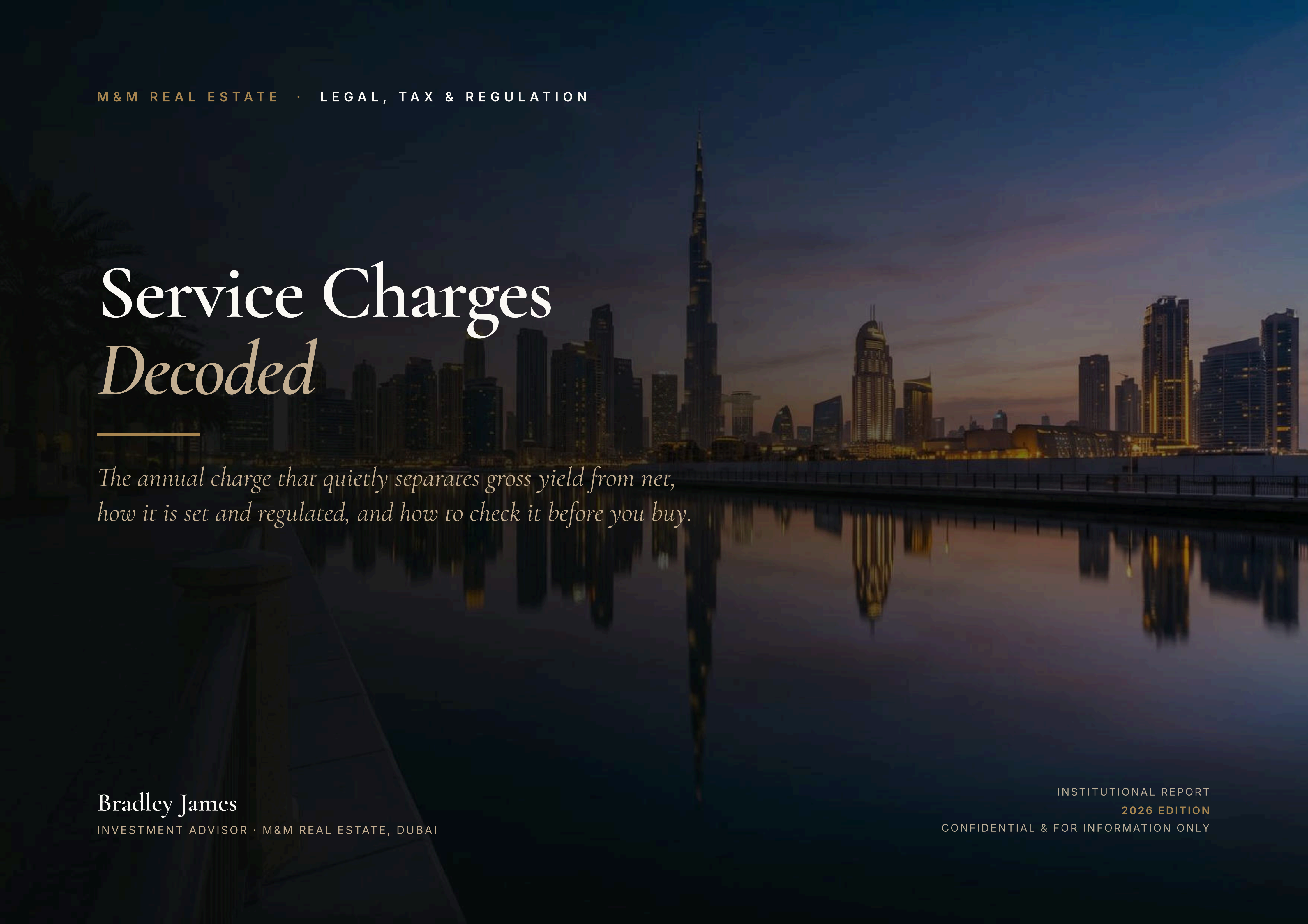

M&M REAL ESTATE · LEGAL, TAX & REGULATION

Service Charges *Decoded*

The annual charge that quietly separates gross yield from net, how it is set and regulated, and how to check it before you buy.

