MARMORE
MENA INTELLIGENCE
A المركز MARKAZ Subsidiary

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Where and how can expats own properties in GCC?

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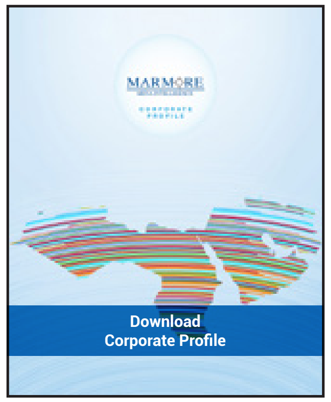
About Marmore



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» Skilled team with extensive experience in advanced quantitative and qualitative analysis techniques;

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Chapter 1

Executive Summary

Purchasing a property anywhere is a huge financial commitment. In the case of expats in GCC, the situation is trickier due to the complicated legal and regulatory path. In the past, investors were hesitant to invest in the property markets in GCC. Even Dubai, which is home to expats from over 200 nations and is the most lucrative region for expats struggled particularly in the aftermath of the financial crisis of 2008. But the region's real estate markets have bounced back and aided by modernization of regulations is attracting wide scale interest from the foreigners.

Different region in the GCC provide a wide variety of options when it comes to owning a property, investors get to choose between luxurious high-end apartments and villas to regular studio apartments right in the heart of the most popular cities. The multiple policy initiatives from the GCC governments such as 10 year residency visas, and 100 percent foreign ownership of companies along with the permission for expats to own freehold properties especially in Dubai and Abu Dhabi has been successful in generating a lot of attention from expats.

Foreign ownership of property in the region is a huge boost to the economy, and will encourage foreign investors, not just property buyers but also developers to consider it as a prime market. It will positively influence the economic diversification away from oil revenues to foreign investment in the real estate sector.

This report provides a comprehensive analysis of the regulatory aspects of buying and owning property by foreign nationals in the six GCC countries namely UAE, Bahrain, Oman, Saudi Arabia, Kuwait and Qatar.

Chapter 2

Introduction

There are close to 30 million expatriates in the GCC, making up to 51.2 % of the total population. They have been living across the six GCC nations for periods ranging from one year to 50 years or more. For most expats, particularly in countries like the UAE, GCC is a second home, with many returning to their native places only after retirement. Quality of life, tax-free income and possibility of high savings are the major reasons for this trend. However, living in these countries are subjected to many expensive components: rent being the largest expense for many expatriates. In the UAE, rent accounts for as much as 40 percent of the monthly income, creating a major constraint to savings.

Buying property is an option for expats, but reasons like high down payment rates, lack of job and residency security, delay in possession of homes, uncertainty about duration of residency, complex procedures and lack of awareness of options are the main hindrances.

The GCC region is facing a regulatory paradox with its two key policies: diversification and nationalization. This is most evident in the real estate sector which is poised for rapid growth and is instrumental in the economic diversification of the region, yet is subject to complex regulations in terms of foreign ownership.

The GCC governments have identified the need to modernize the real estate laws to allow foreigners to hold freehold property as a means to increase foreign direct investment and boost the economy along with development of investor services and procedures.

The Legal Framework of Foreign Ownership in the Real Estate Sector in Select GCC Countries

Chapter 3

The legal framework of foreign ownership in the real estate sector across the various GCC countries are discussed below.

3.1 UAE

According to a 2018 survey by Friends Provident International (FPI), which included 565 expatriate respondents, 20 per cent of respondents wanted to buy property in the UAE. The UAE government allowed foreigners to buy lease-hold properties first in 2001, and then free-hold properties since 2002.

