

## inBrief

**The Rise of Data Centres: Commercial Real Estate and Legal Considerations in the UAE and Dubai**

By Shahram Safai and Doneen Ennis | 27 April 2026

The rapid growth of artificial intelligence (AI), cloud computing, and digital services has significantly increased demand for data centres worldwide. In the UAE, particularly Dubai, this trend is not only transforming the technology sector but also reshaping commercial real estate, positioning data centres as critical infrastructure assets rather than niche developments.

This article provides a concise overview of how data centres are influencing real estate in the UAE, with a focus on structuring, leasing, and key legal considerations.

**AI and Digital Demand Driving Real Estate**

The UAE has actively positioned itself as a leader in AI and digital transformation, supported by initiatives from the UAE Artificial Intelligence Office and the Dubai Digital Authority. These initiatives are driving demand for:

- Cloud and hyperscale infrastructure;
- AI processing and data storage capacity; and
- Secure, low-latency digital environments.

As a result, data centres are now viewed as core infrastructure, directly influencing land use, development strategies, and investment decisions across the real estate sector.

**Dubai as a Regional Data Centre Hub**

Dubai has emerged as a leading location for data centre development due to its:

- Strategic position between Europe, Asia, and Africa;
- Advanced telecommunications and logistics networks; and
- Business-friendly regulatory environment.

Key areas supporting this growth include Dubai Internet City, Dubai Silicon Oasis, and Dubai Industrial City, where infrastructure and regulatory frameworks support large-scale developments.

Global providers such as Amazon Web Services and Microsoft Azure have also established a presence in the UAE, further reinforcing demand.

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## A New Type of Real Estate Asset

Data centres differ from traditional commercial assets in several key respects:

- a. **Infrastructure and Power-Driven Value:** access to reliable and scalable electricity, often coordinated with Dubai Electricity and Water Authority, is a primary factor in site selection and valuation.
- b. **Long-Term Leasing Models:** leases are typically long-term (10-20 years) and structured around power capacity rather than floor area, often backed by strong institutional tenants.
- c. **Free Zone Integration:** many data centres are located in free zones regulated by entities such as the Dubai Development Authority, offering benefits including 100% foreign ownership and streamlined licensing.

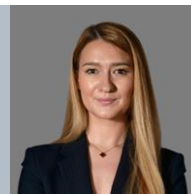
## Legal and Regulatory Framework

Although there is no single law governing data centres in the UAE, several legal frameworks are relevant.

- a. **Planning and Land Use:** developments must comply with zoning and regulatory approvals, including those from free zone authorities and master developers. Key considerations include:
  - Permitted use classifications;
  - Environmental and operational compliance (e.g. cooling, noise); and
  - Power and infrastructure approvals.
- b. **Applicable UAE Laws:** core legal principles derive from:
  - UAE Civil Code (Federal Law No. 5 of 1985), governing contractual relationships; and
  - Dubai Law No. 26 of 2007 (as amended), which regulates landlord-tenant relationships, although data centre agreements often extend beyond standard lease structures.
- c. **Ownership and Structuring:** data centres are typically held through:
  - Special purpose vehicles (SPVs);
  - Joint venture arrangements; or
  - Build-to-suit structures for anchor tenants.

Structuring must account for licensing, ownership restrictions, and operational requirements, particularly where free zones are involved.

- d. **Financing:** given their infrastructure nature, financing arrangements are more complex than traditional real estate and often include:
  - Mortgages over land and assets;
  - Assignment of lease income; and
  - Direct agreements with key tenants, including step-in rights for lenders.



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## Leasing: Key Differences

Data centre leases in Dubai differ significantly from standard commercial leases.

- a. **Power-Based Commercial Terms:** leases are commonly structured around contracted power usage (kW/MW), with minimum commitments and “take-or-pay” provisions.
- b. **Service Levels:** agreements include detailed service level provisions covering uptime, redundancy, and remedies for outages—reflecting the critical nature of operations.
- c. **Fit-Out and Infrastructure:** tenants often install substantial technical equipment. Legal documents must address:
  - Ownership of equipment;
  - Integration with base infrastructure; and
  - End-of-term obligations.

## Market Impact

The rise of data centres is reshaping the UAE real estate landscape:

- Developers are prioritising infrastructure and power access;
- Landlords are adapting to more complex, long-term leasing structures; and
- Investors are increasingly attracted to the stable, long-term income these assets provide.

Government initiatives, including those led by the UAE Ministry of Artificial Intelligence, continue to reinforce the strategic importance of digital infrastructure.

## Conclusion

Data centres represent a significant shift in UAE commercial real estate from traditional space-driven assets to infrastructure-led investments. While existing laws such as the UAE Civil Code (Federal Law No. 5 of 1985) and Dubai Law No. 26 of 2007 provide the legal foundation, their application in this context requires more tailored and sophisticated structuring.

As demand continues to grow, success in this sector will depend on aligning real estate strategies with technical requirements, regulatory frameworks, and the UAE’s broader digital economy vision. ■

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