



**CROMPTON**  
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**A GUIDE TO BUYING**  
**PROPERTY IN ABU DHABI**

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This Guidance\* is correct as at 20 November 2016. For the latest version please email [guides@cpestategents.com](mailto:guides@cpestategents.com).

Abu Dhabi Law 19 of 2005 did two things, firstly it allowed Emiratis to buy and sell land (they had not been allowed to do this before that date), and secondly it created the notion of “Investment Areas” in which property can be “owned” by non-UAE Nationals. This Guide will seek to explain the process for non-UAE nationals buying in the UAE’s capital.

There are several other articles in this series (such as “**How to Choose an Investment Property**”). Email [guides@cpestategents.com](mailto:guides@cpestategents.com) for copies of this and others in the series.

We have tried to keep this guide chronological, from the initial steps through to the actual purchase. This Guide refers to completed units, for our “**Guide to Buying Off-Plan or Under Construction**” email [guides@cpestategents.com](mailto:guides@cpestategents.com). All legal references are to “Abu Dhabi Law 19 of 2005”, which has become known as just the “Purchasing Law”, unless otherwise stated.

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\*This Guidance should not be considered legal advice or be relied upon in a legal context.

## 1. Who Can Buy What and Where

No-one apart from UAE nationals (or companies wholly owned by them (not just 51%)) can own property outside Investment Areas. See "[Overview of Investment Areas](#)" below for where these are.

In Investment Areas foreign (non-UAE) nationals can "buy" apartments, villas or land. The type of ownership they get is discussed below under "**Ownership - 99 Year leases, Usufruct and Musataha**" and will depend on the nationality of the person and what type of asset is being purchased.

**Note:** Contrary to popular belief GCC Nationals cannot buy outside Investment Areas. The only difference between GCC Nationals and other nationalities is that they can obtain freehold title in Investment Zones. The GCC is the Gulf Cooperation Council, which is comprised of Saudi Arabia, Kuwait, Bahrain, Qatar, Oman and the UAE.

## 2. Residency and Visas

You do not have to be resident in the UAE to purchase property as a foreign national, but you may be more limited in your local mortgage options if you are living overseas (see "[Bank Financing and Mortgages](#)" below) and face issues connecting your utilities. Contrary to the claims of some developers no property purchase in Abu Dhabi can guarantee buyers a visa.

## 3. Inheritance and Wills

It is possible to draft a Will which will operate under the laws of an expatriate's home country as opposed to the probate law of the UAE (which is Sharia law). For more information please request our "**Guide to Abu Dhabi Wills and Probate**" by emailing [guides@cpestateagents.com](mailto:guides@cpestateagents.com).

## 4. Ownership - 99 Year leases, Usufruct and Musataha

The only foreign nationals who can obtain freehold title to their property in Investment Areas are GCC Nationals (Article 3 of the Purchase Law). According to Article 4 of the Purchase Law non-GCC Nationals can only get one of two types of ownership:

**Usufruct** – This is the right to benefit from a property/ building belonging to a third party provided that it remains in the same condition. This is the most common form of "ownership" of apartments and Article 4(1) of the Purchase Law states that this right lasts for 99 years. This is essentially a 99 year lease (which is exactly the same way people buy apartments in the UK for example). It does not allow the owner any right to the underlying land, only to their apartment.

**Musataha** – This allows a party the right to use and exploit (which includes development) land belonging to a third party. This is more commonly used when buying plots of land in Investment Areas. Article 4(1) of the Purchase Law states that this right lasts 50 years, renewable once by mutual consent (or as agreed contractually) for a further period of up to 50 years.

**Note:** If you're buying an empty plot of land on Saadiyat make sure you talk to the developer about whether you're getting Musataha or Usufruct.

**Note:** Some developers are advertising freehold rights but this can only mean freehold rights for GCC citizens. Freehold is absolute ownership of the land to do with as you please.