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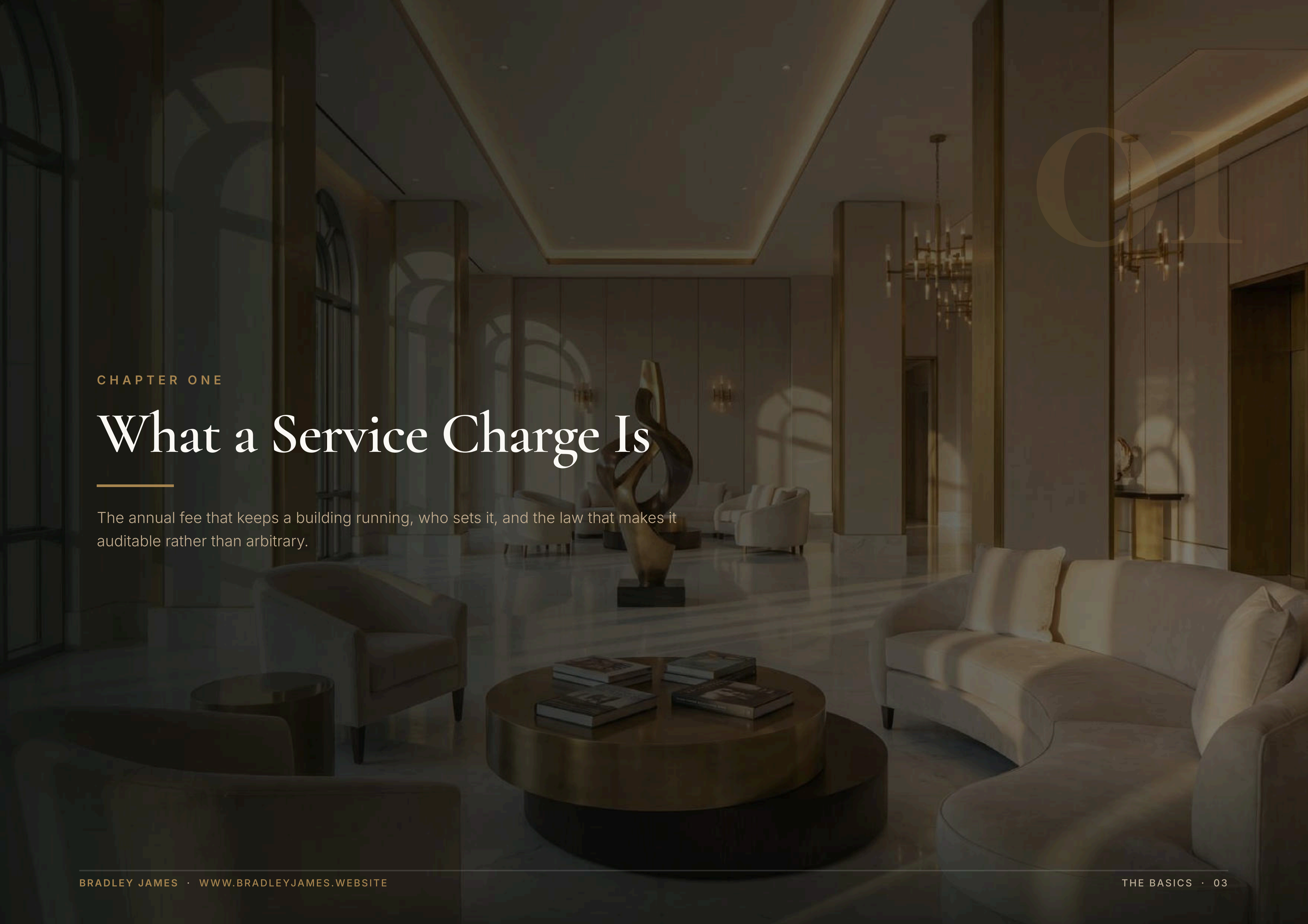


CHAPTER ONE

What a Service Charge Is

The annual fee that keeps a building running, who sets it, and the law that makes it auditable rather than arbitrary.

CHAPTER 01 · THE MANAGEMENT FEE OF OWNING

What You Are Actually Paying For

A service charge is the annual cost of keeping your building standing, secure and running. Think of it as the management fee of owning a Dubai apartment: the price of the lifts working, the pool clean, the lobby staffed and the structure insured, split across every owner by the size of their unit.

It is levied **per square foot of your unit, per year**, and paid by every owner of a unit in a jointly owned property. Under Dubai Law No. 6 of 2019, each owner's share is calculated on the ratio of their unit's area to the total area of the property, so a larger apartment carries a larger slice of the same shared cost. It is set by the building's Owners' Association or management entity, approved by RERA, and billed through the government's Mollak system. Nobody can simply invent the number.

