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Abu Dhabi's Rent Freeze: Absorbing Shock, Managing Growth

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What just happened?

In June 2026, Abu Dhabi introduced a temporary ban on rent increases for all existing leases across all sectors, including residential, commercial and industrial. This effectively suspended the emirate's long-standing 5% cap on annual rent increases. The measure requires any previously rented unit to renew at the same rent as the last registered Tawtheeq contract, including new contracts for previously rented units. It was implemented through an ADREC directive and disputes will be settled and penalties will be enforced through the existing tenancy framework established two decades ago.¹ Abu Dhabi has presented the freeze as a necessary short-term stabilisation measure during a period of regional uncertainty. It is intended to contain strong rental growth driven by record-high occupancy rates, public-sector demand, and sharply rising lease costs. Residential rents have reportedly climbed by 15% across Abu Dhabi and by 23% in investment zones, even as a longer-term development pipeline is under way.² How does this measure compare with other UAE rent control regulations, including those used during Covid?

The regulatory background

Rent regulation in the UAE has evolved at emirate level over the past two decades. Dubai and Abu Dhabi have taken notably different paths, while the Northern Emirates have introduced their own variations. In Dubai, the modern era of rent regulation began with Law No. 26 of 2007, as amended by Law No. 33 of 2008. This created a formal landlord-tenant framework and empowered the Real Estate Regulatory Agency (RERA) to oversee rent increases.³ That framework was tightened by Decree No. 43 of 2013, which introduced a tiered cap system linked to the Dubai Land Department Rental Index. This system permits different increases at renewal depending on how far the current rent falls below the indexed average for comparable units, and requires at least 90 days' written notice before any increase can take effect.⁴ More recently, this has been refined through the Smart Rental Index, which allows a more accurate assessment of the quality of the relevant property.⁵ Abu Dhabi, by contrast, has relied on a simpler set of rules. Law No. 20 of 2006 allowed rent increases only once a year and capped them at 5% of the existing rent, with ADREC maintaining a rent index to guide renewals.⁶ This changed in 2012, when Law No. 32 removed the cap and allowed landlords to raise rents in line with the market. Then, in 2016, Resolution No. 14 reinstated the 5% cap.⁷ Other emirates have adopted their own controls: Sharjah's Law No.5 of 2024 effectively imposed a three-year freeze on rent increases from the start of a tenancy, together with a further two-year bar after any agreed increase, with any later subsequent adjustments based on 'fair rent'.⁸ Ajman bars increases for three years and then caps them at 20% with notice requirements; Umm Al Quwain allows one increase per year up to 10%.⁹ Ras Al Khaimah and Fujairah, like Abu Dhabi, generally apply a 5% annual cap, regulated through local rent dispute committees rather than a central authority.¹⁰

Across the UAE, therefore, the pattern before this year was one of capped, rule-based increases rather than outright freezes. Even during the Covid-19 period, the UAE relied on these existing caps rather than introducing formal, time-limited rent freezes. Abu Dhabi's 2026 therefore marks a significant departure from the earlier emphasis on controlled but still positive rent increases.

What do economists say?

Rent freezes¹¹ are a form of regulated price ceilings, where the government or regulator fixes rents, below the market-clearing level. On the positive side, rent freezes can provide insurance-like benefits. They protect tenants from rent shocks and displacement, which can be important where households cannot move because of work or other ties – a point especially relevant for Abu Dhabi. For this reason, some economists have described rent control as a second-best substitute in housing markets that do not provide enough stability or protection for tenants.^{12,13}

On the negative side, standard microeconomic models, often associated with more market-oriented approaches, suggest that such measures increase demand while discouraging landlords from supplying or maintaining housing. This can lead to what economists call deadweight loss and resource misallocation.^{14, 15} Over time, empirical studies have broadly supported this concern: empirical studies have persistently demonstrated that residential rent freezes have redistributed income from landlords to sitting tenants and reduced market liquidity, for example tenants in controlled homes often stay put even when their housing needs change.¹⁶ Landlords, facing capped returns, may also reduce maintenance or investment, which if prolonged would degrade the real estate stock. So, whilst rent freezes may benefit existing tenants, the consensus amongst economists is that in theory a ceiling on rents will eventually reduce both the quantity and quality of housing available in the rental market.¹⁷ One way this can happen is that owners seeing the value of renting fall delay maintenance or convert their rental unit into owner-occupied housing. The resulting supply shortage may then force new residents into less suitable locations and leave them paying higher rents in the uncontrolled part of the market.

