



## **Buyers Guide:**

Dubai is busy transforming itself into a prosperous, sky-scraping oasis attracting new residents, tourists and businessmen alike, and the property market is booming. Multi-billion-Dollar schemes such as Dubai Internet City, Dubai Media City and Dubai Marina have all entailed huge real estate development and, for the first time, a chance for foreigners to purchase their own homes.

### **Property law, any reason to worry?**

With the increasing numbers of buyers and investors in Dubai there is scepticism over the legalities in buying property in the region. However, statements from the Dubai Chamber of Commerce Director-General Abdul Rahman G. Al Mutaiwee, have gone a long way to reassure buyers of freehold property in Dubai that what they are doing at least secures their rights.

In truth if you intend to buy in Dubai then you should be aware that nothing is going to change the fact that buying in the Middle East carries different risks to some alternative locations.

### **Why buy a property in Dubai?**

- Long-term residents should be considering buying to replace rental payments. Even if your home is worth a fraction of what you paid for it after 10 years, this would still be a huge improvement on the negative return of renting.
- There is a big change in the city's geography underway. What is the fringe of Dubai today, the Dubai Marina, will be uptown Dubai of tomorrow. Thus property values will follow this curve upwards, as people relocate to the new uptown.
- Demand for freehold property in Dubai is much higher than most people can comprehend. Certainly an economy growing at 10% plus a year has a dynamic of its own that reflects a huge demand for accommodation.
- Comparatively property is cheap. Dubai villas cost around \$1,000 per square metre. London, at the other end of sells apartments in London Docklands at \$5,000 per square metre
- Any property market is going to have its ups and downs, and Dubai will be no different. All the same, Dubai has a habit of frustrating those who wait for bargains.
- Dubai is in the process of creating an international property market from scratch. As a result buyers are being given an exceptionally good deal to encourage them to be pioneers
- Dubai is a city where a lot of people earn high tax-free salaries and are in a position to support higher house prices. This is a city with a 20-year track record of strong economic growth and will continue to attract foreign and regional inward investment.

**Overseas Investors** - Overseas investors can buy property freehold on specific developments as well as on a 99 year leasehold basis.

**Mortgage Facilities available** - There are literally thousands of mortgage options. In the United Arab Emirates, however, the choice of lenders is not as widespread and the options not as attractive as those found internationally. At present, typically you can borrow at 6.5% in Dirhams for the various property developments that are regularly advertised in the local press. Finance can be arranged through overseas lenders if you have assets overseas too. A number of property investors with assets overseas have taken advantage of favourable international interest rates.

**Need to get Insurance?** - Most lenders will require some form of protection for the loan. Banks on the whole do not like repossessing property and would prefer the loan to be repaid from an insurance policy should a serious event occur. Seeking the right insurance is a key since it comes in many forms. Get the right advice to determine which one is right for you.

**Who Can Buy?** - Anybody can purchase in Dubai's luxury freehold property market.

**Leasehold or Freehold?** - Freehold is available on many of the developments in Dubai. Some projects are 99 year lease.

**Payment Terms** - In general, a deposit representing 10 - 15% of the buying price is required at the contract-signing stage for all new development properties. Each developer will offer a different payment plan.

**Payment Terms for Completed Property** - Completed property needs to be paid for 100%. The developer will charge a 1-2% transfer fee to put the property contract into your name and the contract will follow in about 2 weeks.

**Bank Accounts** - Buyers do not need a local bank account to arrange purchases, and Dubai Premier have accounts in the UAE and to help facilitate your transaction.

**Purchase Timescales** - Purchases normally take no longer than two weeks to complete. It is important to have your funds ready in order to prevent disappointment.

**Government Tax** - There are currently no government taxes of any kind when purchasing a property in Dubai. Nor is there a Capital Gains Tax. When the Dubai Lands Department registers title, buyers will pay a 1.5% tax based on the purchase price of the property. If they have a mortgage, they will pay 0.25% of the value of the loan. These issues will hopefully be dealt with in the forthcoming law.

