

Real Estate Policies in the UAE (June 2005)

Although real estate ownership is governed by and falls under the jurisdiction of federal legislature pursuant to Article (122) of the UAE Constitution, however, in the void of Federal Laws in this regard, different local policies apply in each emirate.

In fact 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 and according to its own economic and political circumstances.

A couple of years ago, Dubai Palm Developers announced that residential properties to be constructed on the Palm Jumeirah and Palm Jebel Ali islands would be offered for sale on a freehold basis to UAE and foreign nationals. Emaar Properties PJSC made a similar announcement in respect of its existing Emirates Hills and Dubai Marina projects and its Arabian Ranches project. These announcements marked a departure from the strict land ownership policy which was followed earlier by the Government of Dubai.

Dubai's property market is booming as world-class projects are being launched by innovative property developers. The government is playing a distinctive role in defining and leading the development of the real estate market, through specialized quasi-governmental companies such as Emaar.

In Abu Dhabi, The newly enacted law issued by the UAE President His Highness Sheikh Khalifa Bin Zayed Al Nahyan, granting citizens the right to buy and sell real estate property, sets a landmark change of policies which reflects the Drive of Abu Dhabi Government towards gradual liberalization of its land ownership policies.

In fact, prior to the enactment of this law, there were no privately held lands in Abu Dhabi, all lands were held by the government and the government, in turn, grants land to individuals and companies. Even for those who actually hold title to the property, they do not have a free right to transfer or sell or dispose without permission from the government.

Moreover, as per Orders No. 380, 381 and 619 decreed by his highness Sheikh Zayed Bin Sultan Al Nahyan in 1997, the sale, purchase or disposal of all kinds of real estates in Abu Dhabi were totally prohibited, whether the real estates are of commercial, residential or industrial nature, and whether such disposal is made between UAE Nationals or

otherwise, except for cases of inheritance or donations. The rationale behind such a decision was that UAE Nationals were selling their real estate properties in Abu Dhabi, such fact being deemed by the Government as a threat to social and economical stability in Abu Dhabi.

The new law, granting citizens the right to buy and sell real estate property, will form a fundamental cornerstone for the development of the real estate market in Abu Dhabi.

However the following safeguards should be strictly adopted. Key components for success are clear title arrangements and a well kept land registry to help clarify ownership rights, minimize disputes, and maximize the efficient transfer of land. Maintenance of a land information database is also essential for institutional Vehicles for the delivery of Economic Development Services.

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