Overall, the view of contemporary economics on rent freezes is more balanced than in the past.¹⁸ Supporters who call for rent freezes in cities heavily affected by high rental levels, such as New York, now temper their advocacy by recognising that rent freezes on their own are unlikely to benefit renters themselves: there must also be growth in supply, government-directed in the case of affordable housing.¹⁹ Critics now recognise that rent freezes involve trade-offs for policymakers between providing budgetary security, immediate affordability and stability for tenants, but at the potential cost of reduced supply, lower housing quality, and distortions in allocation.²⁰



Rent freezes in practice

It is important to recognise that almost all the economic analysis of rent freezes focuses on their long-term effects, rather than their role in short-term market stabilisation. In practice, governments have used rent freezes and strict controls in very different ways, with correspondingly mixed results. The classic long-run failures are well known. Sweden's system of tightly controlled rents, in place for many decades, produced chronic housing shortages, multi-year waiting lists for regulated apartments, a thriving black market in contracts, and significant misallocation, as insiders held on to under-priced units in prime locations while newcomers face scarcity and long commutes.²¹ New York's rent freeze, introduced during the Second World War and later transformed into a complex rent-control and rent-stabilisation regime, similarly created a dual market. It protected incumbents in controlled units and has been identified as responsible for slowing the expansion of housing in the city post-war.²² The rent freeze introduced in Berlin in 2002 did three things, none of them beneficial to renters. First, it created a substantial rent gap along Berlin's administrative border with rapidly growing rents in the unregulated adjacent municipalities. Second, it resulted in a considerable decline in the number of advertised rental units.²³ And thirdly, because of the legal uncertainty surrounding the regulation, which was eventually successfully challenged in court, landlords adopted a range of hedging strategies, including charging a 'shadow' rent to tenants as well as an actual one, the former to be charged if the law were eventually overturned, and the other if not.²⁴ For all of these reasons, the Berlin experiment did not therefore recommend itself to other jurisdictions.

Alongside these cautionary cases, there have been cases where temporary freezes or tight caps have been used as part of a broader policy mix. Most obviously, during the Covid-19 pandemic, several jurisdictions - including the UK²⁵ and Canada²⁶ - introduced short-term bans on rent increases and evictions as emergency measures. Evaluations of these measures generally have found them to be effective in preventing significant accumulation of arrears as well as reducing evictions after the end of the pandemic. But that their longer-term impact depended on how quickly they were unwound and whether they were paired with income support or targeted subsidies rather than left to operate in isolation. Scotland's 2022 emergency rent freeze and eviction moratorium, for example, was explicitly time-limited and later converted into a capped-increase regime. The Scottish government with ministers emphasised its role as a temporary response to a perceived energy-price and cost-of-living crisis rather than a permanent restructuring of the rental market.²⁷ A final example: Riyadh's five-year residential and commercial rent freeze is organised as price control enforced through the Ejar platform, locking in all rents at 2025 levels and preventing landlords from increasing prices between tenancies. This gives it an enforcement precision that unsuccessful rent-control regimes have lacked. It has been too recently introduced to draw conclusions as to its impact on the quality of the housing stock or on capital migration to other cities. The opposite risk however remains that for Riyadh to avoid a sharp correction in 2030 when controls are planned to lift, the planned 600,000-unit supply pipeline must materialise. The Saudi government is explicitly trying to avoid this by synchronising the freeze with the 2026–2030 housing-delivery programme.

What makes for a successful rent freeze?

What distinguishes the more successful uses of rent freezes in this literature is not that they avoid the trade-offs between tenant security and landlord concerns that economists have identified, but that they successfully balance them.

