

The right of landlords to increase rent for non-residential leases



By David Salt and Charbel Neaman

Rapid growth in Qatar's population has prompted the Qatari Government to apply a policy of 'rent control' to prevent economic instability caused by high or frequent increases in rental rates. The Government's direct intervention to maintain an affordable supply of commercial premises has been deemed essential to sustain the economy and protect tenants from exorbitant or arbitrary rent increases.

In January 2008 the Lease Law No. (4) of 2008 (Lease Law) was issued in relation to residential and commercial leases. Article (10) of the Lease Law provides that "landlords are not permitted to increase the rent value of leases in force prior to the enactment of the Lease Law or entered into after its enactment except according to the rules, terms and rates governed by a Decree to be issued by the Council of Ministers".

In March 2010 the Council of Ministers (the Council) issued Resolution No. (9) of 2010 (the Resolution) setting out the following limits to rent increases in relation to non-residential leases:

- 20 percent per year if the rent value is less than QAR 3,000;
- 15 percent per year if the rent value is between QAR 3,000 and 6,000;
- 10 percent per year if the rent value is between QAR 6,000 and QAR 10,000;
- 5 percent per year if the rent value is more than QAR 10,000.

Pursuant to the Resolution a landlord is entitled to increase the rent of a non-residential lease on a yearly basis, in accordance with the foregoing limits, without the consent of the tenant even if the lease agreement does not explicitly provide for such a right. These limits apply to non-residential lease agreements entered into prior to, or after, the enactment of the Resolution unless the tenant agrees with the landlord to a higher rent increase.

The limits set out in the Resolution apply to non-residential leases only, not to residential leases. This means that the landlord upon

negotiation of a new residential lease or upon renewal of the same is entitled to determine the rent at its discretion and the tenant is left with no alternative but to agree or vacate the premises.

In order to ensure the effectiveness of the Government's rent control policy and to prevent landlords from terminating leases at their expiry unless the tenant agrees to an increase in the rent rate beyond those permitted in the Resolution, the Council has issued several resolutions providing for the automatic extension of the term of non-residential leases. Recently, the Council issued Resolution No. (8) of 2012 (the 2012 Resolution) providing that:

"Non-residential lease agreements which are subject to the Lease Law No. (4) of 2008 and are still in force on 14/2/2012, shall be extended for 2 years starting from 15/2/2012, unless the period provided in the agreement is longer or the tenant intends to waive such extension provided that the tenant uses the leased premises".

Pursuant to the 2012 Resolution, any non-residential lease agreement which was in force on 14/2/2012 is extended until 15/2/2014. As a result, landlords may not terminate such leases at their expiry unless:

- the tenant commits any breach of its obligations under the lease agreement;
 - the tenant explicitly waives its right to the extension of the lease agreement as provided under the 2012 Resolution; or
 - the tenant vacates the leased premises and ceases using it.
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Note: Qatari Laws (save for those issued by the Qatar Financial Centre to regulate internal business) are issued in Arabic and there are no official translations, therefore for the purposes of drafting this article we have used our own translations and interpreted the same in the context of Qatari regulation and current market practice.

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