## 5. Overview of the Investment Areas

Below is a very basic guide to the Investment Areas:

**Saadiyat Island** – Linked by a bridge from the Corniche and on the other side to Yas Island, Saadiyat lies just off the coast of Downtown Abu Dhabi. The new cultural district is being built here and it will be the location of the Guggenheim, Louvre and New York University. The accommodation is mostly high end villas and low rise apartments based around the St Regis hotel and the Saadiyat Beach Golf course. This also contains the super luxury resort of Nurai Island where huge, stunning, sea facing villas are also for sale.

**Reem Island** – Located a few hundred meters off the coast of Downtown Abu Dhabi, Reem Island consists mostly of high-rise apartments with a few villas and townhouses. It is new, reasonably priced and bridges connect it right into the heart of the City.

**Raha Beach** – Comprised of three main communities (with several more on the way at time of publishing), Al Bandar, Al Muneera and Al Zeina. Each community is set on the water facing Yas Island and the units are mostly mid-rise apartments with a few villas. It has great links to Yas Island, the Airport and is situated on the road to Dubai.

**Note:** Raha Gardens is not an Investment Area.

**Yas Island** – Home to the Communities of Ansam (handover Q4 2017), West Yas (Handover 2018), Mayan (Handover 2019) and Yas Acres (Handover 2019) there is a lot going on here but everything is only able to be purchased off-plan at the moment. What is built are the facilities including Yas Waterworld, Ferrari World, the F1 track, Yas Mall, several Hotels, an Aldar School and the Warner Brother Theme Park (due 2017).



**Al Reef** – Set close to the International Airport Al Reef is a town all by itself. Around the periphery are a mixture of 2, 3, 4 and 5 bedroom villas and in the middle are mid-rise tower blocks with studio, 1, 2 and 3 bedroom apartments for sale. This is a more affordable option than Reem, Raha or Saadiyat.

**Hydra Village** – A little further out from al Reef is Hydra Village. Again a self-contained community this is made up of 2 and 3 bedroom villas. There are planned community facilities as well as shops and amenities.

**Al Ghadeer** – Located on the Dubai border close to the Jebel Ali Freezone and the new Maktoum International Airport. Like Hydra and Reef it is a self-contained community with 2 and 3 bed villas as well as studio, 1, 2 and 3 bed apartments.

## 6. Starting Your Search – What You Need

**A Visa** – A discussion of your visa status has been had above in [“Residency and Visas”](#).

**Bank Account** – It sounds obvious but if you’re new in town make this a priority.

**Budget** – How much can you comfortably afford to spend? If you are a cash buyer this is easy (though you may want to consider leveraging your purchase, talk to us or email [guides@cpestategents.com](mailto:guides@cpestategents.com) for our **“Guide to Leverage”**).

**Pre-Approval** - If you need a mortgage/financing make sure that, before you even start looking at property online, you know how much you can borrow, see [“Bank Finance and Mortgages”](#) below.

**A Lump Sum** – You will need at least 30% of the purchase price in cash for financing and other fees, see [“Bank Finance and Mortgages”](#) below.

**For an Investment Property** - An Investment Strategy. Make sure you email [guides@cpestategents.com](mailto:guides@cpestategents.com) for our **“Guide to Selecting an Investment Property”**, this covers everything you need to know to make a wise investment decision. It has advice on Income vs Capital Appreciation through to working out net rates of return and other hints and tips. To talk to one of our agents please dial 800 2732 or email [sales@cpestategents.com](mailto:sales@cpestategents.com).

**For a Home** – An idea of what you want. Once you have a budget really think about what you’re looking for. Talk to one of our agents on 800 2732 or email [sales@cpestategents.com](mailto:sales@cpestategents.com) for guidance. A two bed on Saadiyat will be as much as a three bed on Reem so getting your priorities straight in your head will save a lot of heartache later on.

## 7. Bank Finance and Mortgages – What You Can Borrow

The first thing to check is does your bank lend on the majority of properties in Investment Areas? Buildings/developments have a list of banks who have approved them for lending so check this out early.