**Residency** - In general, the Dubai Government issues residence visas to new property-owners and their immediate family. These will need to be renewed every three years as per the latest immigration regulations.

**Re-sale** - You can sell your property or assign your agreement to anybody. This means that they will take over the payments to be made to the developer.

**Holding Deposits** - All sellers insist on a holding deposit to secure the property. This is normally in the region of 100,000 AED. It is non refundable unless the seller pulls out.

### **Need to know before buying?**

Below are the answers to some commonly asked questions to enlighten those seeking to invest in the real estate market:

#### **What is a premium?**

The amount that you pay above the original price charged by the developer. This can be a percentage of the original price, or a fixed amount. The premium plus the original price is the net selling price to the owner, and does not include transfer fees or commission.

#### **What is a transfer fee & Commission?**

This fee is paid to the developer in transferring ownership from seller to buyer. It varies between 1 per cent and 7 per cent of the selling price or original price and so can be a substantial amount, usually paid by the buyer. Normally 2 per cent of the selling price and again the buyer pays, although on occasion the owner may pay 1 per cent of this.

#### **Why do people want to know the original price?**

This is the price which the original owner paid to the developer. From this you can work out the percentage premium which is often used as a guide to see if a property is good value or not. In addition, when financing, all lenders need to know the original price, as most will not lend on any of the premium.

#### **What is Initial Deposit?**

This applies when buying direct from a developer and is paid to the developer in order to secure the property in your name. It is usually 10 per cent or 15 per cent of the selling price.

#### **What is Holding Deposit?**

This secures the property for a period up to one month usually, allowing the buyer time to organise funds through either financing or transferring of cash funds. This deposit is non-refundable and can range from Dh20,000 to Dh1,000,000 depending on the property price.

#### **What is a Memorandum Of Understanding?**

This is a contract made between the buyer and seller to secure the sale. A holding deposit is paid to the agent or seller to make the contract more binding.

#### **Are there different types of Freehold?**

If we assume that the term freehold is being used in Dubai in its international sense, then the answer is yes. Freehold usually indicates that the owner of this kind of title enjoys the most superior form of private property ownership. A purchaser can have freehold title in land, in a

free standing villa and also for an apartment, the latter kind of ownership is usually called commonhold and not freehold.

**Can one lawfully sell freehold properties to foreigners in Dubai?**

There is no provision in the law that forbids immovable property (except in an auction) from being sold to foreigners in the UAE.

**In case of a husband's death, is the property distributed according to Sharia?**

This is a very grey area and opinions differ widely, and is an estate planning concern. As such, I suggest that purchasers approach their lawyers or accountants to take their estate planning issues.

**Are there any restrictions imposed on freehold apartments?**

Yes, there are some restrictions being imposed in most sale and purchase agreements issued by developers in Dubai; these conditions are to make sure that owners of properties pay their Service Charges in time, especially if they intend to sell their property.

**Does the buyer have the authority to sell the property or apartment? If so, when?**

If a buyer has not yet become the registered owner of a property, then he can cede (i.e. transfer) his rights in his agreement of purchase under certain conditions to another purchaser but subject at all times to the approval of the Seller. Purchasers, once they are registered owners, are able to sell their property freely subject to all Service Charges and/or penalties having been paid.

**How often will the Service Charges increase or will they fluctuate?**

It is expected that the Service Charges levied will be reviewed yearly and only if necessary, increased annually. Unless all the owners of the building/dwellings have to pay for an emergency expense, it is not expected that there will be dramatic fluctuations or increases in the Service Charges during the year.

**What type of residency visa is received upon the purchase of freehold in Dubai?**

The residency visa is arranged by the developer and is usually a 3-year renewable visa. It does not normally include a work visa. It is purely to allow the owner and his immediate family to reside here without needing to renew transit visas.

**Why are Guarantees needed?**

If properties are not handed over for whatever reason to the purchaser after a particular time period, the buyer usually has the option to get his money back or receive some form of compensation. Most developers give a 10-year guarantee from structural defects.