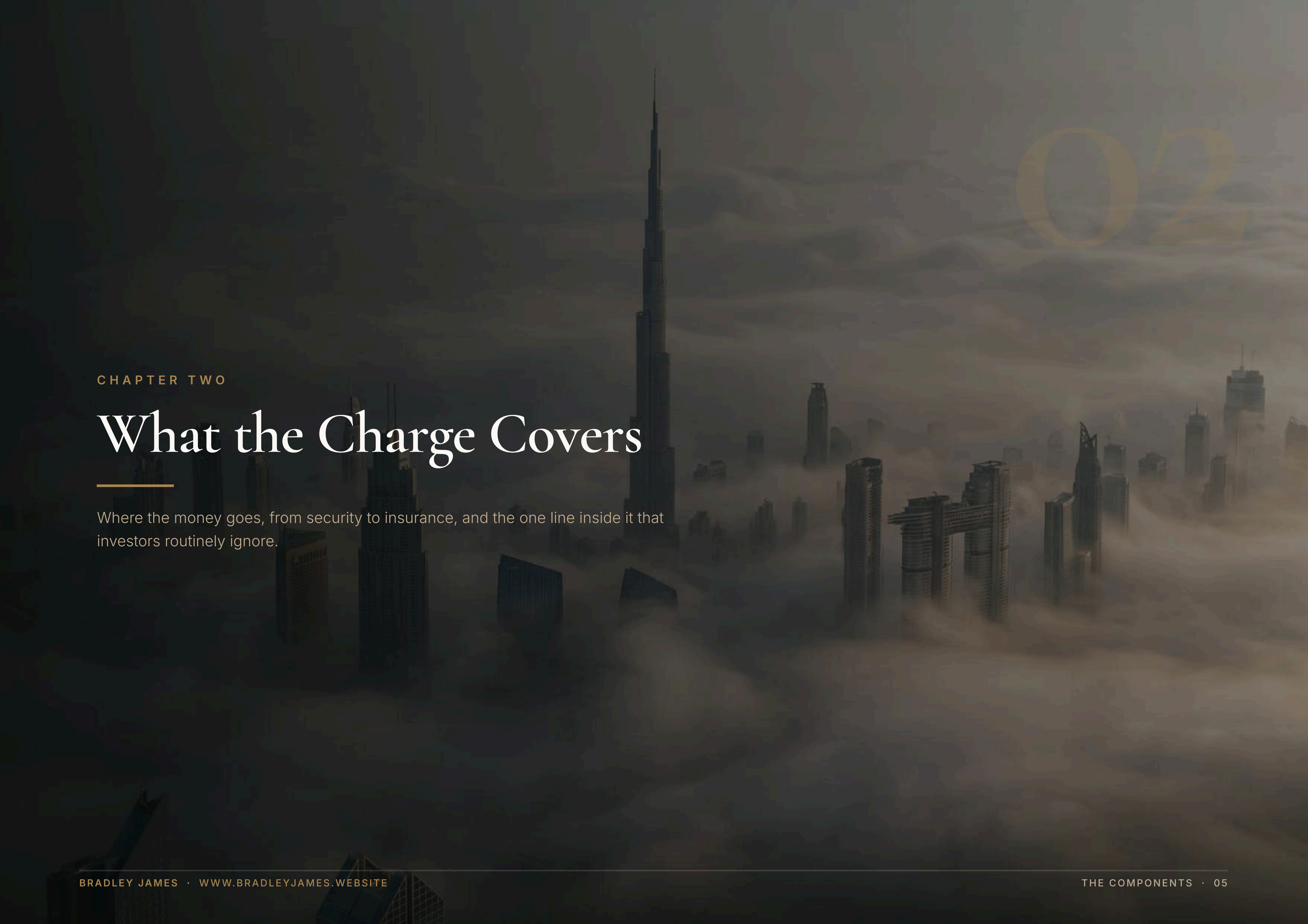
This matters more than most buyers realise. The charge is not a one-off. It recurs for as long as you hold, and it comes straight off your rent before you see a dirham of net income. Understanding it is the difference between a headline yield and a real one.

◆ THE FOUR FACTS

- Annual, and charged per square foot of your unit.
- Set by the Owners' Association, approved by RERA.
- Billed and collected through the Mollak system.
- Governed by Dubai Law No. 6 of 2019 on jointly owned property.

◆ THE POINT

"You are obliged to pay it, and it recurs for life. That is exactly why it belongs in your sums before you buy, not after the first invoice."



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CHAPTER TWO

What the Charge Covers

Where the money goes, from security to insurance, and the one line inside it that investors routinely ignore.

CHAPTER 02 · INSIDE THE BUDGET

Every Line, and the One That Bites

The charge funds the running of everything you do not own privately. In a typical apartment budget that means security and access control, cleaning of common areas, general building and MEP maintenance, lift servicing, landscaping, the electricity and cooling of shared spaces, building insurance (a Law No. 6 requirement), the management company's fee, and, in a master-planned community, a separate **master-community charge** levied by the master developer for roads, parks and community-wide security on top of your building's own charge.

Then there is the line most investors skip past: the **reserve fund**, sometimes called the sinking fund. It is a ring-fenced cash reserve, mandated under Law No. 6 of 2019, that pays for major capital replacement when it eventually comes due: the chillers, the facade, the lifts, the roofing. A building with an underfunded reserve is a future **special assessment** waiting to land, a lump-sum bill on top of the annual charge when a big-ticket asset fails.

◆ THE LINE INVESTORS IGNORE

Two buildings can quote the same annual charge, but if one has a healthy reserve fund and the other does not, they are not the same risk. The thin-reserve tower is where the surprise special assessment comes from. Ask to see it.

