

Buying Guide to Property in the UAE by Tailored Home

Submitted by: Tailored Home

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Overview

The expert property finders at Tailoredhome.co.uk can help you find your ideal overseas home in some pretty far-flung locations. The United Arab Emirates (UAE) is fast becoming the Middle East's most important commercial and tourist destination.

The UAE comprises seven separate states or emirates – Abu Dhabi, Ajman, Dubai, Fujairah, Ras al-Khaimah, Sharjah and Umm al-Quwain. To date, most property buyers investing in the UAE have looked no further than Dubai, as it has the broadest range of property for sale and the most foreigner-friendly real estate laws in the UAE. Other emirates, notably Abu Dhabi, are starting to follow Dubai's lead but have a way to go to catch up.

Landmark Dubai developments like the Palms and World islands and the Burj Dubai Hotel have frequently made the headlines, but there is a considerable choice of property to suit a wide range of budgets, including high-rise apartments, waterfront marina developments and villas overlooking PGA-standard golf courses.

Early investors in Dubai property have seen the value of their homes increase considerably in the past few years, though prices there are still somewhat cheaper than in the UK. Rental yields have also been very good, in part due to the limited number of completed properties relative to demand from expat workers and tourists.

Population and tourism figures are both rising dramatically year on year and construction of homes, hotels and amenities continues apace. Its geographical position between Europe and the Far East and close to Russia makes the UAE ideally located as a tourist destination and commercial hub, which should appeal to investors in the long term. Whether you're looking to relocate yourself, or seek an investment property, our team of property finders will scour the market to get a home to your requirements.

Property hotspots

Dubai

The most westernised emirate, and the first to allow foreign freehold ownership of real estate, offers a fantastic array of properties to buyers, from inexpensive apartments to multi-million-pound residences of the most opulent kind. Hundreds of kilometres of coastline have been created, along with new marina areas, golf and leisure facilities and huge commercial districts.

Some of the most popular developments include the man-made islands of The Palms and The World, Dubai Marina and Dubailand, a massive theme park resort aiming to be the Middle East's answer to Disney Land.

Abu Dhabi

The city state of Abu Dhabi has built its wealth on oil revenues (it owns 10% of the world's reserves) but has taken its lead from Dubai in opening up real estate ownership to foreigners and embarking on a series of ambitious property and cultural developments. Its population, mostly expatriates, is set to rise from around 930,000 at present to around 1.3 million in 2013.

The property developments being constructed with foreign ownership in mind follow the Dubai formula, with high-rise apartments and waterfront properties predominant. Formula One motor racing comes to Abu Dhabi in 2009 and by 2012 it will be home to two world class museums, the Guggenheim and the Louvre, as the emirate seeks to expand its tourist appeal.

Tourism

Tourism is one of the cornerstones of the UAE's long-term development strategy, particularly in Dubai. Forecasts of future growth vary widely (as high as 15 million annual visitors in 2010, according to some), but the expansion of Dubai's international airport and the completion of new hotel and private accommodation will increase the UAE's tourist capacity greatly. The sheer variety of attractions and events coming to the UAE will appeal to a wide range of potential visitors.

2007 – 5.9 million visitors

Climate

The UAE enjoy a warm climate all year round, with very hot, humid daytime conditions during the summer months. There is less humidity during the winter months, and occasional rain.

Location Summer (Jun-Aug) Min/Max Winter (Nov-Feb) Min/Max
Dubai 27°C/45°C 14°C/26°C

Fast facts:

Currency

Dirham (AED). £1.00=AED5.420 (Feb 2009)

Population

5.4 million (2008 estimate)

Time zone

GMT 4

Visas

60-day "visit visa" free of charge for UK nationals – a one-off extension of 30 days is granted for a fee of AED500 (£86); work permits are granted if sponsored by a specific employer; residential visas are granted to foreign property owners which also cover a spouse and immediate family – these visas are renewable every three years for the period of ownership.

Buying process

Ownership restrictions

Since 2006, foreigners have been allowed to own freehold title on property in Dubai. There are no restrictions for re-selling the property or for owners planning to rent out their property.

In other Emirates there are strict limitations to the extent to which overseas nationals are allowed to own property. For example, in Abu Dhabi foreigners are able to buy and sell renewable 99-year leases for property within designated projects.

Financial

You are only able to open a bank account in Dubai with a residence visa, so it is not necessary to have an account there to purchase a property.

Mortgage availability

A Loan-to-Value (LTV) of 60% to 80% is typically available for loans from UK lenders or local lenders in the UAE.

Legal

In the vast majority of cases, buyers in Dubai will be purchasing off-plan property, that is, property which is yet to be actually built:

The buyer signs Reservation Contract to take the property off the market for a short period (2-4 weeks) while initial legal checks are made by the buyer's lawyer. A small reservation fee (up to £2,000 typically) is payable on signing the Reservation Contract.

If the legal checks are satisfactory, the buyer signs a binding Preliminary Purchase Contract and pays a substantial deposit, less the reservation fee (the deposit varies from development to development). There is no "cooling-off period" and the buyer stands to lose the deposit if he pulls out after signing the Preliminary Purchase Contract.

The contract will set out the stage payments due from the buyer upon completion of certain stages throughout the construction of the development.

Upon completion, the buyer signs a Final Document of Sale (or Title Deed) and pays the balance of the purchase price.

The buyer's lawyer sends the Title Deed for registration at the Dubai land registry.

Transaction costs

The costs involved in purchasing a home in Dubai are:

Title Deed – Flat fee of AED250 (£43)

Registration fee – 1% of the purchase price is paid by the buyer and another 1% is paid by the vendor
Agent's fee – This is borne by the vendor (typically 1%-5% of the property price).

Also allow costs for UK lawyers' fees, mortgage arrangement fees, survey fees and foreign exchange transfer charges.

Emigration

At present, expatriate property owners are granted a residence visa of three years, renewable after every three years of property ownership. These visas extend to the spouse and immediate family of the owner. However, these visas do not give an automatic right of employment.

Having got a residence permit, if you then leave the UAE for longer than six months (for example, going abroad to study) your residence will lapse, though this cancellation can be waived by paying AED100 (£17) for a Temporary Entry Permit prior to travelling back to the UAE.

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