

Buyer's Guide

Dubai is becoming the leading Emirate in which real estate is booming at an incredible rate. Different factors must be taken into account to understand the real estate market and to anticipate it. The expatriates' inflow and the raise of foreign subsidiaries in Dubai, have a real impact in the real estate growth and demand is ever increasing.

■ Dubai freehold

As a cosmopolitan city, Dubai offers a large selection of high-quality apartments and villas to suit both individual requirements and budget. With the introduction of freehold ownership offered to expatriates in 2002, residents now have the opportunity of either renting or buying a property.

Dubai is a growing city and offers a multitude of new residential developments. To accommodate the ever-increasing number of expatriates, there are many residences under construction with a number also planned to be built. The Dubai Land Department will be responsible for the property registration and for documenting property rights and their amendments.

■ What are the rights for the buyer?

Once the property on freehold basis purchased, the property is put in the owner's name for life. Additionally, at their own discretion, the owner has the right to lease, to rent, or to sell his/her property.

It is specified that the owners of their property, as well as their immediate family may be given renewable Dubai residence visa for life and its cost is AED 5.000 per person.

In Dubai, the freehold property is currently limited to areas of Bur Dubai closest to the end of Dubai, where Dubai connects with Abu Dhabi. Sheikh Zayed Road, Jumeirah and Jebel Ali are all but a few to mention.

■ Charges to register a property

2% of the real estate total value is required by the Land Department.

■ Freehold vs. Leasehold

Freehold means that the buyer owns the land and the structure in perpetuity whereas Leasehold title means that a third party has an interest in the property. In Dubai there are freehold and leasehold developments available for sale.

■ Leasehold and Visa

Leasehold does not provide a visa, however freehold developments can provide a 3-year renewable visa thanks to the developer.

The freeholder and his/her family are allowed to reside in Dubai without renewing their visit visa but are not allowed to work with this visa.

■ **Holding deposit vs. Initial Booking deposit**

In order to reserve a property in your name, a 10-15% deposit has to be paid when you purchase from the developer. When acquiring a property on the resale market, a non-refundable holding deposit is paid to the seller to remove the property from the market and to gain the approved price whilst you organize financing or transfer of funds. The holding deposit is approximately 5% of the property price and will protect your property for up to 30 days. The procedure can take anywhere from 3 days to 3 weeks.

New rules for developers have been introduced by the UAE government in order to safeguard and ensure the investor purchases are secure. In order to bring more transparency into the flourishing property market, the Real Estate Regulatory Agency (RERA) was created as a government entity under the Land Department where all developers are now to be registered.

■ **What is an Escrow Account?**

Law 8 2007, also known as Escrow Law, was passed in June 2007. This law aims to provide certain guarantees and reassurances to property investors as well as investors to make Dubai's real estate a feasible and safe investment opportunity and to satisfy their rights and expectations.

Furthermore, the RERA has officially licensed approximately 400 real estate developers, a number that is ever increasing and around thirty banks have been approved for operating trust accounts.

This law applies to any individual or company receiving 'off plan' payments for property that is not yet completed, protects funds and ensures safety of purchase.

The buyers deposit all payments for the purchase of any off-plan units into a specific bank account which is operated in accordance with the predetermined conditions and terms approved by the Dubai Land Department (DLD). The responsibility of the DLD is to monitor and locate any infringement of the provisions regulating the establishment and operation of the escrow account.

■ **What are the responsibilities of the developer?**

The Law No.8 2007 Article 3 is applicable to any developer which sells off-plan units and receives payments from the purchases before the completion of the project, in Dubai. However, according to the Law no.8 Article 5, they have to obtain the written approval from the Dubai Land Department (DLD) before advertising in local and foreign media. Furthermore, they need this written approval from the DLD before taking part in local and foreign trade exhibitions to promote the sale of properties or units still under construction.

