Timeshare in the UAE (September 2005)

In the UAE, there are no laws regulating time-sharing ownership schemes. The advantage to this is that time-sharing schemes are deregulated and hence flexible. The disadvantage is that you are working in a vacuum.

Dubai's property market is booming as world-class projects are being launched by innovative property developers. It is estimated that Dubai is expanding 6.2 per cent a year largely due to new construction. The market dynamism in the wake of expected property law and legal reforms to allow various types of property ownership, will further reflect in heightened investment and purchases by those who have as yet not entered the property market. This surge in property development requires that the legislative process evolve rapidly in order to regulate new issues and aspects related to real property ownership, including time-sharing.

In fact, Dubai has become a world class tourist destination, and timesharing is what experts say is the fastest-growing segment of the travel and tourism industry, and is widely utilized in more developed land law jurisdictions. An alternative to staying in hotels or buying a second vacation home, a time-share, literally, is shared time at a particular vacation destination, and it's a good way to lock in today's vacation prices.

This sophisticated concept applied throughout Europe and the USA, and used to an extremely limited extent in the UAE, may soon become the new holy grail of property developpers in the UAE. In fact, time-sharing is an interesting option for those investors who wish to balance their investment portfolio by holding assets jointly with other individuals in various premium localities globally.

So let us examine the concept and possible schemes of time-sharing and some of the related legal aspects.

Time-sharing is a mechanism whereby a purchaser acquires either free title "interval ownership" or a lease of license "right to use" to accomodations, usually in a resort area, for a designated period of time. Basically time becomes a divisible element which can be owned or possessed.

However, time-sharing is a commercial rather than a legal concept. The legal title or interest acquired by the holder of a time-share will depend on the legal vehicle used for the time-sharing scheme, which in turn largely depends on the laws of the jurisdiction where the property/scheme is situated.

Some of the legal vehicles for time-sharing schemes successfully implemented in other jurisdictions and which may be consistent with the current UAE legal framework are joint ownership of units in commonhold property and intermittent lease.

Time sharing further represents a complex area of inquiry considering that we are working in a vacuum. Questions concerning real property, zoning, subdivision regulations, and the health, safety and welfare of the general public, along with other issues can be raised.

This is the reason for which we strongly advocate the need to develop and implement specific pieces of legislation concerning time-sharing, to protect the time-share purchaser, time-share developer, and neighboring parties.

In the meantime, the following safeguards should be strictly adopted on the developer's side. Property developers interested in time-sharing schemes should structure and create financially sound, well managed time-sharing programs, providing adequate protection for their purchasers as well as careful and complete disclosure of the terms and conditions involved. Otherwise, abuses or the results of abuses in the market may prompt stringent regulatory action.

As a wise man once said: "Timing is everything".

Tony Maalouli LLM in Private Law Managing Director, ProConsult Advocates & Legal Consultants