Exhibit 3.1: Leasehold and Freehold Property in the UAE

Leasehold Property	• Buying property on a leasehold basis refers to the right to live and occupy a property owned by a freeholder for a period of 99 years (or less). • The buyer has rights to the unit of property, not the land • **Pros** » Since expat ownership of property is restricted in non-designated areas, long-term leases offer buyers more options in terms of area selection and price range. » The lease can be renewed at the end of the term only if the need arises » There is limited liability in terms of repairs especially if they impact the structure of the property • **Cons** » Any work on the property such as remodeling, alterations or renovation, require a written approval from the landowner
Freehold Property	• The buyer has total ownership over both the property and the land, with rights to freely sell, lease or occupy it at will. • The Dubai Land Department (DLD) registers the buyer as 'landowner' and grants a title deed for the property. • **Pros** » Complete ownership and freedom to make changes to the structure and renovate it. » Property stays in the family, passed on to their heir when the owner dies » Freehold property owners and their families can get renewable UAE residence visas • **Cons** » Landowners are responsible for property maintenance even if it is leased out. » Buyers can purchase property for full ownership in designated freehold areas

Meanwhile, in Dubai, real estate market is categorized as Freehold properties (Musataha) and Long term leasehold (Usufruct). Foreign nationals can only purchase freehold property in designated freehold areas spanning over 23 neighborhoods. Freehold areas were established by Law No. 7 of 2006 concerning the Land Registration in the Emirate of Dubai.

Exhibit 3.2: Freehold Areas and Towers in Dubai

- Burj Dubai
- Dubai Marina
- Palm Jumeirah
- Marina Terrace
- Marina Diamond
- Golf Towers
- Emirate Hills
- Jumeirah Lake Towers
- Saba Towers
- Jumeirah Beach Residence
- Jumeirah Village Circle
- Arabian Ranches
- Palm Jebel Ali
- The World
- International City
- Palm Deira
- Saba
- Dubailand
- Business Bay
- Downtown Dubai
- Dubai Silicon Oasis
- Dubai Sports City
- Mohammed bin Rashid City

Source: The National, Property Finder

Dubai Marina is the most popular freehold area in Dubai. The area is characterized by luxurious apartments and villas, with restaurants, leisure and nightlife options, making it most appealing to people from all nationalities. A studio apartment is priced at AED 800K, whereas the most lavish flats are priced between AED 7-10 million. Downtown is the next most searched option for freehold properties, within the proximity of Burj Khalifa, The Dubai Mall etc. Jumeirah Lake Towers is a community with a range of facilities like hospitals, clinics and supermarkets, and is it popular among expats. Palm Jumeirah is the glitziest of all the freehold areas in Dubai. International City is o0ne of the lesser known communities in Dubai and has a portfolio of comparatively cheaper apartments for sale.

Exhibit 3.3: Most Popular Areas for Freehold Apartments in Dubai and Property Price Range

Location	Price(Studio)	Price(Studio)
Dubai Marina	AED 800k	AED 7-10M
Downtown Dubai	AED 950k	AED 2.7M
Jumeirah Village Circle (JVC)	AED 485k	AED 2.9M for a 2883 sq.ft 3-bedroom flat
Jumeirah Lake Towers	AED 480k	AED 1.3M
Palm Jumeirah	AED 1.1M	Over AED 50M
International City	AED 235k	AED 995k for a 3-bed apartment
Dubai Sports City	AED 400k	1-beds are at AED 620k and 2-bedroom flats go up to AED 900
Business Bay	AED 732k	1-beds are at AED 1M and 2-bed flats are at AED 1.6M.
Dubai Silicon Oasis	AED 350k	2-bedroom apartments cost around AED 880k
Jumeirah Beach Residence	AED 1M	AED 1.3M for 1-bedroom units and AED 1.8M for 2-bedroom flats.