◆ BUILDING-ONLY OR ALL-IN

"In a master-planned community the master-community charge sits on top of your building charge. Always confirm which number you have been quoted."

CHAPTER THREE

How It Is Set and Regulated

The regulated path every charge must travel: from the OA budget, through RERA approval and Mollak escrow, to a public benchmark.

CHAPTER 03 · FROM BUDGET TO BENCHMARK

The Regulated Path a Charge Travels

No management company can simply set a charge and bill you. Every charge in Dubai travels a regulated path, and knowing it is what turns the number from arbitrary into auditable.

1	2	3	4	5
The OA budget	**RERA approval**	**Mollak escrow**	**The DLD Index**	**Owner transparency**
Step 1 · The Owners' Association or management entity prepares a detailed annual budget, with major service categories supported by competitive tenders.	Step 2 · RERA reviews, adjusts or rejects the budget. No charge may be imposed or collected without prior RERA approval.	Step 3 · Approved invoices are issued through Mollak. Funds sit in dedicated service-charge and reserve accounts, not the manager's operating account.	Step 4 · The approved AED per sq ft figure is published on the DLD Service Charge Index, a public lookup by project name, usage and year.	Step 5 · Owners view approved charges and budgets through the DLD website, the Mollak portal and the Dubai REST app.

The escrow discipline is the same capital-preservation logic that underpins Dubai's off-plan regime: your money is ring-fenced and cannot be co-mingled by the manager. That is the system working for you, not against you.

◆ WHY THIS PROTECTS YOU

Mandatory RERA approval, competitive tendering, escrow-held funds and a public benchmark on the DLD Index are the checks that make a charge scrutable. If a number is not on the Index, it has not been through the process.

04

CHAPTER FOUR

What It Costs, by Segment

Indicative bands from affordable to ultra-prime, why villas sit lowest, and why you still confirm the exact building.

Indicative Ranges Across the Market

Service charges vary enormously by segment, and the spread is wide: from a few dirhams per square foot in a simple community to sixty or more in an icon tower. The bands below are **indicative**, drawn from the DLD Service Charge Index and market aggregators. Treat them as orientation, then confirm the exact figure for a specific building on the live Index before you rely on it.

	VILLAS	AFFORDABLE	MAINSTREAM	PRIME	ULTRA-PRIME / BRANDED
Service charge, AED per sq ft per year (indicative)	2 to 6	6 to 13	14 to 25	17 to 40	20 to 60+

Indicative ranges from the DLD Service Charge Index and market aggregators, 2026. Reported city-wide median is around AED 17 per sq ft for apartments. Ultra-prime and branded towers can exceed AED 60. Always confirm the exact figure for a specific building on the live DLD Service Charge Index.

Villas sit lowest because they carry fewer shared amenities and no lifts. Apartments rise with the amenity load: more security, more plant, more pool and gym and concierge to fund. Branded and icon towers sit at the very top, where the service standard, and the cost of maintaining it, is highest. None of this is a reason to avoid a segment; it is a reason to price it into your net yield honestly.

~AED 17

REPORTED CITY MEDIAN, APARTMENTS PER SQ FT

Indicative, confirm on the DLD Index

2 to 6

VILLAS, AED PER SQ FT (INDICATIVE)

DLD Index / aggregators

60+

ULTRA-PRIME / BRANDED, TOP OF THE RANGE

Indicative, confirm on the DLD Index

◆ SAME RENT, DIFFERENT CHARGE

Two identical apartments at the same rent but different service-charge bands are not the same investment. The band is not a detail. It is a permanent line in your return.

05

CHAPTER FIVE

District Cooling, the Hidden Charge

The separate, RSB-regulated cost most buyers miss, and the fixed part of it you pay even when the unit is empty.

CHAPTER 05 · THE CHARGE BESIDE THE CHARGE

The Fixed Cost That Accrues When Vacant

Most modern Dubai towers are cooled by district cooling, chilled water piped in from a provider such as Empower or Emicool. It is billed separately from the service charge, it is regulated by the RSB, and it hides a cost that catches owners out.

A district-cooling bill has two parts. The **consumption charge** is the metered energy you actually use, quoted in fils per refrigeration-tonne-hour, and it falls to near zero when the unit is empty. The **capacity charge** is different. It is a fixed standing fee for reserving cooling capacity, quoted per refrigeration tonne per year, indicatively around AED 750 per RT (confirm the current RSB or provider tariff). Crucially, it accrues whether the unit is occupied, empty or locked up. When a tenant closes their account and hands back the keys, that standing capacity charge **reverts to the owner**. It is legally the landlord's cost, though it is commonly passed to the tenant when the tenancy agreement says so.

