreed term. Rather, the contract is renewed on the same terms and conditions unless one of the parties has given notice of deviating terms and conditions in due form and time or the parties have mutually agreed not to renew it.

If the tenancy contract has been automatically renewed, it is generally advisable to conclude (at least) the standard tenancy contract prescribed by the DLD again for the new rental period in order to be able to carry out an EJARI registration. A valid EJARI registration is required, for example, for sponsoring relatives or filing a tenancy-related case before the competent court in Dubai, the Rental Disputes Center.

### 3. Termination of Lease

Where the landlord and the tenant agree on ending the lease, the tenancy contract may be terminated at any time by mutual consent in the form agreed by the parties.

If, on the other hand, the contracting parties do not reach an agreement, a distinction must be made with regard to the termination options and form requirements according to whether the tenant or the landlord is seeking to terminate the tenancy contract.

#### a. Termination by Tenant

The law does not stipulate any right of the tenant to terminate a tenancy contract prior to the expiry of the current lease period.

If the tenancy contract does not contain an express termination option either, i.e. if it does not include a so-called break clause, the tenant can only terminate the lease during the term of the contract by reaching an agreement with the landlord or, in special cases of hardship, by court order.



If the tenant wishes to terminate the contractual relationship at the end of a current rental period, he is obliged to inform the landlord at least 90 days before the end of the contractual term unless a different notice period has been specified in the contract. The tenant is not required to give a specific reason for termination.

#### **b. Termination by Landlord**

The landlord, however, does not have such straightforward option to terminate the tenancy contract. Instead, one of the reasons expressly stated in the law must exist and a formal eviction notice has to be issued. The eviction notice must be signed by the landlord before the local notary public and served on the tenant by court messenger.

The landlord may, for example, demand termination of the tenancy contract and eviction from the property if the tenant fails to pay the rent due within 30 days despite being requested

to do so, sublets the rented property in whole or in part without the landlord's consent or continues to breach the contract in another manner.

By observing a longer notice period, it is possible for the landlord to terminate the tenancy contract if one of four legally stipulated grounds for termination exists. The most relevant reasons are the landlord's wish to use the property for his own and the landlord's intention to sell the property. In each of these cases, according to the prevailing opinion, the eviction notice must be received by the tenant at least twelve months before the intended termination date and has to contain the reason for termination relied upon by the landlord.

Contractual agreements deviating from these statutory provisions to the detriment of the tenant are generally considered invalid.

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#### **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 15 years. Our areas of expertise include corporate law (in particular business set-up), 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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