Source: Bayut

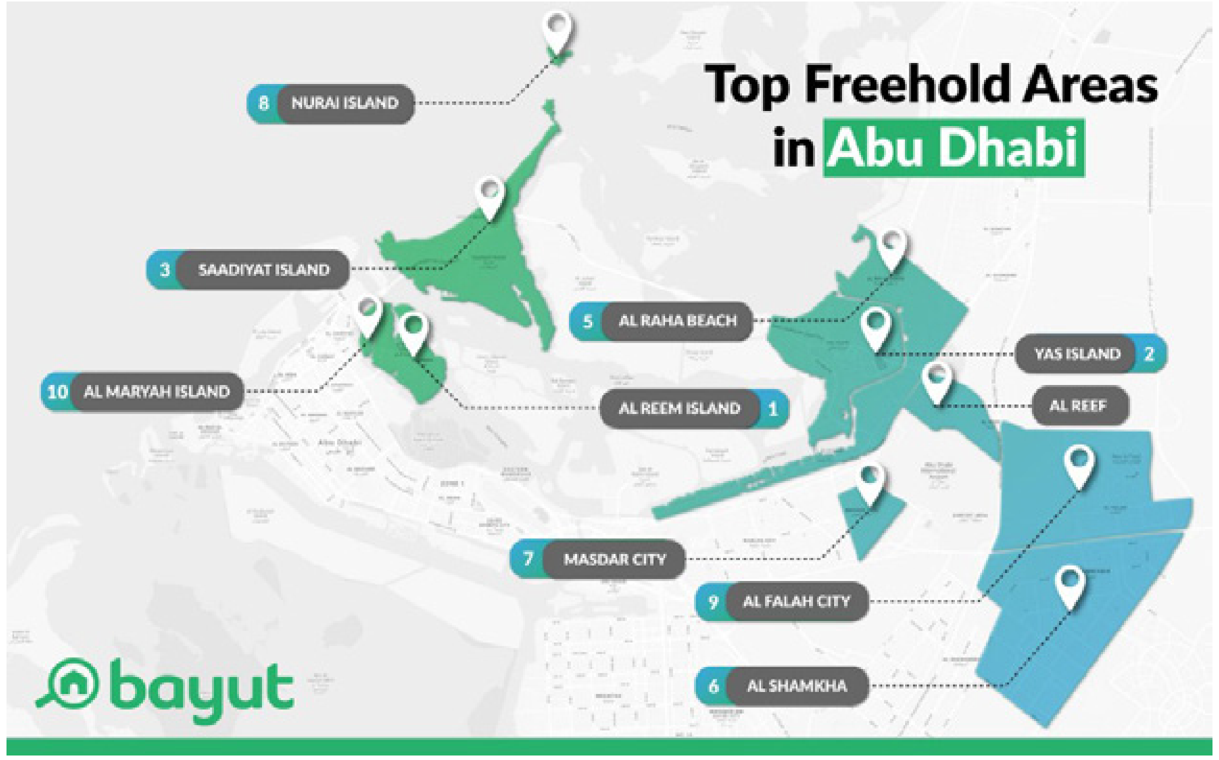
Exhibit 3.4: Most Popular Areas for Freehold Villas and Price Range

Location	Price Range
Palm Jumeirah	AED 6.1M (3 bedroom villa) to AED 16.5M (5 bedroom villa)
Arabian Ranches	AED 2.6M (3 bedroom), AED 3.8M (4 bedroom), AED 4.5M(5 bedroom)
Dubailand	AED 1.3 M and AED 2.8 M
The Villa	AED 3.6 M
The Springs	AED 2.3 M and AED 2.6 M
DAMAC Hills	AED 2.4M to AED 5.4M
Arabian Ranches 2	AED 2.7M to AED 5.5M
Mudon	AED 1.5M
Emirates Hills	AED 25M
The Meadows	AED 3.5 M

Source: Bayut

In Abu Dhabi, it had previously limited the ownership to Emiratis and citizens of the GCC countries, and foreign investors' ownership was restricted to 99 year leases. However, Abu Dhabi recently changed its real estate laws to allow foreigners to own land and property in all investment areas on a freehold basis. Residential units in investment areas will be registered under Abu Dhabi's freehold law.

Exhibit 3.5: Freehold Areas in Abu Dhabi



Source: Bayut

There are designated Zones in Abu Dhabi where expats can buy freehold property. Exhibit 3.6 illustrates them along with price range.

Exhibit 3.6: Designated Zones in Abu Dhabi where Expatriates can Buy Freehold Property

Location	Price Range
Al Reem Island	Starting at AED 375K for studios
Yas Island	Apartments starts at AED 515K, villas at AED 2.3M
Saadiyat Island	Apartments start from AED 700K, villas at AED 4.99M
Al Reef	Apartments start at AED 425K, villas at AED 1.1M
Al Raha Beach	Apartments at AED 800K, villas at AED 4.2M
Al Shamkha	Villas start from AED 4.1M
Masdar City	Apartments start at AED 499K
Nurai Island	Villas at AED 12.1M.

