

Dubai's 'Rent Cap Decree' for 2011

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The 2011 Decree defines the maximum rent increase for properties leased in the Emirate of Dubai during 2011 and is applicable to all types of property.

In each of the last four years, rent cap decrees have been issued to control rent increases in the Emirate of Dubai to ensure stability in the rental market and to encourage investment. The decrees are:

Decree No. 42 of 2006
Decree No. 27 of 2007
Decree No. 1 of 2009
Decree No. 62 of 2009

The 2011 Decree has left the rent cap parameters unchanged from 2009 and 2010. Specifically, the 2011 Decree provides that there should not be any rent increase if the rent for the property is up to 25% below the average similar rent. For rents that are 26% or less than average similar rent, the 2011 Decree allows for a specific percentage of rent increase of between 5% and 20% depending on the difference between the current rent for the property and average similar rent.

The 2011 Decree refers to the "Rent Index of the Emirate of Dubai" approved by RERA as the mechanism to determine 'similar rent'.

Our unofficial English translation of the 2011 Decree follows:

Decree No. 2 of 2011 Regarding Rentals in the Emirate of Dubai

We, Mohammed Bin Rashid Al Maktoum, Ruler of Dubai

After perusal of Law No. 26 of 2007 regulating the Relationship between Landlords and Tenants in the Emirate of Dubai as amended,

And Law No. 16 of 2007 establishing the Real Estate Regulatory Agency,

And Decree No. 2 of 1993 establishing, the Special Judicial Committee for Settlement of Disputes between Landlords and Tenants as amended,

And Decree No. 42 of 2006 regarding Rentals in the Emirate of Dubai,

And Decree No. 27 of 2007 regarding Rentals in the Emirate of Dubai,

And Decree No. 1 of 2009 regarding Rentals in the Emirate of Dubai,

And Decree No. 62 of 2009 regarding Rentals in the Emirate of Dubai

ISSUE THE FOLLOWING DECREE:

Article (1)

The maximum rent increase percentage of property units in the Emirate of Dubai leased before the enforcement of this Decree shall be as follows:

- a. There should not be any rent increase, if the rent for the real estate unit is up to 25% below the average similar rent.
- b. If the rent value was 26% to 35% less than the average similar rent, the maximum rent increase shall be equal to 5% of such value.
- c. If the rent value was 36% to 45% less than the average similar rent, the maximum rent increase shall be equal to 10% of such value.
- d. If the rent value was 46% to 55% less than the average similar rent, the maximum rent increase shall be equal to 15% of such value.
- e. If the rent value was less than 55% of the average similar rent, the maximum rent increase shall be equal to 20% of such value.

Article (2)

For the purpose of this Decree the similar rent value of the property unit means pursuant to "The Rent Index of the Emirate of Dubai" approved by RERA.

Article (3)

This Decree shall be enforced from the date of its issuance and shall be published in the Gazette.

**Mohammed Bin Rashid Al Maktoum,
Ruler of Dubai**

Issued by us in Dubai on 10 January 2011