



## Why purchase in Dubai?

As a leading regional commercial hub with state-of-the-art infrastructure and a world-class business environment, Dubai provides investors with a unique and comprehensive value-added platform that makes Dubai the logical place to do business.

### The most pro-business attitude

- Dubai believes that "if it's good for business, it's good for Dubai."
- Sophisticated fast track business initiatives (business set up in 20 minutes in Free Zones)
- 189 of the G500 MNCs in Dubai, 9 out of top 10 present in Dubai
- Robust economic cluster including technology & internet hub, media hub, finance hub & healthcare hub
- World class Free Zones

### The best regulatory environment

- No corporation Tax – the only exceptions to this are oil producing companies & branches of foreign banks
- No Income Tax
- 100% Ownership
- No restrictions on capital repatriation
- Strong investor incentives and protections
- Easy access to key decision makers

### Relatively low cost work environment

- Access to low cost regional talent
- State of the art telecommunications
- Competitive energy costs
- Competitive real estate costs
- Competitive import duties (5% with many exemptions)

Since the formation of the United Arab Emirates in 1971, Dubai has developed rapidly from being an 'oil and gas state' to a broadly based market economy. A 30-year development plan provided for substantial investment in education and infrastructure (transport and telecommunications) and has led to rapid growth in trade and inward investment.

Dubai offers a world-class airline (Emirates Airlines), world-class tourism (over 30 five-star hotels and the world's first seven-star hotel, Burj Al Arab) as well as world-class sporting events such as: The Dubai World Cup (the world's richest horse race), the Dubai Desert Classic (golf) and Dubai Rugby Sevens.

'Dubailand' is a huge development located towards the desert. It consists of 6 themed worlds and comprises of over 200 individual projects giving it the potential to become the biggest, most varied leisure, entertainment and tourist attraction on earth. Approximately seven projects will finish by 2008 forming the 1<sup>st</sup> operational phase of Dubailand. Dubailand expects to employ 300,000 and attract 200,000 visitors a day!

The Dubai International Financial Centre (DIFC) is a specially created financial district for the whole of the Middle East. It has been set up to accelerate the repatriation of \$1 trillion, which is currently invested & managed outside the region. Located between the London and Hong Kong Financial Centres, it is a unique area making it a competitor on the world stage.

## Dubai Realty and the Economy

The success of the Dubai economy is the result of dynamic and visionary leadership, an ultra-modern and efficient infrastructure, the absence of the government bureaucracy, a diversely skilled, well educated, multi-cultural and multi-lingual workforce. It has an abundant supply of housing for expatriate professionals and excellent schools and multiple centres of further education.

Voted the safest city in the world for four consecutive years by a study compiled by Interpol. Crime in Dubai is virtually non-existent.

Prime locations of Dubai will always be in demand and are likely to provide excellent opportunities in long term. It is unlikely that these locations will see an oversupply when only so much can be developed in one area. There are 15 Free-Zones where developers can build freehold property available for purchase by non-nationals. In fact, with the next 5 years there is an estimated 40,000 unit shortfall, leaving an estimated figure of 150,000 new residents without the possibility of buying. In addition, **a buyer has the option to transfer his property purchase during his payment terms (before completion) at low fees (3%)**

## Dubai has several compliance processes for all Real Estate dealings

- **RERA – Real Estate Regulatory Authority**

This is an authority that literally polices all dealings within the real estate industry within Dubai. This allows control over all parties dealing within this industry and will certainly ensure the situation in other areas does not happen in Dubai. Total control over issuing of RERA licenses is paramount, which also incorporates examinations by those wanting a RERA License. RERA licenses have now been stopped for all new parties, until necessary to re-open again to ensure strict compliance to their regulations etc. Naturally, this also includes all developers and MASTER developers like Damac Properties, which would need to provide RERA licensing and land ownership before any sort of marketing can be done on any project, let alone reservations or selling of the units!