Source: Bayut

According to real estate firm Aldar Properties, in its residential project in Abu Dhabi's Yas Island land and property can be sold to all nationalities and generated USD 108 million as of 2019. Turning to other Emirates, in Ajman, foreigners are entitled to own freehold and lease for a period of 50 years.

Exhibit 3.7: Freehold Properties in Ajman

- City Towers Ajman
- Corniche Tower
- Al Naeemiya Towers
- Al Khor Towers
- Al Rashidiya Tower

Source: Marmore Research

In 2014, Sharjah government opened its realty market to foreign investment by allowing expatriates to buy property with a mandatory UAE residence visa. This law has been revised in 2018 to the effect that non-Arabs will no longer need a UAE residence visa to purchase a property in Sharjah. Under the Central Bank Lending guidelines, , expats buying property valued at under US$1,360,000 will need a minimum deposit of 25 percent, while a 35 percent down payment is required for properties over US$1,360,000[1]. According to a HSBC Survey of 2018, average salary for expats in Dubai is USD 138,177 which is higher than expats earning in major cities such as Sydney, Tokyo, Doha, London etc.

In Fujairah, foreigners are allowed to buy freehold properties in Jaber Tower, but some developments will only offer long-term leases. In Ras Al Khaimah, the government set up RAK Properties, a property development company with freehold rights for all properties in Ras Al Khaimah.

With respect to the buying process, in Dubai, the process falls within the purview of Dubai Land Department (DLD). Registration at the DLD results in issuance of a title certificate which is the full and legal proof of title. In Dubai the "Form F" is a mandatory unified real estate contract that is used in property sale and purchase transactions. For the sale of the property, Form F and the pre-sale contract (a MoU or Sale and Purchase Agreement), are required, Form F is the Rera-approved document.

DLD charges transfer fees at 4 per cent, in which 2 per cent is to be paid by the buyer and 2 per cent is paid by the seller. Another Dh250 should be paid on the day of the transfer as title deed issuance fees. To complete the registration process, a fees of Dh 4000 should be paid if the real estate property price equals or exceeds Dh 500,000, or Dh 2,000 if the property price is less than Dh 500, 000. It is important to appoint a real estate lawyer to conduct a proper due diligence of the property and provide advisory to the buyers on whether it has any existing encumbrances or liens, such as mortgage.

[1] Retalkmena.com

In Abu Dhabi the pre-sales documentation is the MoU. Once the initial service charge is paid, the buyer will receive an ownership certificate from the developer of the property. On the count of financing options, expatriates can get a mortgage from lenders in the UAE. The UAE Mortgage Cap law requires non-UAE nationals to have a cash down payment of at least 25% of the property value (20% for UAE nationals) plus associated purchase costs. This rises up to 35% (30% UAE nationals) plus costs for properties above AED 5 million. In the case of an expat buying a second or third property, at least 40% of the property value should be covered in the down payment.

If the property is purchased with a mortgage, there should be an opt-out clause included in the MoU or the Sale Agreement. The opt-out clause indemnifies the buyer against the loss of deposit money if the bank evaluates the property lower than expected. In that case, the buyer is required to pay a larger down payment and the opt-out clause ensures that the buyer does not suffer a loss.

Exhibit 3.8: Down payment requirements for non-UAE nationals (as of 2018)

Purchase Type	Purchase Price	Maximum loan-to-value ratio (LTV)	Minimum down payment
First Property	Under AED 5 million	75%	25%
First Property	Over AED 5 million	65%	35%
Second, third+ property	Any price	60%	40%
Off plan/under construction	Any price	50%	50%

Source: Mortgage Finder

3.2 Oman

Expats residing in Oman can purchase real estate properties in the country under certain conditions. Expats living in the Sultanate are permitted to buy properties in parts of the country designated as 'touristic areas' not close to the national borders, islands, sites near palaces, security and military authorities and archaeological and ancient houses. Expats are presently allowed to only own properties for residential or investment purposes in integrated tourism complexes (ITC) licensed by competent government agencies.

