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Buying Property in Dubai: A Fully Guaranteed Legal Framework

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The solid legislative structure of the Real Estate market has transformed the Emirate into one of the most attractive investment locations in the world

Over the last few years, the Middle Eastern economy has been undergoing important changes as a consequence of the political instability arising from the popular revolts known as the “Arab spring” and the sanctions against Iran imposed by the United States, which have affected business and investment in the area.

Foreign markets’ perceptions of the Real Estate market in these countries is highly sceptical, as although there exists a legal framework that protects the rights of foreign investors – co-ownership, title registration protected by law, enforceability of the title against third parties –, there are severe gaps in the implementation of these guarantees.

Despite this, in the Emirate of Dubai, this protection is latent following the decision of Sheikh Mohammed Bin Rashid Al Maktoum, who in May 2002 decreed that real estate properties would be available for purchase by foreigners in an unprecedented regime up to the point of total domination.

The Dubai real estate market

The real estate legislative framework was developed a considerable amount between the years 2002 and 2010. So far only small amendments have emerged which have not substantially altered previous legislation.

In 2007, with the creation of the Real Estate Regulatory Authority (RERA) in Dubai, the real estate market managed to achieve an unprecedented level of stability and strength. The RERA plays a crucial role in the development and supervision of real estate properties and in the evolution of the framework and legislative development.

Another important milestone for legal security was the entry into force of what is known as the “Trust law” in 2007, which involved protection for investments in off-plan sales in promotions already underway. Subsequently, in addition to this law, the provisional real estate registry was created, which offers better protection to buyers regarding acquisition rights.

In relation to the various difficulties arising from the buying and selling of real estate goods, in 2008 the legislative authority created the Register of interests derived from mortgages on real estate with implementation mechanisms and property sales at public auction. At first, this Register was destined to

provide banks and other financial entities with the necessary confidence in order to grant loans to purchase property in Dubai, as a guarantee against default.

As a control measure on the tensions and conflicts which arose between the leading real estate companies in the housing market during the 2008 crisis, Law 9 of 2009 was passed, establishing a determined process from the development of the works to the buyer's non-payment on a house.

These provisions were ratified by Resolution No. 6 of the Executive Council of 2010, which also introduced the option for the buyer of property to force the termination of a contract of sale in the case of breach by the builder.

Ultimately, since the end of 2010, legislative development has been relatively balanced. In 2012, a notice issued by the Dubai Land Department upheld a ban on companies based in tax havens, with the exception of

associations established in the free trade zone of Jebel Ali, from owning real estate property in Dubai.

A mature market with quality assets

Still today, we find a mature market with high quality assets and an excellent location, meaning it retains its value and captures the interest of foreign investors. Local businesses have also become an emerging market that provides significant rental yields.

In our opinion, in so far as the recovery of the Dubai real estate market has a solid legislative framework, this has been a contributing factor to the protection, certainty and security of foreign investments. All this, combined with the legal security Dubai offers and the numerous works being carried out in relation to the organization of the 2020 World Expo, makes Dubai one of the most attractive real estate markets in the world.

FOR MORE INFORMATION

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