- **ESCROW SYSTEM**

It is now law for ALL developers to be part of the escrow system within Dubai. This ensures ALL client funds should be sent to such ESCROW accounts that are controlled by both the ESCROW banking system and the government/RERA and will not be released to the developer until satisfactory completion of agreed milestones. i.e. - completion dates etc!

Again, this will protect buyers from what has happened in other countries as those developers that do not hit agreed milestones will be forfeited. On worst case scenario, the developer would not be able to proceed – then RERA (i.e. the Government) would then move into complete the project to the agreed specifications and costing etc.

Please note that DAMAC, as a multi-Billion dollar business, have always been self financed and, therefore, the ESCROW system has been welcomed, as client funds have not been used to build.

These are the two MAIN safety aspects to purchasing in Dubai and, although, there is no legal framework with regards to conveyance, there are many protocols in place to protect ALL parties involved in building, selling and buying property within Dubai.

## What other costs involved when purchasing property?

- Land Registry fee of 1.5% - 2% payable upon completion
- Service Charge payable annually. As it is freehold ownership, the apartment owners will have a say on who the management company is, therefore the management company will always charge competitive rates
- Appointing a Lawyer; The property purchase process in Dubai is still in its early stages and as yet has not developed a fully formal conveyancing procedure. At this point the only required paperwork is a sales agreement, which, once signed, is legally binding. Although the buying process seems straight forward especially on off-plan and new build purchases, there can be potential pitfalls and we strongly advise you to appoint a lawyer who speaks your own language. Our advisors can recommend a good lawyer who will carry out all necessary checks on the property in Dubai and fulfill the legal requirements of the sale.

- TAX-FREE capital growth and rental income in Dubai

## **What are the fees for tenants when renting a property?**

There is a tax payable annually, calculated on the rent, at 5% of rental value (approx AED 800 per month). It is normally added on to the DEWA (Dubai Electric & Water Authority) bill and is paid by the tenant only. This tax does not apply if the property is not being rented out.

## **Can you Finance your Property in Dubai?**

The lending markets within Dubai and the Middle-East are fairly immature at this stage. Although lending on property is becoming increasingly available and more flexible, obtaining finance is still not easy. Damac properties have a mortgage advisory team within their HQ and currently have agreements with many of the largest lenders in the Middle-East to loan against purchases made. Currently it is possible to raise up to 85% of the property price for non-residents. However, what makes this even more interesting is that these mortgages can be taken out 'off-plan', meaning that the loan can be drawn down during construction of the property itself. This is not a usual occurrence as there is no property there to loan against when purchasing either off-plan or during construction. However, lenders will mortgage for purchasers against the DAMAC name and the fact that this alone gives them assurance that the project is sound and will conclude as advised. With lending before the completion of the property, it allows the investor to limit funds invested during construction with the bank drawing down funds directly to the developer at each stage payment during the construction period. During these stages, the purchaser will only pay interest on those funds drawn down at that stage, until completion when normal mortgage lending criteria commence.

## **The Purchase Process**

With so much development going on in Dubai it is essential for property investors to do their research and make sure they have the best property for their needs and budget. Once a buyer has chosen a property, the buying process is fairly straightforward.

To secure the property a holding deposit of anything from £1,500 to £3,000 is paid. In the second stage, the purchase contract stipulating the payment schedule is drawn up. The usual conditions are between 10% and 20% and are to be paid every three months until completion. The build time is normally between 12 to 36 months. The property can be sold at any time during this period, but will incur a transfer cost of about 3%.

As the conveyancing system in Dubai is still in its infancy, the central land registry has no records of previous sales to confirm title deed to the property and, therefore, buying resale properties is a little more complicated. It is essential for your lawyer to investigate and contact the original developer to ensure the title to the property is genuine. Once the title is confirmed, the purchaser will put down a holding deposit until the funds are in place for the sale to go through.

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