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RESEARCH ARTICLE

REAL ESTATE IN THE COMMERCIAL LAW OF UNITED ARAB EMIRATES

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ABSTRACT

The indication of economic development of a nation, Real Estate is having an important role to play. In case the real estate business is in boom that result in the development of economy. Hence it is one of the important and sensitive sector having wider impact in many sectors of the economy, it should be regulated in any economy.

Key Words:

UAE- United Arab Emirates,
GDP: Gross Domestic Product.

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INTRODUCTION

The Real Estate Business in the United Arab Emirates is considered the largest single industry, yet, it is also very complex and the most fragmented industry as it involves multidisciplinary participants. In this multidisciplinary environment, claims appear to hinder the completion of construction and cause delays in delivering projects. Despite the global slowdown, the UAE continues to be one of the most active construction markets in the world with more than 750 active projects in construction and 450 recently completed. The building and construction sector is the third largest sector of the United Arab Emirates (UAE) economy after oil and trade and it has experienced rapid growth in recent years. The level of construction spending per capita is high – second only to Japan. The future prospects for the sector in the UAE also holds much promise. In 2007, construction contributed approximately seven per cent to the overall GDP of the UAE. From 2008 to 2012, growth within the construction industry is anticipated to expand at an average rate of five per cent per annum. The three main areas for construction in the UAE are Abu Dhabi, Dubai and Sharjah.

Real Estate Laws in United Arab Emirates: The most important mission of the Real Estate Laws and Regulation of

which applies best practice international standards to guarantee all stakeholders rights and contribute to the development of society by:

- Developing and applying clear and transparent real estate regulations.
- Providing distinctive and efficient real estate services that help to attract investment into sector;
- Increasing real estate knowledge.

Article 2 of Law No.13 of 2008 defines "Real Estate as Lands and permanent structures erected on them which may not be moved without suffering damage or alteration". Master developer (Article 2) means "a person licensed to develop real estate and sell its units". Sub Developer means a person licensed to develop real estate and sell its units and who develops a part of a real estate projects of a master developer under an agreement between them. Broker means a person engaged in real estate brokerage activities. Competent Authorities means the authorities concerned with the licensing and registering real estate projects. According to Article (3) The interim real estate register is used to record all disposals of real estate units off plan. Any sale or other disposition that transfers or restricts title or any ancillary rights shall be void if not recorded on that register. Any developer who made a sale or any other disposition that transferred or restricted title prior to the coming in to force of this law should approach the department get it registered in the Real Estate Register, as applicable within 60 days after which the date on which the law came into force. According to Article (4) No master developer or sub developer shall commence a project or sell its

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units off plan before taking possession of the land on which the projects is to be build and obtaining the necessary approval from the competent authorities. In all cases the department shall indicate in the relevant folio of the register that the real estate is under development. According to Article (5) an application to register in to the Real Estate Unit in the Interim Real Estate Register shall be filed using the standard form. The required information and documents shall be furnished in accordance with the applicable rules and procedures of the department.

According to Article (6) Real estate units that are marked as sold off plan and are registered in the interim Real Estate Register maintained by the department may be sold, mortgaged or otherwise legally disposed of. According to Article (7) the master developer and the sub developer are not allowed to charge any fees for the sale , resale and other dispositions of Real Estate Units that have been completed or marked as sold off plan. This restriction does not apply to the administrative expenses which the master developer and the sub developer charge to third parties with the approval of the department. According to Article (8) Developers must register completed projects in the Real Estate Register maintained by the department as soon as a completion certificate has been obtained from the competent authorities.

According to Article (9) A developer who wishes to market his project through a Real Estate Broker must first conclude a contract with a broker who accredited under the terms and provision of Regulation No.85 of 2006 concerning the Register of Real Estate Brokers then the developer must get the contract registered at the department. The developers or the broker cannot conclude informal contracts for the sale of Real Estate and Real Estate Units off plan in projects that have not been approved by the competent authorities. Every such contracts made without such approval will be void. According to Article (11) in the event that the purchaser defaults on any term of the contract he made with the developer for the sale of the Real Estate Unit, the developer should notify the department accordingly and the department will then give the purchaser 30 days notice to fulfill his contractual obligations by hand, registered post or email. If at the end of the period referred above the purchaser has not fulfilled his contractual obligations, the developer may cancel the contract and repay the purchaser his money less a deduction that does not exceed 30% of the money paid by the purchaser.

The area of a sold Real Estate Unit is correct. If the units turns out to be bigger on completion, the developer may not claim the difference in value and if the units turns out to be smaller, then the developer must compensate the purchaser for the difference unless it is marginal in which case the developer would not be required to compensate the purchaser for the shortfall in the area (Article 12). When the departments finds that the developer or broker has committed an act or omission the constitutes an offence under this law or the legislation in force, the Director General shall prepare a report and refer the matter to the competent investigating authorities (Article 13). In United Arab Emirates in addition to the above mentioned discussed enactments, a lot of other laws are there in force in order to control and regulate the Real Estate Agents and Brokers and foreign ownership and investments in the Real Estate of the foreigners. There is currently no federal property law governing foreign ownership of real estate in the UAE. Each emirates has developed its own approach.

In addition to this there are “free zones” within each emirate designated for specific uses like education, trading, manufacturing etc. Each zone has a tax free jurisdiction and its own rules and regulation regarding the Real Estate Management. There are lot of other laws in order to improve the relationship between the landlord and the tenant in 2007. According to this law Real Estate as “immovable property and its annexures and rental for residential, commercial or professional purpose or any other legal activity”. Rent means a specified consideration which the tenant is bound to pay according to the tenancy contract. According to Article (4) tenancy relationship between landlord and tenant shall be governed by written tenancy contract signed by them describing property in details, the purpose of tenancy, name of landlord number and type of land, name of the area, period and rent value and method of payment.

All properties subject to this law or its amendments are to be registered with the agency. According to Article (5) the period of tenancy must be specific, tenancy contract shall be deemed as valid for the period specified for the payment of the rent value. According to Article (7) if the tenant continues to occupy the property after expiry of the contract period without any objection by landlord, then the contract shall be renewed for similar period or for one year whichever is less, with the same terms and condition. If tenancy contract is due and valid, it cannot be unilaterally terminated by land lord or tenant, unless both parties agree on such termination. Tenant shall pay rent on agreed dates. According to Article (14) shall either party opts to not to renew contract or not to amend any of its conditions, then he must notify the same to the other party not less than 90 days prior to expiry date, unless other parties agreed otherwise.

The landlord shall be committed to handover the premises in good condition that enables the tenant to obtain the benefit subject of the contract (Article 15). Landlord during the validity of the contract be liable for handling maintenance of the property unless the parties agreed otherwise. Tenant shall pay the rent on due dates and preserves the property as his own premises. He also not to do any maintenance, changes or renovation without the permission from the landlord. The tenant shall be obliged, upon the expiry of the contract, return the premises to the landlord in the same condition as handed over to him. Unless the tenancy contract otherwise provides, the tenant shall pay all fees and taxes due for the government authorities. The landlord may demand eviction of tenant prior to expiry of tenancy period in the cases prescribed in this law. In addition to this law relating to the law of real estate, there are some of the enactments are there which are applicable to the real estate business especially the law relating to regulating the transactions of the real estate business in order to keep the transparency in this real estate business and to protect this business sector as such.

REFERENCES

Laws and regulations, Law department, United Arab Emirates.
Journal, American Layers, United Arab Emirates.