BearBull
Global Investments Group Limited

DUBAI Real Estate Flash Note

Regulation & Rent (RERA & Rental Index)

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Prospective Expert Analysis

RERA has recently updated its algorithms to better align the calculator with recent transaction realities (Ejari data).

This initiative is progressively bridging the gap between existing tenancy rates and new contract market rates, ensuring investors benefit from predictable asset revaluation while minimizing tenant turnover (churn rate)

Introduction & Macroeconomic Context

In a rapidly growing market, controlling rental inflation is an essential prerequisite for Dubai's social and economic stability.

The Real Estate Regulatory Agency (RERA), the regulatory arm of the Dubai Land Department (DLD), plays a fundamental role as an arbitrator.

Its objective is to prevent unreasonable rent increases upon lease renewal while ensuring property owners receive a gradual adjustment in line with market reality.

Detailed Analysis of Data & Key Figures

Lease renewal regulation is governed by Decree No. 43 of 2013 and the regular updating of the RERA Rental Index calculator:

- **Legal revision caps for lease renewals:**
    - **Less than a 10% gap** compared to the RERA index: **0% increase**.
    - **Between 11% and 20% gap: 5% maximum increase.**
    - **Between 21% and 30% gap: 10% maximum increase.**
    - **Between 31% and 40% gap: 15% maximum increase.**
    - **More than a 40% gap: 20% maximum increase (absolute ceiling).**
- **Formalities and notice requirements:**
    - Any notice of rent adjustment must be served at least 90 days prior to the Ejari contract expiration date.
    - The notice must be in writing (formal email or registered letter via notary/post).

Concrete Case Study: "Managing a Rental Dispute"

Consider the practical example of a 1-bedroom apartment located in Dubai Marina:

- **Situation:**
  - **Current rent paid by the tenant: AED 80,000 / year.**
  - The landlord notes that comparable new units rent for AED 105,000 / year and demands an increase to AED 100,000 / year (+25%).
- **Verification via the RERA Calculator:**
  - The RERA index for this sector indicates a benchmark average rent of AED 95,000 / year.
  - The gap between the current rent (AED 80,000) and the RERA average (AED 95,000) is 18.7%.
- **Legal Outcome:**
  - Since the gap falls between 11% and 20%, the landlord is legally entitled to a maximum increase of 5%.
  - New legal rent: AED 84,000 / year (instead of AED 100,000 / year)

Risk Analysis & Key Considerations

- **For the Tenant:** Accepting an oral request or an out-of-time notice (less than 90 days) constitutes a waiver of tenant rights.
- **For the Landlord:** A landlord cannot evict a tenant solely to re-let the property at a higher rate to a third party. To serve an eviction notice (for property sale or personal occupancy), the landlord must issue a formal 12-month notice via Notary Public or registered mail.

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