

## UAE: New law to boost property investments and attract funds and investors into booming Dubai real estate market

### In brief

As the Dubai real estate market continues to break pre-pandemic transaction records, a new real estate law has been introduced to further support the growth of property investment funds in Dubai.

With the issuance of Decree No. 22 of 2022 (the **Property Investment Funds Law**), a new register (the **Register of Property Investment Funds**) has been established at the Dubai Land Department (the **DLD**) which entitles registered funds certain rights to facilitate their investments in the Emirate.

The key development is that the registration mechanism will enable registered UAE funds to purchase and own real estate assets in those areas in Dubai that have restrictions on foreign ownership (with such areas to be determined by a special committee that will be established pursuant to the Property Investment Funds Law). The fund will not be permitted to sell those real estate assets in the areas restricted for foreign ownership without the prior approval of the special committee.

### In more detail

#### Scope

The Property Investment Funds Law applies to:

- all property investment funds licensed and regulated by the competent government authorities (including the Securities and Commodities Authority and Dubai Financial Services Authority in the DIFC)
- all real estate in Dubai (including in special development zones and free zones but excluding the DIFC).

#### **Register of Property Investment Funds**

The new Register of Property Investment Funds has been established at the DLD and will entitle all registered property funds certain rights to facilitate their investments in the Emirate of Dubai. The information to be provided by the funds for the register will be determined separately by the DLD.

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### ***Rights of the funds***

Registered property investment funds will be eligible to acquire freehold, usufruct and long-term lease rights in areas of Dubai that are not permitted for foreign ownership (with such areas to be determined by the special committee).

### ***Registration***

Property investment funds can register on the Register of Property Investment Funds provided that they meet the following conditions:

- Have a valid license issued by the competent government authorities
- Own real estate assets valued at no less than AED 180 million at the time of submitting the application for registration
- Have not had a suspension from trading their shares in the financial markets of Dubai at the time of submitting the application for registration
- Have paid a registration fee of AED 10,000 to the DLD

The DLD will verify that the fund meets the conditions, including determining the value of the real estate assets owned by such fund, by appointing a valuation specialist accredited by the Real Estate Regulatory Agency (RERA).

A registration can also be removed from the register where a property investment fund:

- does not meet the conditions for registration set out above
- declares bankruptcy by a final judgment
- dissolves and liquidates its assets
- is restricted from its activities by virtue of a final judgment

This will result in the suspension of all rights of a property investment fund, provided that all rights it has benefited from prior to write-off from the register were legally valid and effective.

### ***Conditions for purchasing real estate in areas not designated for foreign ownership***

The special committee will be responsible for determining the areas permitted for investment by the registered property investment funds.

For properties located in areas that are not designated for ownership by foreigners, the committee will take the following into consideration:

- the market value of the real estate is not less than AED 50 million
- the real estate should have an investment return according to the standards determined by the DLD
- the real estate is in accordance with the provisions of Decree No. 4 of 2010 in case it is granted
- any other considerations determined by the DLD

### ***Fees for real estate dispositions***

The real estate dispositions set out below which are registered by a property investment fund, will be subject to the following DLD registration fees:

- **Purchase (whereby a property investment fund purchases a real estate asset and registers it under its name)** – registration fee of 2% of the market value of the real estate

- **Sale (whereby a property investment fund sells a real estate asset within its portfolio and registers it in the name of third parties)** – registration fee of 4% of the market value of the real estate
- **Usufruct or long-term lease (whereby a property investment fund registers the right of a usufruct or long-term lease)** – registration fee of 2% of the market value of the real estate
- **Waiver of right or benefit of long-term lease** – fee of 4% of the market value of the real estate

Such fees only apply in relation to the disposition of real estate assets and not the disposition of real estate shares by the shareholders of a property investment fund.

### ***Real estate as in-kind contribution of capital***

During the establishment of a property investment fund, the founders may provide the real estate owned as an in-kind contribution to the capital of the fund and register them. The DLD will note in the real estate certificate that the owner of the real estate is a property investment fund under establishment.

Upon completion of the establishment of the property investment fund and the issuance of its license by the competent government authorities, the DLD will amend the real estate certificate and note that the owner of the real estate is such fund. The transfer of ownership of every real estate owned by the founder to the property investment fund is subject to a fee of AED 50,000. The DLD will then issue a title deed in the name of such fund.

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To speak to us in relation to the new Property Investment Funds Law, real estate and funds related matters, or issues generally, please reach out to one of the Baker McKenzie contacts above.

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