First and most clearly, they are clearly framed as temporary shock absorbers, with defined sunset clauses or trigger-based exits, rather than open-ended controls that become embedded for decades.

Second, they sit within a credible wider strategy that includes supply-side measures - planning reform, land release, incentives for new rental construction - and, where necessary, targeted support for vulnerable households.

Third, they are accompanied by strong administrative systems: accurate rent registers, transparent indices, and effective dispute-resolution mechanisms, which limit scope for evasion and arbitrary enforcement. Fourth, freezes succeed in the short run when compliance is high, registration systems are robust, and enforcement is predictable - all of which bode well for Abu Dhabi.

By contrast, the clearest failures share a common set of quite different features: controls that persist for many years without adjustment; weak or politicised exit strategies combined with uncertainty; limited new construction; and growing gaps between regulated and market segments, which encourage informal payments, conversions, or withdrawal of stock from the rental sector altogether.

Taken together, the international evidence suggests that rent freezes can work tolerably well as emergency stabilisation tools, especially during conflict, pandemics or sudden macroeconomic shocks. But they only work provided they are narrow in scope, time-limited, and embedded in a broader framework that addresses supply and protects investment. Where they are allowed to crystallise into long-term price controls without a clear path back to allowing rents to rise, albeit under a rule-based system, the familiar problems of shortages, misallocation and under-investment tend to re-emerge, even in otherwise well-governed economies.



| Conclusion

Economic theory does certainly highlight the potential risks of prolonged rent controls of all types. But not all rent controls are created equal, nor are all policy mistakes. Moreover, most of the empirical literature focuses on large, mature rental markets in North America and Europe. Abu Dhabi differs in important ways: high population growth, strong fiscal capacity, and a relatively young institutional rental sector. The inclusion of commercial and industrial leases is particularly notable, as international evidence on commercial rent freezes is sparse; Abu Dhabi therefore represents one of the few contemporary cases where the short run stabilisation benefits for commercial tenants can be assessed within a well-regulated market.

With demand consistently exceeding supply over the past few years both in residential and commercial property, occupancy rates have reached record highs. This demand has driven new lease prices year on year, impacting housing continuity for many residents and potentially even deterring some overseas investors. The measure has moreover been framed as temporary by a government with high policy credibility, and as only one component of Abu Dhabi's broader suite of real estate regulatory measures, including land releases and zoning changes, government-owned corporate investment, and encouragement of FDI. The freeze is also highly likely to be consistently enforced. Reactions from tenants and businesses have been predictably positive, while investors have generally interpreted the move as a necessary measure to reinforce market stability, not a threat to their long-term interests. Historical experience elsewhere suggests that, unlike the long running and poorly regulated controls in parts of Europe that exacerbated shortages and undermined investor confidence, Abu Dhabi's temporary and well administered freeze is more likely to reinforce confidence by providing predictability during a period of rapid growth.



With rental levels effectively fixed in the near term, investors can assess acquisitions with a clearer understanding of income profiles. Although short-term returns may appear slightly compressed compared to earlier expectations, the trade-off comes in the form of reduced volatility and strengthened market confidence.

Andrew Laver

Director, Commercial Valuation - Abu Dhabi



Authors



Julian Roche

Chief Economist
Cavendish Maxwell
julian.roche@cavendishmaxwell.com



Ali Siddiqui

Research Manager
ali.siddiqui@cavendishmaxwell.com
+971 50 877 0190

Key Contacts



Andrew Laver

Director, Commercial Valuation - Abu Dhabi
andrew.laver@cavendishmaxwell.com
+971 56 433 5189



Zacky Sajjad

Director, Business Development and Client Relations
zacky.sajjad@cavendishmaxwell.com
+971 50 644 5089

Dubai

+971 4 453 9525
dubai@cavendishmaxwell.com
2204 Marina Plaza, Dubai Marina, P.O. Box 118624, Dubai, UAE

Dubai | Abu Dhabi | Sharjah | Ajman | Ras Al Khaimah | Muscat | Kuwait City | Riyadh



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