

# FREQUENTLY ASKED QUESTIONS

## 1. How does the UAE regulate the realtor service?

Dubai's real estate service is governed by Law No. 85 of 2006, which comprehensively regulates the activities of real estate specialists. The law outlines various responsibilities of real estate agents in Dubai and essential aspects of their collaboration with clients.

Under this law:

- The client is required to enter into a contract with the broker, and the contract must be officially registered with the Dubai Land Department (DLD) to ensure that the specialist receives payment.
- If multiple brokers are involved in a single contract, they share joint responsibility for the services they have been assigned.
- The brokerage agreement must include the names of the parties involved, property specifics, and the terms of providing real estate services.

Additionally, the law clearly defines the financial obligations between the real estate agent and the client:

- The broker's remuneration is payable only after the contract of sale is signed and registered with the Department, unless otherwise specified in the agreement. If the contract is still pending, the realtor cannot claim payment until this condition is fulfilled.
- The broker is entitled to receive payment for their services solely from the party that authorized them to mediate the transaction. If both parties provide authorization, each of them is individually responsible for paying the broker's remuneration, even if they mutually decide that only one party will cover the full amount.

Overall, these regulations ensure transparency and fairness in the real estate transactions in Dubai.

The document also outlines circumstances under which the agent may not receive payment:

- The broker forfeits the right to remuneration or reimbursement of expenses if they act in favor of another party, thereby breaching their obligations to the party they represent.
- The agent is not entitled to remuneration if their services do not lead to an agreement between the two parties. In such a case, the broker cannot claim compensation for their expenses either. The contract is considered finalized when both parties agree to all the conditions specified in it.

In the emirate, the Real Estate Regulatory Agency (RERA), a division of DLD, oversees such transactions. To conclude a transaction, the broker is required to prepare and submit three forms of the contract: A, B, and F:

- Form A: This agreement is made between the realtor and the seller to list the property for sale. It allows the owner to place the property on the market, ensuring that only approved agents can carry out promotional activities. Form A includes comprehensive details about the property, including financial specifics like maintenance fees, mortgage status, and payment schedules if applicable.
- Form B: This agreement is made between the agent and the buyer and is one of the RERA forms that must be signed when the buyer appoints a professional to search for a property to purchase. It includes information such as the type of property the buyer seeks, its location, budget, and requirements. The form also specifies the conditions for terminating the contract and the amount of commission payable to the realtor.
- Form F: This is the sales contract, also known as the Memorandum of Understanding. It outlines the property details, the price, and the terms and conditions of the acquisition. Once endorsed by both parties and witnessed by the realtor, it becomes a legally valid contract.

These measures help maintain transparency and accountability in real estate transactions within the emirate.

## **2. Is it necessary for me to hire a real estate agent?**

Emirati laws do not mandate buyers and sellers of real estate to engage agents for concluding a transaction. The parties can directly sign a Memorandum of Understanding, following which the buyer typically pays a deposit of approximately 10% of the total amount. However, for second homes or resale properties under construction, obtaining a No Objection Certificate (NOC) from the developer is essential. Without this document, registering the transaction with the Land Department is not possible. The NOC serves as confirmation from the developer that they have no objections to the seller and that all financial obligations have been settled.

Nevertheless, having a broker's involvement in this process is advisable. An experienced realtor will not only help select the best options that match the client's budget and requirements but also protect them from potential errors in preparing all the necessary documents. For those unfamiliar with the intricacies of the emirate's real estate market, it can be challenging to comprehend all the nuances involved.

## **3. Who pays a realtor's commission in Dubai?**

In Dubai, the realtor's commission is typically 2% of the property's value, unless specified otherwise in the contract. An additional 5% VAT may also be charged.

The buyer usually pays the realtor's commission, while the seller's commission is not fixed and is usually agreed upon in the contract with the seller.

Payment of the commission is generally made when the keys are handed over, and it is often done through a manager's check. The manager's check serves as a confirmation from the bank that the required amount is available in the account. The principal amount can also be paid using a manager's check, with the buyer issuing it in the name of the developer or owner.

Apart from the realtor's commission, there are other additional fees involved in property transactions in Dubai:

- Tax to the Land Department - 4% of the property value + an administration fee (AED 580 for houses and offices, AED 430 for land plots, AED 40 for projects under construction).
- Real estate registration fee - AED 2,000 + 5% VAT for property worth less than AED 500,000, and AED 4,000 + 5% VAT for property worth more than AED 500,000.
- Dubai Land Department Mortgage Registration Fee - 0.25% of the loan amount + AED 290.
- Commission fee for processing the transaction - typically ranging from about AED 6,000 to AED 10,000.
- Fees for issuing a Certificate of No Objection - usually between AED 500 and AED 5,000.

These additional fees are important to consider when calculating the overall cost of a property transaction in Dubai.