The areas that are banned for expatriates to own property include Dhofar (with the exception of Salalah, Musandam, Buraimi, Al Dhahirah and Al Wusta), Shinas, Liwa, Masirah, Jabal Al Akhdar and Jabal Shams, as well as any other mountains of strategic importance.

With respect to the buying process, land in Oman is classified and registered in official documents as the following: residential, commercial, industrial and agricultural. Ruwi, East of Center, is the main commercial and business district of Muscat and the prices of a 1-bedroom apartment is estimated to start at OMR 30,000 (US $ 77,812). Apartments with 2 and 3 bedrooms are also on the market, with their starting prices being as low as OMR 45,000 (US $ 116,868) and OMR 60,000 (US $ 155,824).

It is proposed that foreigners who purchase property in the Sultanate will be granted residence permit. Presently, citizens from GCC countries can purchase residential, industrial and commercial properties, but not agricultural properties.

In Oman, in case of purchase of land, construction must start within four years. Deposit of 10% of the purchase price should be paid at the time of signing contract. Foreigners receive up to 80% cover of the value of their homes, payable over for a maximum of 25 years. Interest rates depend on nationality, credit, property etc. Omani bank including Alhi Bank Oman, Bank Muscat, Bank Dhofar Oman and international banks offer home loans.

3.3 Bahrain

Foreign investors can purchase real estate in Bahrain since 2001, as a result of the 2001 royal declaration that was issued to this effect. This declaration was fully endorsed and sanctioned in 2003, and states that foreign buyers are permitted to buy certain types of property in certain areas in Bahrain.

Exhibit 3.9: Areas where foreigners can own land in Bahrain

1. Residential and Commercial building areas in Manama:
   a. The suburb of Ahmed-Al-Fateh
   b. Al-Hoora district
   c. Bogazal area
   d. A suburb north of Manama, including the diplomatic area.
2. Al-Seef district
3. The following tourist areas
   a. Durrat Gulf of Bahrain
   b. Danat Hawar area
   c. Amwaj Islands area
4. Areas of the Bahrain Financial Harbor Project, Bandar Al Seef and Pearl Island

Source: Kingdom of Bahrain (bahrain.bh)

With respect to the buying process, investors usually seek independent legal assistance throughout the entire process of registering and purchasing the property. The legal property ownership rights in Bahrain are sophisticated and well developed, which ensures that the purchaser is protected once permission to purchase has been granted and deeds of ownership transferred into the investor's name.

Mortgages are available at the rate of approximately 6%. There are several banks and finance companies that are financing the purchase of real estate for both locals and foreigners. The Survey and Land Registration Bureau (SLRB) is the governmental body in charge of land, aerial and hydrographic survey services and the registration of real estate properties in the Kingdom of Bahrain.

Following claims that foreigners were inflating prices in real estate market owing to their high spending power, Bahrain recently amended the 2001 Non-Bahrainis Ownership of Property and Plots Law, resulting in the ban of expats from owning property in designated tourism or investment zones. The law that previously allowed foreigners property and land ownership anywhere in the country was amended in 2003 to impose restrictions that limit this right to areas like Hoora, Abu Ghazal, Al Fateh District in Juffair, the Diplomatic Area, Reef Island and Seef. Expats can also buy properties at designated investment projects such as Amwaj Islands. The law grants the same rights as Bahrainis to the GCC nationals as well.

3.4 Kuwait

Law No. 74 of 1979 regulates the ownership of real estate by non- Kuwaitis. In accordance with Art. 3, "a national of an Arab country may acquire ownership of one property in Kuwait in one of the regulated residential areas if a decree granting him that right is issued. The ownership shall be given under the following conditions:

1. He must be a permanent legal resident of Kuwait, his income enables him to buy that property, and he has not been convicted of any honor and integrity related crimes during his residence in Kuwait.
2. The property shall be dedicated to his family's private use.
3. The property must not be more than 1000 m2
4. He must not own another property in Kuwait.
5. His country of origin must grant the same right to ownership to Kuwaitis
6. The ownership of property shall not be a common ownership with a Kuwaiti.

