

VACO Reference Material

REAL ESTATE IN ABU DHABI A BUYER'S ROADMAP

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INTRODUCTION

VACO's real estate guide for Abu Dhabi is a comprehensive resource for anyone looking to purchase property in this dynamic and growing market. Our team of experienced researchers aim to bring you the most up-to-date and relevant information available. We understand that investing in real estate can be a complex and daunting process, which is why we have compiled a wealth of insider tips and expert advice to help you navigate the market with confidence. Whether you're a first-time buyer or a seasoned investor, our guide offers practical advice and valuable insights to help you make informed decisions and maximize your returns. From financing options to legal considerations, our guide covers all aspects of the buying process, so you can approach your investment with peace of mind and a solid plan of action.

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SECTION I: WHO CAN BUY PROPERTY AND WHERE CAN YOU BUY IT

Who can purchase what and where is determined by specific regulations in the UAE. Ownership of properties outside Investment Areas is restricted to only UAE nationals or companies fully owned by them, as detailed in Section 5 "Overview of Investment Areas" below.

However, in Investment Areas, foreign nationals are allowed to purchase apartments, villas, or land, through various ownership schemes such as 99 year leases, usufruct and musataha which are based on the buyer's nationality and type of asset. It's important to note that contrary to popular belief, GCC Nationals are not permitted to purchase properties outside Investment Areas, except for obtaining freehold title in Investment Zones*

*The GCC comprises Saudi Arabia, Kuwait, Bahrain, Qatar, Oman, and the UAE.

SECTION II: VISAS AND RESIDENT STATUS

As a foreign national, residency in the UAE is not a requirement for purchasing property. However, if you live overseas, you may have fewer options for local mortgages (as discussed in the "Bank Financing and Mortgages" section), and may encounter difficulties in setting up your utility accounts. Despite claims made by certain developers, buying property in Abu Dhabi does not guarantee a visa for the purchaser however accumulation of a property portfolio of above AED 2,000,000 can yield basis for Golden Visa applications.

SECTION III: WILLS AND INHERITANCE LAWS

An expat can create a Will that complies with their home country's laws instead of adhering to the UAE's probate law (Sharia law). For more information, please reach out to one of our VACO Real Estate experts.

SECTION IV: OWNERSHIP, 99 YEAR LEASES, USUFRUCT, AND MUSATAHA

- A. Freehold- The right to obtain freehold titles to their properties are limited to GCC Nationals. In accordance to the Purchase Law, non GCC National foreigners are only eligible for the following two types of ownership models;
- B. Usufruct - The right to use and benefit from a property/building owned by a third party, provided it remains unchanged. This 99-year lease is the most common form of apartment "ownership" and it grants no rights to the land, only the unit.
- C. Musataha - The right to use, exploit, and develop land owned by a third party, typically for buying land plots in Investment Areas. This right lasts 50 years and can be renewed once by mutual consent (or contractually) for up to another 50 years.

SECTION V: INVESTMENT AREAS

The following is a list of Investment Areas in Abu Dhabi. For a more detailed overview, please reach out to one of our VACO Real Estate experts.

Al Reem Island

Located off the northeastern coast of Abu Dhabi Island, it is an up-and-coming destination offering modern living with a wide range of amenities. Properties in Al Reem Island are primarily high-rise residential buildings with impressive views of the sea or city skyline. With its affordable prices and convenient location, Al Reem Island is becoming increasingly popular among investors and those looking to buy their own home in Abu Dhabi's dynamic real estate market. Well connected through multiple bridges, Reem Island is the home of Reem Mall, the largest mall in Abu Dhabi as well as Galleria Mall which is on the neighboring Maryah Island. World class hospitals and schools all make Reem Island an excellent locale to reside and invest in.

Saadiyat Island

Located just a few minutes away from the city center, it offers a serene and upscale living experience with world-class amenities. Properties in Saadiyat Island range from spacious apartments to expansive villas, all built to the highest standards of quality and design. With its stunning natural scenery and cultural attractions such as the Louvre Abu Dhabi and the Guggenheim Abu Dhabi, Saadiyat Island is a highly desirable location for those looking to invest in Abu Dhabi's real estate market.

Yas Island

Yas Island is a man-made island located in Abu Dhabi, United Arab Emirates. It is a popular destination for tourists and locals alike, featuring a wide range of attractions such as the Yas Marina Circuit, Ferrari World Abu Dhabi, Yas Waterworld, and Warner Bros. World Abu Dhabi. Homes in this area are mainly comprised of low rise residential and townhouse developments. In addition to the wide variety of compounds, Yas Island also offers luxurious hotels, shopping malls, and a beautiful beach.