The UAE Central Bank states that for expats:

- 1) For purchases under AED 5 million you will need to put up equity (cash) of at least 25% of the purchase price;
- 2) For purchases over AED 5 million you will need to put up equity of at least 35% of the purchase price; and
- 3) If the purchase is your second purchase in the UAE you will need to up equity of at least 40% of the purchase price.

Banks may allow you to borrow a portion of the money to finance this equity amount.

**Note:** It is well worth noting that to cover fees, registration and other matters you will need to add up to 5-6% of the purchase price to the above as well, so leave yourself some headroom on your budget, see “**Fees and Payments**” below.

You will need to approach your bank or an independent mortgage advisor to discover exactly what you can borrow. Ask us about an independent mortgage advisor.

The bank takes into account your salary and other forms of debt you have (it may be worth cancelling your credit cards to get a more favorable rate and amount). The bank will then “approve” you to borrow a certain amount – so now you have a budget to work with.

The maximum limit for a mortgage loan is set at 25 years and the maximum age for the borrower at the time of last installment is set at 65 years for expatriates.

Email [guides@cpestategents.com](mailto:guides@cpestategents.com) for our “**Guide to Property Financing**”.



## 8. Fees and Payments

**Registration Fee** – If you are buying your unit on the secondary market then it is likely you will have to pay 2% of the price you buy at (it may be 2% of the first purchase price) to register the property with the Municipality. This is not usually applicable when buying directly from the developer.

**Commission** – If you are buying through a broker or property manager then they will charge you 2% of the purchase price as commission. Make sure you have enough spare cash to cover this. This should never be more than 2% even if more than one broker is involved.

**Mortgage Arrangement Fee** – If you are using finance then you will have to pay an arrangement fee to the bank or mortgage broker. Find out how much this is.

**Mortgage Registration Fee** – Your mortgage is legally required to be registered, this should be undertaken by the developer, make sure you know how much it will cost.

**Deposit** – When you make an offer you will be asked to sign an MOU (see “**The Buying Process**” below) and put down a deposit, 10% of the total purchase price is usual and is dictated by the seller. This is held by the real estate broker and you will forfeit this if you pull out of the sale.

**The Purchase Price** – You will be required to pay the purchase price upon transfer day when you sign the SPA (see “**The Buying Process**” below).

**Other Fees** – There may be other fees to pay to the developer or your bank. Get a list of these in advance.

**Note:** You will likely need a No Objection Certificate from the developer (NOC) stating that the seller has paid all of his fees to the developer and that they do not object to the transfer of the unit to you. This should be covered by the seller.



## 9. Finding the Right Broker

**The Internet** – Property sites like Dubizzle, Propertyfinder and JustProperty do have their uses, but they are littered with false, out of date and misleading adverts posted by property agents who do not fully understand the legal and regulatory framework in Abu Dhabi, often posted just to get you to call them. Take care.

**Recommendation** – As with anywhere in the world if you have a good agent representing you they will bend over backwards to help you. If you commit to and put your faith in a good broker then they will work tirelessly to find you the perfect place, including phoning all those dubious adverts on Dubizzle for you to see if they check out.

Ask around, search chat sites, find someone good – when you find one you like tell them you'll work through them just as long as they keep bringing you the units you want to see. Establish a trust that you're both working towards the same thing and you can make it work.

**Note:** The broker fees you will pay should always only be 2% of the purchase price even if the broker you're using gets his unit from another agent. Unlike in the rest of the world, landlords in Abu Dhabi don't give brokers exclusivity. All brokers have access to all properties, so get a good broker.

## 10. The Viewings

So now you have a budget, a deposit, a broker and an idea of what you're looking for. Now it's time to start looking.

**The State of the Unit** - Landlords in Abu Dhabi point blank refuse to do maintenance/cleaning of an empty property, so you are likely to see a fair few dirty places on your travels. Property is usually sold "as is".

