

Renewal of Leases in Dubai: Insight for Landlords and Tenants

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The purpose of this article is to provide both landlords and tenants in Dubai with insight on the legal framework and practical considerations governing the renewal of their leases.

Applicable law

The relevant law is Law No. 26 of 2007 (as amended by Law No. 33 of 2008) 'Regulating the Relationship between Landlords and Tenants in the Emirate of Dubai', (the "Tenancy Law"). In terms of its scope of application, the Tenancy Law applies to all leased lands and properties in the Emirate of Dubai irrespective of their permitted use (e.g. residential, commercial or industrial), but at the exclusion of free accommodation provided by natural or judicial persons to their employees.

The principle: Tenant's right to renew

The governing principle under the Tenancy Law is that the tenant has a right to automatically renew its lease. This principle is derived from Article 25(2) of the Tenancy Law which, as confirmed by previous decisions of the RDSC, is considered a matter of public policy. Therefore, any agreement to the contrary between the parties will be unenforceable.

The exception: Landlord's right to refuse the renewal

As an exception to the automatic renewal principle, a landlord can object to the renewal of a lease and therefore request the eviction of the tenant on expiry of the lease, if one of the following four circumstances materialises.

1. Demolition of property for construction purposes

The landlord is permitted under the Tenancy Law to request the eviction of the tenant upon expiry of the lease if the landlord intends to demolish the property for reconstruction purposes or for the purpose of adding new constructions to the property.

However, if the tenant submits a case to the RDSC contesting the landlord's claim that it requires the tenant to vacate the property, the RDSC is most likely to require the landlord to provide satisfactory evidence to support its claim, such as a prior approval by the Dubai Municipality on the demolition process. While this request may seem reasonable in theory, it often raises practical challenges for landlords who will need to liaise between different governmental authorities in order to provide satisfactory evidence to corroborate their claims.

2. Renovation or comprehensive maintenance

The Landlord can also refuse the renewal of a lease in the event the property requires renovation or comprehensive maintenance. However, this type of renovation and maintenance should be of such nature

that it could not be executed while the tenant is occupying the property. In addition, the landlord is required to submit a technical report issued by Dubai Municipality or accredited by it to this effect.

3. Recovery of property for personal use

In addition, the Tenancy Law allows the landlord to evict the tenant from the premises upon expiry of the lease if the landlord, or its next of kin of first degree, intends to personally use the property. In this respect, the landlord is required to provide proof that it does not own a suitable alternative property.

This ground for non-renewal calls for particular attention when dealing with commercial leases. In practice, a landlord may own several commercial properties but has decided to recover a specific property from a tenant due to the commercial advantage that the property may offer to the landlord's commercial operation (e.g. a prime location or a suitable area). In this case, a restrictive interpretation of the Tenancy Law by the RDSC would not allow the landlord to recover the property as it owns alternative properties that would be suitable for the landlord's use, even if they are not as advantageous as the property that the landlord wishes to recover for its use. This ground for non-renewal is more suited to a individual, residential landlord who needs to recover its apartment for its own use, and it is an example of a circumstances when application of the Tenancy Law to commercial leases can be difficult.

If the landlord recovers its property under this ground, the landlord will not be entitled to rent the property to another tenant for a minimum period of two years for residential properties and three years for non-residential properties, unless the RDSC allows a lesser period. If the landlord does not comply with this restriction, the tenant will be entitled to claim compensation from the landlord.

4. Sale of property

The final ground for non-renewal is where the landlord wishes to dispose of the property by way of sale. However, it is not sufficient for the landlord to declare the intent of selling. The landlord is expected to provide evidence to corroborate the sale transaction such as an agreement with a broker or a memorandum of understanding.

The grounds for eviction of a tenant as provided under Article 25(2) of the Tenancy Law are considered by the RDSC as a matter of public policy. Therefore, if the terms of a lease differ with, or contradict, the terms of Article 25(2) of the Tenancy Law, then the RDSC will consider that the provisions of the Tenancy Law supersede any agreement to the contrary between the parties and therefore uphold the terms of Article 25(2).

Notice Requirements

If the landlord can show that the circumstances fit one of the mandatory grounds for eviction of the tenant on expiry of a lease, it can serve on the tenant a notice of eviction. Article 25(2) of the Tenancy Law lays down strict requirements for the notice. In this respect, the notice must:

- be served on the tenant at least twelve months prior to the determined date of eviction;
- be served through the Notary Public or by registered mail; and
- clearly mention the ground on which the landlord relies for eviction of the tenant.

These formalities are essential and failure to observe them will give the tenant the right to challenge the validity of the notice, which will likely result in the notice being rejected by the RDSC. If this occurs, the landlord will need to serve another notice, which may result in the exercise of the landlord's rights being delayed until the landlord complies with the required procedure.

Eviction order

Following service of the notice and expiry of the twelve-month notice period, the landlord can apply to the

RDSC for an eviction order. If the RDSC is satisfied that the landlord has sufficient grounds to evict the tenant, the RDSC will issue an eviction order, and the tenant must comply with the order and vacate the property.

Conclusion

By restricting the grounds on which landlords can rely to refuse the renewal of a lease, the Tenancy Law is offering an increased level of protection for the tenants and adding further stability to the housing market in Dubai. This pro-tenant approach, which is not necessarily shared by all Emirates in the UAE, caters well to the specific socio-economic needs of Dubai. That being said, challenges are encountered in applying the Tenancy Law in the context of commercial lease renewals.