Art. 4 regulates situations of ownership by inheritance for both Arab and non-Arab non-Kuwaiti nationals. Art. 5 stipulates that if the Arab national sells the property (except for property acquired through inheritance), he may not acquire new property for five years from the date of the sale unless he only partly owned the previous property or his property was confiscated for reasons of public interest.

Art. 8 prohibits the ownership of property by commercial companies with non-Kuwaiti partners"[2]. Although the right to possess real estate properties in Kuwait either through usufruct or absolute ownership is limited to citizens, there is a law that permits expatriates to possess one real estate property measuring 1,000 square meters maximum which should be used for private housing.

The laws in the home countries of the expatriates could be similar to that of Kuwait, so Kuwaitis are allowed to own real estate in those countries.

[2] Gulf Labour Markets, Migration and Population (GLMM)

With respect to the process, expatriates who intend to own real estate must have a valid residency permit, stipulated income levels, and must not have been convicted of betrayal of trust or involved in a case related to honor. For expatriates in Kuwait, the average salary is $123,044 per year and Kuwait ranked 17th among the world's cities in terms of salaries given to expatriates[3]. The documents are reviewed by the Ministry of Justice who further refers the application to the Cabinet. A legal ministerial committee will review the application and a decree will then be issued approving the application if the requirements are fulfilled.

Exhibit 3.10: Property Prices in Kuwait (as of June 2018)

Kuwait City	Salmiya	Mahboula
Average Price of one square meter in the city center is 2256 KWD (7458 USD)	Price per square meter to buy an apartment in the city center in Salmiya is 850 KWD ($2,810)	Price per square kilometer in city center is 1,350 KWD ($4,463)

Source: Easy Move

3.5 Qatar

With the aim of drawing more investment into its real estate sector, Qatar passed Law No. 16 in 2018 that permits greater foreign ownership in its real estate sector. According to the law, Qatar would identify 10 locations eligible for non-Qataris to own residential villas within residential complexes and shops within commercial complexes. 16 areas have been identified where they can use real estate for 99 years.

Although foreign ownership in real estate was allowed earlier, it was highly restricted. Under the provisions of this law, foreigners may own and use real estate in many areas according to the conditions, regulations and procedures, which shall be determined by a decision of the Cabinet based on the proposal of the Committee for the Regulation of Ownership and Use of Non-Qatari Property.

Expats can own two types of real estate: offices and shops inside commercial complexes, and residential villas inside residential complexes. Exhibit 10 and Exhibit 11 provide freehold ownership areas and areas where non-Qataris can use real estate for 99 years, respectively.

Exhibit 3.11: Freehold Ownership Areas

1. West Bay (Area 66)
2. The Pearl Qatar (66)
3. Al Khor resort (74)
4. Rawdat Al Jahaniyah (investment area)
5. Al Qassar (administrative area 60)
6. Al Dafna (administrative area 61)
7. Onaiza (administrative area 63)
8. Al Wasail (69)
9. Al Khraij (69)
10. Jabal Theyleeb (69)

Source: Gulf Times

[3] Arab times

Exhibit 3.12: Where non-Qataris can Use Real Estate for 99 Years

1. Msheireb (Area 13)
2. Fereej Abdelaziz
3. Doha Al Jadeed
4. New Al Ghanim
5. Al Refaa
6. Old Al Hitmi
7. Aslata
8. Fereej Bin Mahmoud
9. Rawdat Al Khail
10. Mansoura
11. Fereej Bin Dirham
12. Najma
13. Umm Ghuwailina
14. Al Khulaifat
15. Al Sadd
16. Al Mirqab Al Jadeed
17. Fereej Al Nasr
18. Doha International Airport area

Source: Gulf Times

With respect to the buying process, there are three types of houses in Qatar

1. Apartments,
2. Standing villas and
3. Town houses (duplex, triplex).

The first step in purchase of property is identifying a real estate agent who is registered in Real Estate Regulatory Agency (RERA). Owners of real estate valued at a minimum of $200,000 will be issued permanent residency cards for as long as they have ownership of the property. For other expatriates, the residency cards are issued for a period of five years, which is renewable, in accordance with Law No 21 of 2015 regulating the Entry, Exit and Residence of Expatriates.