Raha Beach

Located on the eastern side of Abu Dhabi, it boasts a waterfront location and offers a luxurious lifestyle with high-end amenities. Properties in Raha Beach range from upscale apartments to lavish villas, offering a variety of options to suit different budgets and preferences. With its prime location and premium offerings, Raha Beach continues to be a top choice for those looking to invest in Abu Dhabi's real estate market.

Al Reef

Al Reef is a vibrant and family-friendly community located in the outskirts of Abu Dhabi. It is a popular choice for real estate investments due to its affordability and abundance of amenities, such as parks, pools, and sports facilities. Properties in Al Reef range from spacious apartments to townhouses and villas, all designed to cater to different lifestyles and preferences. With its serene atmosphere and well-planned infrastructure, Al Reef is an ideal location for families and individuals looking for a comfortable and peaceful living experience outside the hustle and bustle of the city.

Al Ghadeer

Al Ghadeer is a fast-growing community located in Abu Dhabi's eastern region, close to the Dubai border. It is a popular choice for real estate investments due to its strategic location, excellent connectivity, and affordable prices. Properties in Al Ghadeer range from apartments to townhouses and villas, offering a variety of options to suit different budgets and lifestyles. With its peaceful environment and ample amenities, Al Ghadeer is an attractive destination for families and individuals looking for a serene and comfortable living experience.

SECTION VI: WHAT YOU NEED TO GET STARTED

Visa

Please see Section II for details on visas.

Bank Account

Establishing a bank account is key for transactions related to the property as well as creating accounts for utilities in the future.

Budget

How much can you comfortably afford to spend? If you are a cash buyer this is not an issue but we would recommend for you to reach out to our VACO team of experts to explore your options.

Pre-Approval

Before browsing properties online, it's essential to determine the amount you can borrow if you require a mortgage or financing. Please refer to Section VII on "Financing and Mortgages" to acquire this information.

Lump Sum

A minimum of 30% of the total purchase price is necessary in cash to cover financing and associated expenses. Please refer to Section VII on "Financing and Mortgages" to acquire this information.

Investment Property

What is your potential as a property investor? Please reach out to our VACO team of experts to explore your options and get a free assessment to gauge your potential!

Home Investment

Have a clear idea of your preferences. After setting your budget, take the time to consider what you are seeking in a property.

SECTION VII: FINANCING AND MORTGAGES

Your first step should be to check if your bank provides financing for most properties in Investment Areas. Developments usually have a list of approved banks for lending, so it's important to check this information early on.

The UAE Central Bank mandates that expats need to put up equity (cash) of at least 25% of the purchase price for properties under AED 5 million and 35% for properties over AED 5 million. If it's your second purchase in the UAE, the required equity increases to at least 40% of the purchase price. Additionally, you need to allocate 5-6% of the purchase price for fees and other expenses. It's recommended to approach a bank or an independent mortgage advisor to determine the exact amount you can borrow.

The bank considers your salary and other debts you have, and cancelling credit cards may help them to offer you a more favorable rate and amount. The maximum mortgage loan limit is 25 years, and the borrower's age at the time of the last installment cannot exceed 65 years for expats.

SECTION VIII: VARIOUS FEES AND PAYMENTS

Registration Fee

When buying a property on the secondary market, you will need to pay a registration fee of 2% of the purchase price to the Municipality. This fee may not be applicable if you buy directly from the developer.

Commission

If you use a broker or property manager to buy a property, they will charge a commission of 2% of the purchase price. Make sure you have enough cash to cover this, as it should not be more than 2%, even if multiple brokers are involved.

Mortgage Arrangement Fee

When using financing, you will have to pay an arrangement fee to the bank or mortgage broker. It is important to know how much this fee will be.

Mortgage Registration Fee

Your mortgage must be registered, and the developer will usually undertake this process. You should inquire about the cost of this fee.

Deposit

To make an offer on a property, you will need to sign a Memorandum of Understanding (MOU) and put down a deposit, usually 10% of the purchase price as dictated by the seller. If you withdraw from the sale, you will forfeit this deposit held by the real estate broker.

Purchase Price:

The purchase price must be paid on transfer day when you sign the Sale and Purchase Agreement (SPA).

Other Fees

There may be additional fees to pay to the developer or your bank, so it is important to obtain a list of these in advance.

Note:

You may need a No Objection Certificate (NOC) from the developer stating that the seller has paid all fees and does not object to the transfer of the property to you. This should be provided by the seller.

SECTION IX: FINDING A BROKER

Online Property Listings

While websites like Dubizzle, Propertyfinder, and JustProperty can be helpful, be aware that they are often filled with inaccurate and outdated advertisements posted by agents who may not be familiar with the legal and regulatory requirements in Abu Dhabi. Some ads may even be posted just to get your attention. Be cautious.