Developers need to be registered with the Registrar of Developers in order to sell off-plan. In addition, only the DLD can approve registered developers which intend to develop or to sell real estate projects. In order to obtain the approval from the DLD, the developers are required to provide the following documents for each project:

- Company's trade license
- Certificate of the Chamber of Commerce and Industry of Dubai
- Copy of the agreement entered into between the master developer and the secondary developer
- Title deed of the plot intended for the development
- A balance sheet approved by an accredited legal auditor including a list of the expenses and the profits of the projects
- Architectural designs and layouts approved by concerned authorities and the master developer
- Copy of the sale and purchase agreement to be executed by the developer and the purchasers of the off-plan units.
- Undertaking signed by the master developer/secondary developer in which he covenants to start the construction work upon obtaining all the related approvals.

■ **Conditions for developers to open an escrow account**

According to the law, it is required for developers to respect the following rules:

- It is required to open at one of accredited banks in the UAE a specific bank account for each real estate project. They can only use this bank account for the purpose of this particular real estate project.
- The escrow agent (the bank) and the developer have to draw up a written agreement in order to open this account and they have to deposit a copy to the Dubai Land Department
- Thanks to this agreement, the operation of the account will be regulated and the rights and obligations of the parties will be emphasized.
- According to the Law 8 2007 Article 9, developers' creditors are prohibited from taking sums contained in the escrow account.
- The escrow agent (the bank), once the escrow account established, is required to regularly update the DLD. It means that account's status and health have to be exposed and statements that show all money credited and debited from the account during its lifecycle have to be provided according to Law 8 2007, Article 9.
- The escrow agent has to provide further documents to the DLD if necessary. The DLD can implicate a third party in order to audit and to verify these documents.
- The Law 8 2007 Article 12 gives those who have bought off-plan unit in a development the right to review the bank statement pertaining to the escrow account.
- According to the Law 8 2007 article 14, the escrow agent withholds 5% of the total value of the trust account on completion of the project, for a period of one year to meet any defects arising in the property during this period.

■ Penalties for developers

A fine of AED 100.000 or/and an imprisonment sanction will be inflicted if the developer:

- does not respect the registration with the DLD
- does not carry on with its activities
- provides false documentation for the purpose of obtaining a license

■ Listed banks to open an Escrow Account approved by the Dubai Land Department.

List of certified banks		قائمة البنوك المعتمدة لحساب الضمان العقاري	
1	Dubai Islamic Bank	بنك دبي الإسلامي	1
2	Emirates Islamic Bank	مصرف الإمارات الإسلامي	2
3	HSBC	البنك البريطاني	3
5	Abudhabi Commercial Bank	بنك أبوظبي التجاري	5
6	Al Ittihad National Bank	بنك الاتحاد الوطني	6
7	Dubai National Bank	بنك دبي الوطني	7
8	Tamweel	تمويل	8
9	Emirates Bank	بنك الإمارات	9
10	Dubai Commercial Bank	بنك دبي التجاري	10
11	Standard Chartered Bank	بنك ستاندرد تشاردر	11
12	Badr Islamic Bank (Part of Mashreq Bank)	بنك بدر الإسلامي	12
13	Amlak	أملاك	13
14	Habib Bank	بنك حبيب زيورخ	14
15	Dubai Bank	مصرف دبي	15
16	Sharjah Islamic Bank	مصرف الشارقة الإسلامي	16
17	Bank of Baroda	بنك برودا	17
18	Al Ahli Bank of Kuwait	البنك الأهلي الكويتي	18
19	National Bank of Abudhabi	بنك أبوظبي الوطني	19
20	Citi Bank	سي تي بنك	20
21	Noor Islamic Bank	بنك النور الإسلامي	21
22	Doha Bank	بنك الدوحة	22
23	Habib Bank Ltd.	حبيب بنك المحدود	23
24	ABN AMRO Bank	بنك هولندا العام	24

25	First Gulf Bank	بنك الخليج الأول	25
26	Arab Bank for Investment and Foreign Trade	المصرف العربي للإستثمار والتجارة الخارجية	26
27	Bank of Sharjah	بنك الشارقة	27
28	National Bank of Umm AlQuwain	بنك أم القيوين الوطني	28
29	BLOM Bank France	بلوم بنك فرنسا ش.م	29
30	Lloyds TSB Bank	لويدز تي. اس. بي. بنك	30
31	United Bank Limited	البنك المتحد المحدود	31

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