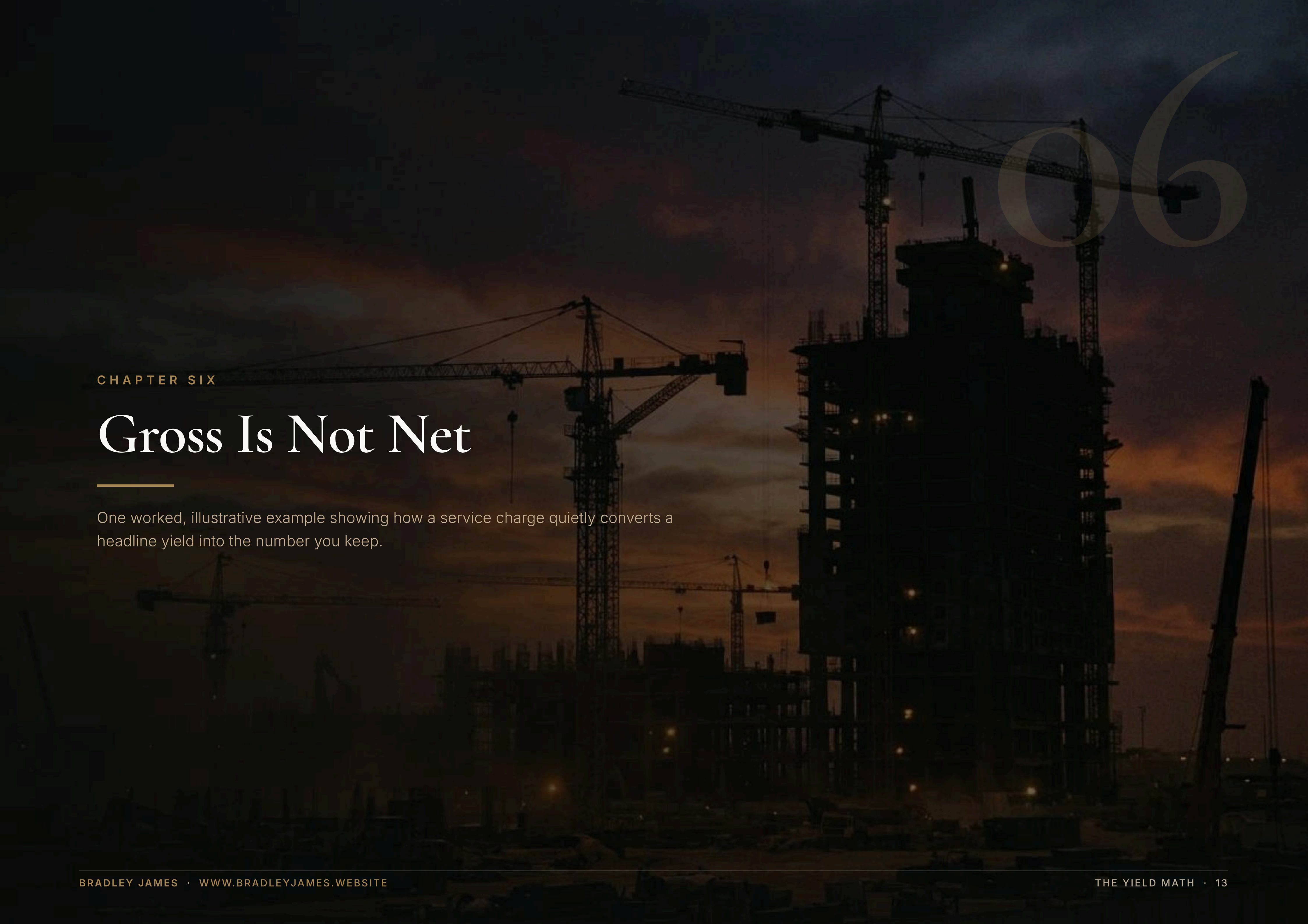
A **chiller-free** building is the alternative: cooling runs on conventional DEWA-powered air conditioning, folded into the electricity bill, with no separate capacity charge. That can look cheaper on paper, but the cost simply surfaces on DEWA instead, usually at a higher price per unit of cooling. Cheaper standing charge, higher running cost. Know which model your building uses.

◆ WHY IT IS A YIELD KILLER

The capacity charge is the trap. It does not care whether your unit is rented. Between tenants, or through a void, you keep paying it. On an investment held for income, a fixed cost that ignores occupancy is exactly the kind of drag that erodes net return.

◆ THE TWO PARTS

"Consumption falls to zero when the unit is empty. The capacity charge does not fall at all, and it lands on the owner between tenants."



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CHAPTER SIX

Gross Is Not Net

One worked, illustrative example showing how a service charge quietly converts a headline yield into the number you keep.

CHAPTER 06 · THE HAIRCUT, WORKED

How the Charge Eats Your Yield

Gross yield is calculated on rent alone. Net yield is what you actually keep, after the service charge and the owner-borne cooling come off. Here is the mechanism in one illustrative example. The numbers are round teaching figures, not a specific property, but the shape is exactly what a real investor faces.