3.6 Saudi Arabia

In Saudi Arabia, expats are allowed to buy property for commercial or residential purposes. Investment in private land is also permitted subject to approval from the authorities. However, there are restrictions regarding locations. For example, expats cannot purchase land or property in Mecca and Medina, owing to religious factors. However, an expat can own property in either city through inheritance.

With respect to the buying process, expatriates must have a letter of permission from the Ministry of Housing in order to purchase any property, which can take up to a year to process. Sellers are used to and therefore prefer cash buyers. The price negotiation takes place between buyer, seller and facilitators, including land brokers and lawyers. Once a private purchase agreement has been negotiated, the investor must go to the local Sharia Court to ensure that the land in question is really owned by the seller, and must record transfer of title. The Court will stamp the title document to indicate the legal transfer of ownership.

Modern villas and apartments under construction in Saudi Arabia are built close to each other, taking into consideration the space constraints.

Exhibit 3.13: Housing Costs in Saudi Arabia (as of 2017)

Single family home (3 bedrooms)	US$300,000
Small Apartment (2 bedrooms)	US$150,000
Luxury Apartment (3 bedrooms)	US$300,000+
Luxury Home (4-5 bedrooms)	US$800,000+

Source: ReTalk MENA

On the financing front with respect to a bank option, buying property in Saudi Arabia should be compliant with the Sharia Law. Ijarah finance is the most common way for foreigners to purchase real estate. Under 'ijarah', the rate is variable and the house belongs to the bank until all payments are made. 'Murabaha' is the alternate method, which is direct ownership at a fixed interest rate, mostly available to Saudi citizens.

Saudi finance companies emphasize on the stability of the employers of the person seeking the finance. SAAB, Alinma Bank Real Estate Financing, Saudi Hollandi Bank Home Finance are the banks that are willing to offer mortgage to expats. According to real estate developers, 20% of the expatriates who buy properties in Saudi register them in the name of Saudi nationals, which is a violation of the regulations.

Exhibit 3.14: Summary Table of Highlights across GCC

Country	Highlights
UAE	Foreigners can purchase freehold properties in 23 neighborhoods including Palm Jumeirah, Dubai Marina, Emirates Hill, Al Barsha and the investment zones in Abu Dhabi.
Bahrain	Expats are banned from owning property in designated tourism or investment zones. Expats can also buy properties at designated investment projects such as Amwaj Islands
Kuwait	Expats can own one real estate property measuring 1,000 square meters maximum which should be used for private housing
Oman	Expats are presently allowed to only own properties for residential or investment purposes in integrated tourism complexes (ITC) licensed by competent government agencies like Al Mouj, Muscat Hills, Tilal Muscat/City Center and Muscat.
Qatar	Qatar would identify 10 locations eligible for non-Qataris to own residential villas within residential complexes and shops within commercial complexes
Saudi Arabia	Expats are allowed to buy property for commercial or residential purposes. Restrictions of expat ownership are placed in places like Mecca and Medina, owing to religious factors.

Source: Marmore Research

Chapter 4

Conclusion

There are obvious reasons why the Gulf region remains an attractive place for people across the world to live and work ranging from safety, cultural diversity and the geographic location. Low tax environment, high quality of life for families, currency pegged to the dollar which provides better insulation against the financial fluctuations are other factors.

Owning property in GCC has been a tricky aspect for expats. However, most of the countries in the region have identified the potential of relaxed real estate laws to contribute to economic growth at a period when diversification forms the crux of every policy framework. Dubai was the front runner in permitting expats to own freehold property in designated zones, and was followed by other countries as well.

The modernization of real estate laws is an indication of the government support to develop business environment in the GCC region, along with the development of investor services and procedures. This is expected to revive the real estate market in the region, by increasing transparency and clarity of title for property owners, increasing long term investments and injecting more liquidity into the market through encouraging long term residency.

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