Recommendations

Just like anywhere else, having a reliable agent who is committed to your needs can make a huge difference. A good agent will go above and beyond to find you the perfect property and may even contact the agents behind those questionable Dubizzle ads to verify their authenticity.

Do your research, ask around, and find a trustworthy agent who can help you navigate the market. Once you find one, establish a relationship built on trust and mutual goals.

VACO Middle East

Investing in real estate can be a smart financial decision, but it requires expertise and knowledge to do it right. Our real estate investment and property management services are designed to help you navigate the market, identify profitable opportunities, and maximize your returns. Whether you're a seasoned investor or new to the game, partner with us for comprehensive solutions that drive results.

Note: Unlike in other places, landlords in Abu Dhabi don't typically grant exclusive rights to brokers. Therefore, all brokers have access to all properties. So, it's essential to find a competent and trustworthy broker to represent your interests.

SECTION X: SHOWINGS

To begin your search, you now have a budget, deposit, broker, and an idea of what you want. However, before you start viewing properties, there are a few things to keep in mind.

Property Condition

Landlords in Abu Dhabi usually do not take responsibility for maintaining or cleaning an empty property, so it is common to come across some unclean places during your search. Typically, properties are sold "as is."

Tenanted Properties

Many units for sale are currently occupied by tenants. In Abu Dhabi, it may not be easy or welcomed to have strangers look around a property due to religious and cultural reasons. Additionally, some landlords may not want their tenants to know that they are selling the property. Therefore, be prepared for the possibility of facing difficulties in viewing your chosen unit. You may have to settle for viewing a similar unit with the same floor plan in the same building or development.

SECTION XI: TENANTED PROPERTIES

As stated earlier, the majority of properties for sale in Abu Dhabi are tenanted. Therefore:

For an Investment Property

Before buying the unit, ensure that you have reviewed the tenancy agreement as it will legally bind you once you become the owner.

For a Residential Property

Make sure that the unit is unoccupied, or the tenant has been issued a legal notice to vacate. Once you purchase the property, you will take over the lease, and you will not be able to evict the tenant unless you have provided them with a two-month notice prior to the end of their tenancy agreement.

Alternatively, if you would like to keep the tenant, inquire as to how long they are going to be staying and ensure that you are up to date with their current contract, any obligations you are held to and make sure to receive the tenant deposit from the selling party as you will be the new landlord.

Cont.

SECTION XII: THE BUYING PROCESS

For a more detailed guide on the buying process, it is recommended that you consult a member of the VACO Real Estate team. Here is a brief overview:

Offers

The first step is to make an offer once you have found the property you want to buy. If the offer is accepted, both the buyer and the seller sign a Memorandum of Understanding (MOU) which is an agreement to enter into a Sale and Purchase Agreement (SPA). This process has evolved to address the issue that SPAs are often issued by developers.

Deposits

When the buyer signs the MOU, they and the seller are required to give a deposit of usually 10% of the total purchase price. It is important to ensure that the MOU clearly states the terms and conditions of the deposit since many MOUs are silent on this matter. If the buyer pulls out of the deal or delays the transfer, they will usually forfeit their deposit.

Before signing the MOU, the buyer should be sure they can commit to the transfer date and final payment. Most brokers use poor MOU templates, so it is advisable to read the document and make sure it outlines what will happen to the deposit.

VACO Middle East can help to draft an MOU that works in the buyer's best interest.

Financing

If the buyer is using finance to purchase the property, their bank will value the property to ensure it is worth the amount they have agreed to lend. Finance deals take longer than cash deals, and it may take up to 30 days for the bank to advance the money. If the seller has a mortgage, this process can take up to 60 days.

Once the funds are ready, the seller obtains a No Objection Certificate (NOC) from the developer stating that they have paid all their fees, and the developer has no objection to the transfer. The signing of the SPA involves both parties and may involve the banks as well. If no finance is involved, the money is handed over at this stage. If finance is used, the bank will only give a "Comfort Letter" stating that they will pay once the developer has signed the SPA.

Transferring

After a few days, the developer signs the SPA, and the buyer is registered as the new owner. The seller or developer takes their copy of the SPA and Comfort Letter to the bank to release the balance of the funds.

You Are Now an Owner

Congrats on becoming a new property owner! However, it's important to note that water and electricity cannot be obtained without a fully signed SPA, which may take a few days after signing.

Need More?

VACO Has You Covered

VACO Middle East is a leading consulting firm that provides innovative and customized solutions to help businesses thrive in the dynamic global market. We specialize in a range of services, including strategic planning, human resource development, accreditations, and marketing strategy development, tailored to meet the unique needs of start-ups and established companies alike. With our expertise and collaborative approach, we can help you take your business to the next level and achieve your goals. Reach out to our team today and find out how you can grow your business.



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