ILLUSTRATIVE CASE	THE NUMBER	EFFECT ON YIELD
1-bed, 900 sq ft, purchased at AED 1,500,000	Rented at AED 105,000 per year	Gross yield 7.0%
Service charge at AED 18 per sq ft	AED 16,200 per year off the rent	Net falls to ~5.9%
Owner-borne cooling capacity charge	Roughly AED 3,000 per year	Net falls to ~5.7%
Same unit, service charge at AED 30 per sq ft	AED 27,000 per year off the rent	The drag roughly doubles

ILLUSTRATIVE. Round teaching numbers, not a specific property. Other owner costs (management, maintenance, void allowance) are excluded for simplicity. Confirm any specific building's charge on the live DLD Service Charge Index.

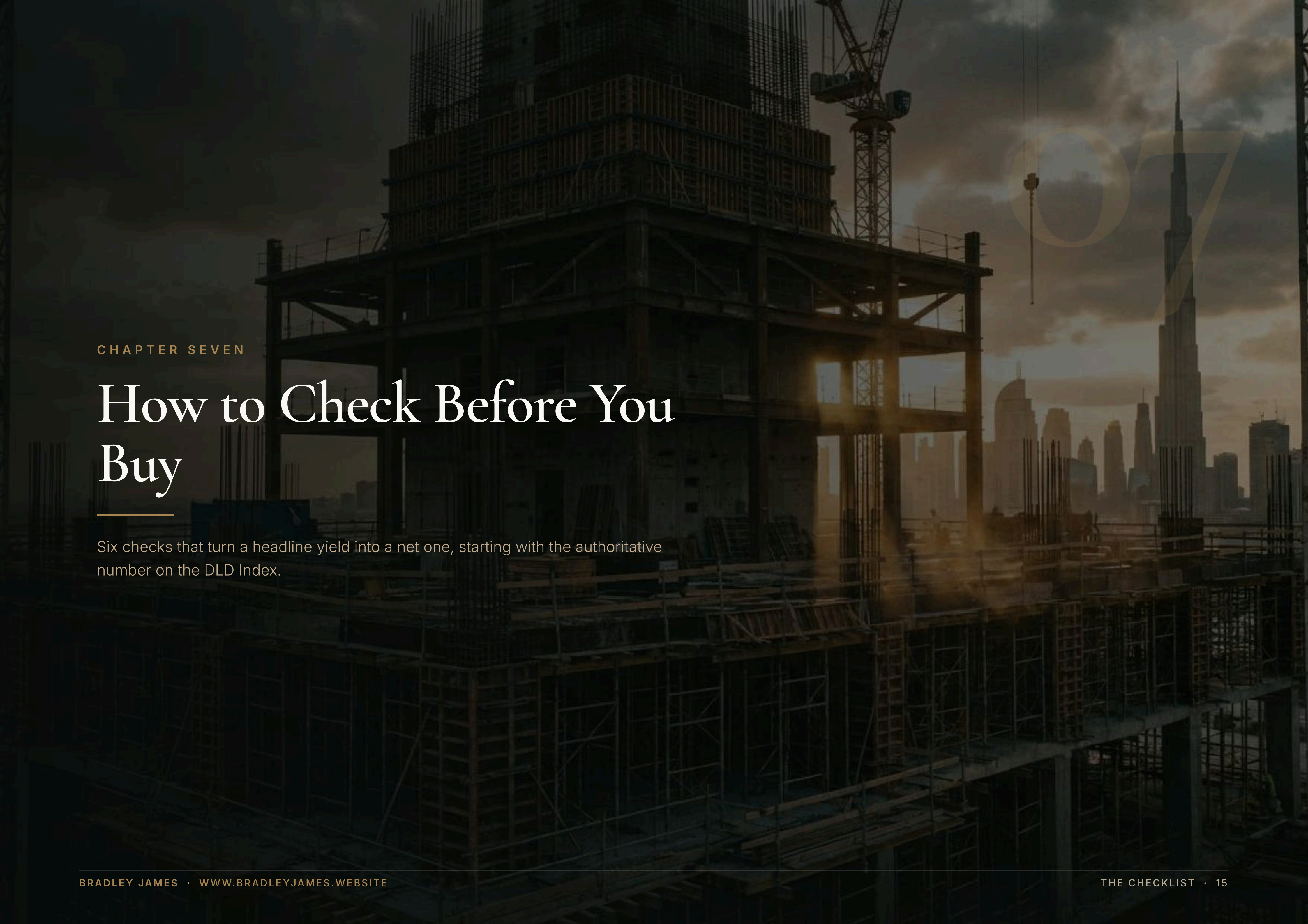
Read the result carefully. A service charge of AED 18 per square foot quietly converts a 7.0% gross into roughly 5.9% net, a haircut of about 15% on the headline, before any other cost. Add the owner-borne cooling and it slips further. Double the charge to AED 30 and the drag roughly doubles with it. Because the charge is per square foot and recurs for the entire hold, the damage compounds against your total return, year after year, silently.