**Tenanted Units** – As you would imagine lots of units for sale are tenanted. Abu Dhabi's predominant religion is Islam and so inviting strangers to look round units is not as easy or welcome as it might be in other places. It is also the case that some landlords don't want their tenants to know they are selling. Be prepared to have difficulty looking at your unit, you may have to settle looking at the same type/floorplan of the unit elsewhere in the building/development.

## II. Tenanted Property – What You Need to Know

As mentioned above most properties for sale are tenanted, so:

**For an Investment Property** – Make sure you've seen the tenancy agreement before you buy as it will bind you when you purchase the unit. Email [guides@cpestateagents.com](mailto:guides@cpestateagents.com) for our "**Guide to Selecting an Investment Property**" and for our "**Guide to the Legal Rights and Obligations of Landlords**".

**For a Home** - Make sure it is vacant or the tenant has been given legal notice to vacate – if you buy a property you take over the lease and can't evict the tenant unless you have given them two months' notice before the end of their tenancy agreement.

**WARNING: Be careful about brokers asking for deposits in their name or agency fees up front.**



## 12. The Buying Process

This is a very brief overview of the buying process, consult your agent for a more in-depth view:

**The Offer** – Once you find the home of your dreams you put in an offer. If that offer is accepted both you and the seller will sign an MOU “Memorandum of Understanding”. This is an agreement to enter into an SPA or “Sale and Purchase Agreement”. This is a slightly archaic process which has evolved to get round the issue that SPAs are often issued by developers.

**The Deposit** – When you sign the MOU (drafted by your agent) you and the seller both give over a deposit (usually 10% of the total purchase price). Make sure that the MOU states exactly what will and will not happen with the deposits (many MOUs are silent on when you or the seller would forfeit their deposit). Usually if you sign the MOU and then pull out of the deal (or delay) you will lose your deposit. **Note** - Be sure you can commit to the transfer date and final payment before you sign (e.g if your purchase is dependent on you selling a property you need this in the MOU). **Warning** – Most brokers

use very poor MOU templates, make sure you read it and that, at a minimum, it states what will happen to the deposit (i.e. when it will be forfeited). Crompton Partners has an in-house lawyer who drafts their MOUs.

**The Finance** – If the buyer is using finance then their bank will value the property. If they find it is worth what they have agreed to lend then they will begin to process the payments. Finance deals take longer than cash deals and banks may take up to 30 days to advance the money. If the seller has a mortgage this process can take 60 days in total. Email [guides@cpestateagents.com](mailto:guides@cpestateagents.com) for our “**Guide to Property Financing**”.

**The Transfer** – Once the money is ready the seller gets an NOC “No Objection Certificate” from the developer stating that the seller has paid all of his fees and the developer has no objection to the transfer. The Parties attend the signing (the banks may also be present) of the SPA and the money is handed over if there is no finance. At this stage if finance is being used the bank will only give a “Comfort Letter” stating they will pay once the developer has signed the SPA.

The developer will take a few days to sign the SPA after which the buyer is registered as the new owner. The Seller or developer takes their copy of the SPA and the Comfort Letter to the bank to release the balance of the funds.

Congratulations – you have a new property. Be careful though as you can't get water and electricity without a fully signed SPA which may take a few days after signing.

## 13. The New Law

Law Number 3. Of 2015 will change the way sales are conducted in several ways. It is worth noting that although the law is effective as of 1 January 2016 much of it, at the time of writing, has not been implemented. The main change will be the fact that it will create title deeds for property and a central registry managed by the Department of Municipal Affairs (DMA). This means that once implemented the SPA will no longer be proof of title and all transfers will occur in the DMA. Ask us about other changes that are coming into effect.



If you have any questions on this Guide please email [guides@cpestateagents.com](mailto:guides@cpestateagents.com). If you are interested in buying property or selling any of your current portfolio please email [sales@cpestateagents.com](mailto:sales@cpestateagents.com). Crompton Partners manages a large portfolio of properties, email [propertymanagement@cpestateagents.com](mailto:propertymanagement@cpestateagents.com) to maximise your investment. You can always call us from 7.00am to 9.00pm on 800 CPEA (2732).

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