

## **Effects of Regulatory Environment on the Real Estate Market** **(May 2005)**

Institutions are the "rules of the game" of a society. A modern market-based economy depends on various bodies of laws and institutions. Regulation is one of many instruments for public intervention in real estate and other urban markets.

In fact, one of the major sources of market failure is the absence of clearly defined and enforceable property rights (the definition of property rights and the adjudication of disputes is essential for market transactions), the most oft-cited rationale for regulating land and real estate markets.

Shedding the light on the intricacies of the UAE legal system may help us understand the effects of such environment on the development of the Real Estate Market in the UAE.

### **- Policies related to Ownership of Real Property**

There is no specific Federal Property Law in the U.A.E. Instead, each Emirate has established its own specific land ownership policies through local orders and decrees. Each Emirate is developing its real estate market policies on its own pace, sometimes following the successful model of other Emirates.

A UAE Federal Property Law is much awaited to set a unified model whereby property rights and transfer of title are clearly defined.

### **- Immigration Legislation and Labor Law**

The immigration legislation and the Labor Law may have a positive influence on the residential property market.

In fact, the immigration legislation in Dubai and the UAE and the UAE Labor Law make it easy for companies to recruit abroad for people with the specific management or technological skills they need.

In the longer-term, this legislation is helping make businesses more competitive in global terms, increase local employment opportunities and improve overall economic prospects - creating a scenario in which both the demand for and affordability of residential property grows.

Short-term, the legislation is giving the rental market a lift as foreign managers and skilled technical personnel or other expatriates working in the UAE on several-year contracts seek out accommodation.

Meanwhile, local businesses will find it easier to recruit abroad if they can include accommodation in their offer.

### **- Municipality Law and Role**

The municipality's role as a facilitator improves the investment environment in the community by streamlining the development process, improving planning procedures and zoning regulations, and issuing a statement on the objectives of local economic development policy.

The Municipality in most of the Emirates can also use land and building assets to stimulate economic development and reshape its regional economic profile by conducting concrete projects which act as a catalyst and guide for further development.

### **- Economic Development Framework**

The setting of economic developmental objectives and their integration into an overall strategic vision form the key components of an effective land development planning process.

The most effective planning approach is an integrated regional approach, which includes local, regional and national goals, objectives and plans.

The policies related to Economic Development in most of the Emirates encourage local and foreign investments in commercial and industrial projects, and create the appropriate environment for such investment, including real estate investments.

In conclusion, although the UAE Real Estate Legal Model is still burgeoning, the seeds of a successful investor friendly environment are in the making, and the roots, we hope, will be as solid as the roots of a Lebanese Cedre.

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