NET YIELD AS THE CHARGE RISES (ILLUSTRATIVE)

ILLUSTRATIVE teaching figures on the 900 sq ft case. Always model the net, not the gross.

◆ THE CAPITAL-PRESERVATION READ

This is not a bargain-hunting point, it is a capital-preservation one. The investor who checks the charge before buying protects a decade of net income. The one who does not finds out on the first Mollak invoice.



CHAPTER SEVEN

How to Check Before You Buy

Six checks that turn a headline yield into a net one, starting with the authoritative number on the DLD Index.

The Pre-Purchase Charge Checklist

The whole guide reduces to a short discipline you can run before you commit. None of it is difficult, and all of it is free. Do it once and you will never buy a yield you cannot actually keep.

1. **Pull the building's figure on the DLD Service Charge Index.**
   Search by project name, usage and year, or by title deed number, on the DLD website, Mollak or the Dubai REST app. This returns the RERA-approved number, not the agent's estimate.

2. **Confirm building-only versus master-community.**
   Ask whether the quoted charge includes the master-community levy or only the building, and compare against similar towers in the same community.

3. **Interrogate the reserve fund.**
   Ask whether it is adequately funded for the building's age and its major assets, the chillers, lifts and facade. A thin reserve on an old tower is a special-assessment risk.

4. **Ask about special assessments.**
   Any recent or pending one-off levy for major repairs is a red flag and a negotiating point. Get it in writing.

5. **Confirm the cooling model.**
   District cooling, with a separate capacity and consumption charge, or chiller-free, folded into DEWA. Establish who bears the capacity charge under the standard tenancy in that building.

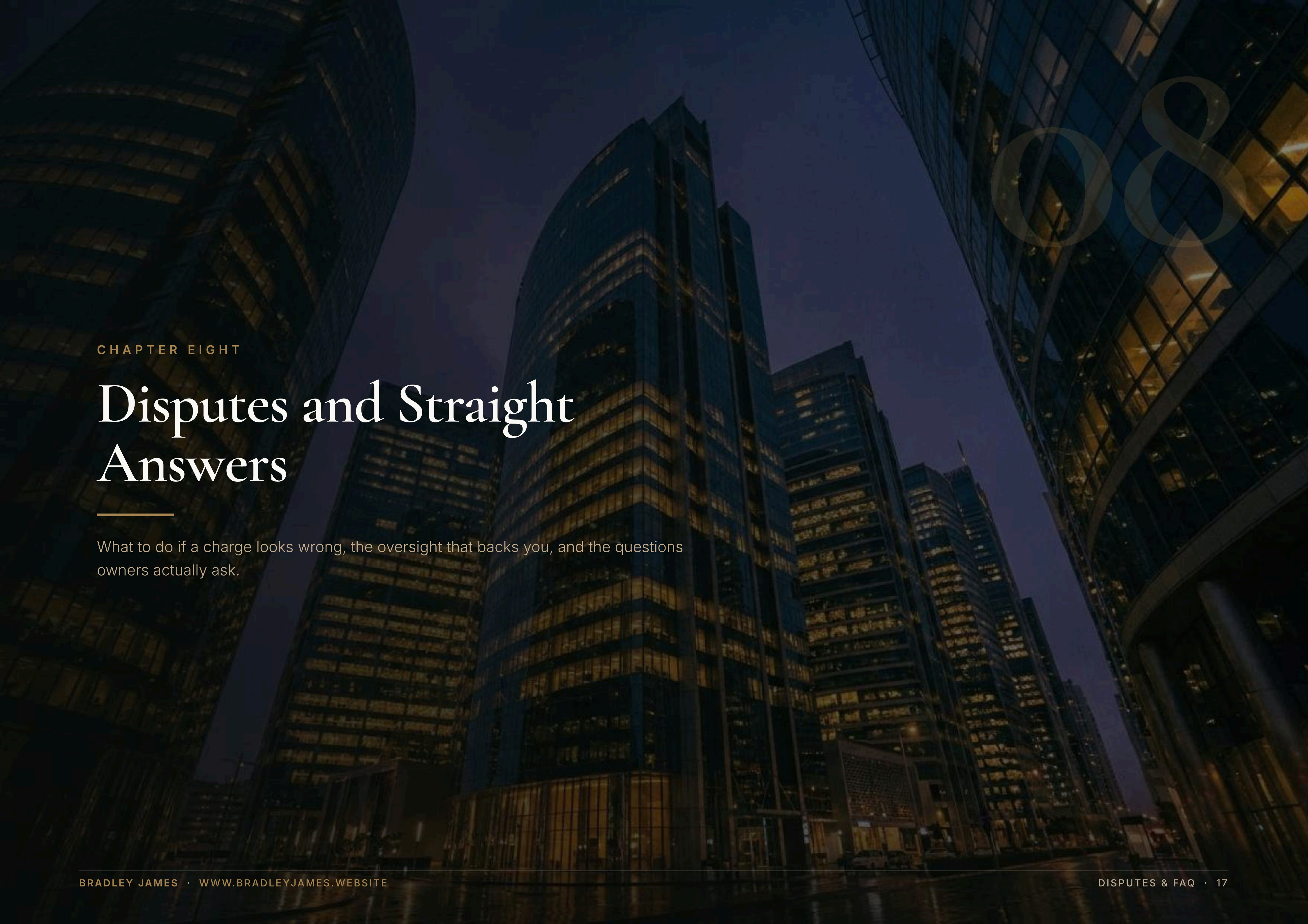
6. **Model the net, not the gross.**
   Subtract the verified service charge and any owner-borne cooling before you compare two properties. Only the net number tells you which is the better investment.

