

## **RERA Calculator Reset Since March 1<sup>st</sup>, 2024**

The Real Estate Regulatory Agency (RERA) rent calculator in Dubai, developed by the Dubai Land Department (DLD), is a valuable tool for both landlords and tenants. It provides an estimated rental index for various property types and areas, helping users determine fair rental values and ensuring compliance with rent regulations.

Below, we will highlight the significance of this tool and its importance for both landlords and tenants, especially after the latest update of the RERA Calculator.

- **How Does the RERA Calculator Work?**

The RERA calculator, is an online tool provided by the Dubai Land Department in the United Arab Emirates (UAE). It is designed to help tenants and landlords determine whether a rent increase is permissible by law, based on factors such as location, property type, size, and current market value.

To use the RERA calculator, you need to provide information such as the property category (residential, commercial, industrial, or staff accommodation), location or area of the property, type of property (apartment or villa), total number of bedrooms, term of rental agreement, and current annual rent. The calculator compares properties with similar characteristics in the same area to determine the typical rentals and whether the proposed increase is within the legal framework.

In recent months, as rental prices in Dubai have increased, landlords have faced difficulties sticking to the RERA calculator's maximum rent increase, arguing that this tool is outdated. Instead, landlords have proclaimed to consider current market value, either by appointing a Real Estate expert or by requesting a report from the Dubai Land Department precising the new market rates and they disregarded any application of the RERA Calculator. The landlords also have supported their demands by invoking the execution of Article 9 of Law Number 33 issued in 2008, which amends certain regulations of Law Number 26 issued in 2007, and they also used data from apps like property finders, showing rents rising on a high scale.

On the other hand, tenants have been demanding the enforcement of the RERA Calculator, asserting that its application remains valid since it has not been amended or repealed. Consequently, these conflicts have fostered an atmosphere of uncertainty for both landlords and tenants, as the approach in each case varies.

Therefore, the Dubai Land Department required an update for the market value in 2024 on the RERA rent Calculator, effective March 1st.

This update of the RERA calculator brings satisfaction to both landlords and tenants, providing them with a clear understanding of rental prices.

- **Impact on Landlords and Tenants**

The RERA calculator significantly as we mentioned above impacts both landlords and tenants. For landlords, the calculator helps determine permissible rent increases based on market values, property type, location, and other factors. It ensures that landlords adhere to regulations set by

RERA to maintain fair rental practices and eliminates every concern of unfairness and any request of application of previous regulations.

Furthermore, tenants benefit from the calculator by understanding average rental values, ensuring they are not overcharged, and having a tool to negotiate rents effectively. Recent updates to the calculator may lead to rent increases, especially for long-term tenants. While this adjustment may pose challenges, it reflects efforts by RERA to balance fair rent increases and ensure competitive rental yields aligned with global standards.

- **What is the Calculation of RERA?**

The maximum rental increase allowed by RERA in Dubai is determined by the RERA rental index, which was last updated in July 2023 and most recently on March 1st.

The index allows a maximum 20 percent increase in rent, depending on how the rent compares with the existing market value of the rental unit. The rate of increase is based on the following rental index:

If the rent is less than 10% below the market value for the area, no increase is allowed.

If the rent is:

- Between 11% and 20% below market value for the area, a landlord can increase by up to 5%.
- Between 21% and 30% below market value for the area, a landlord can increase by up to 10%.
- Between 31% and 40% below market value for the area, a landlord can increase rent by up to 15%.
- 41% or more below market value will permit a 20% increase in rent.

However, if the landlord and tenant agree on a higher increase during private negotiations, that can exceed 20 per cent.

- **Consequences of Non-Compliance**

Landlords who do not comply with the updated calculator may face consequences such as penalties for not following rent regulations and risk facing challenges in negotiating rental agreements with tenants and may encounter resistance or disputes regarding rent adjustments and potential legal repercussions.

It is essential for landlords to use the RERA calculator to determine fair rental increases and maintain transparency in their rental practices to avoid conflicts and ensure compliance with regulatory standards.

In conclusion, the RERA rent calculator plays a crucial role in Dubai's rental market, promoting fairness, transparency, and compliance with regulations for both landlords and tenants.