◆ THE AUTHORITATIVE NUMBER

The DLD Service Charge Index is the one source that gives you the RERA-approved figure. An agent's estimate is a starting point. The Index is the fact. Always check the Index before you rely on a number.

◆ THE HABIT

"A gross yield is a claim. A net yield is a decision. The checklist is how you turn one into the other."



08

CHAPTER EIGHT

Disputes and Straight Answers

What to do if a charge looks wrong, the oversight that backs you, and the questions owners actually ask.

Your Route to Challenge a Charge

You are not powerless if a charge looks wrong or unjustified. The system is built with owner protections and an escalation path, and every step of it is grounded in Law No. 6 of 2019.

THE ROUTE	WHAT IT IS	WHEN TO USE IT
The management entity	Raise it first with the OA or manager	Request the itemised budget and audited accounts
The OA and AGM	The budget is set and voted at the Annual General Meeting	Scrutinise and vote on the budget and the choice of manager
RERA and Mollak	No charge is valid without RERA approval via Mollak	File a formal complaint; RERA can audit the budget and the manager
The RDC	Rental Disputes Settlement Centre, the judicial body	Escalate an unresolved dispute for a binding ruling

The owner protections baked in, mandatory RERA approval, competitive tendering, escrow-held funds, a separate reserve account and a public benchmark on the DLD Index, are what make a charge auditable rather than arbitrary.

The order matters. Start with the itemised budget from the manager, use your AGM governance rights through the Owners' Association, and only then escalate to RERA and, if still unresolved, the RDC. Most disputes are resolved long before the judicial stage, precisely because the budget had to pass RERA to exist at all.

◆ GOVERNANCE IS A RIGHT

Law No. 6 of 2019 gives co-owners governance through a democratically elected Owners' Association. The budget is voted, not imposed. If you own, you have a seat at that table. Use it.

CHAPTER 08 · STRAIGHT ANSWERS

The Questions Owners Actually Ask

Q. Do I have to pay the service charge?

Yes. The DLD states plainly that an owner of jointly owned property is obliged to pay service and usage charges, and non-payment can be enforced. It is a condition of ownership, not an optional bill.

Q. Who decides the amount?

The Owners' Association or management entity prepares the budget, but it only becomes valid once RERA approves it and it is billed through Mollak. No charge is legitimate without that approval, which is why the DLD Service Charge Index is the number to trust.

Q. What is the reserve fund and why does it matter?

It is a ring-fenced reserve, mandated under Law No. 6 of 2019, for major capital replacement like chillers, lifts and facades. A building with a thin reserve is at risk of a special assessment, a lump-sum bill on top of the annual charge, so always ask how well funded it is.

Q. Is district cooling part of the service charge?

No. It is billed separately by a provider such as Empower or Emicool and regulated by the RSB. Its fixed capacity charge is an owner cost that accrues even when the unit is vacant, which is why it belongs in your net-yield sum alongside the service charge.

Q. How do I find a specific building's charge?

Pull it from the DLD Service Charge Index, by project name and year or by title deed number, on the DLD website, Mollak or the Dubai REST app. That returns the RERA-approved figure. Any AED per sq ft numbers quoted from aggregators are indicative until you confirm them there.

Q. What is the single most important check?

Model the net yield, not the gross. Subtract the verified service charge and any owner-borne cooling before you compare two properties. Two apartments at the same rent but different charge bands are not the same investment.

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WORK WITH BRADLEY JAMES

Buy the Net, Not the Headline.

◆ ABOUT BRADLEY

Not a broker, an advisor. I built a business in the UK and spent more than a decade advising people from all walks of life, before moving to Dubai and joining M&M Real Estate to work at a higher strategic level than the typical transactional broker. I specialise exclusively in off-plan investment for overseas and high-net-worth clients, I put my own capital into the projects I recommend, and my business is more than 80% referral-driven, because every client came through someone who trusted me first.

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