Commercial Real Estate Financing: Overview (UAE)

by Shahram Safai, Anshuman Jaruhar, Ananya Pandit, Shruti Baghel, and Doneen Ennis, Afridi & Angell

Practice note: overview | Law stated as of 01-Sep-2026 | Middle East, United Arab Emirates

A Practice Note discussing the process of financing improved commercial real estate in the UAE. This Note provides guidance for borrowers and lenders on common forms of commercial real estate ownership and financing, the priority and perfection of security interests in real property, and fundamental steps in financing commercial real estate, including loan due diligence, key transaction documents and loan terms, and closing mechanics. This Note also discusses lender remedies for a borrower default.

Counsel to a borrower or lender financing commercial real estate located in a foreign jurisdiction must understand the laws and customs of that jurisdiction, which can be complex and unfamiliar. Having a basic knowledge of the financing structures, loan documentation, and closing steps when financing foreign real estate can assist counsel in advising their clients.

This Practice Note provides an overview of the fundamental concepts, issues, and stages of a commercial real estate financing transaction in the UAE, including:

- Common real estate ownership structures.
- The types of collateral for commercial real estate loans.
- Preliminary and definitive loan documentation and key loan terms.
- The creation, perfection, and priority of a lender's security interest in the loan collateral.
- Due diligence of the property and the borrower.
- Closing conditions and procedures.
- Lender remedies.
- Special considerations for foreign borrowers and lenders.

This Note assumes the real property:

- Has improvements on it, such as a building, and is not vacant land intended for development. While many of the same principles apply, financing land for development involves additional considerations that this Note does not address.

© 2026 Thomson Reuters. All rights reserved.

- Is leased to third-party tenants.

Common Forms of Commercial Real Estate Ownership

The UAE Civil Transactions Law (Federal Decree-Law No. 25 of 2025) (Civil Transactions Law) came into force on 1 June 2026 and repealed and replaced Federal Law No. 5 of 1985 (the former Civil Transactions Law).

A borrower of a loan secured by commercial real estate typically holds the real property collateral in one of the following forms of tenure.

Freehold Title/Absolute Ownership

The Civil Transactions Law provides for ownership rights:

- Ownership confers on the owner the authority to dispose of the property itself, its usufruct and its exploitation, within the limits of the law (Article 1036, Civil Transactions Law).
- Ownership of land extends to its essential elements and to what is above and below the land to the extent useful for its enjoyment (Article 1037, Civil Transactions Law).
- No person can be deprived of their property or its usufruct, and property can only be expropriated for public benefit, in return for fair compensation and in accordance with the law (Article 1039, Civil Transactions Law).

Leasehold Title

The Civil Transactions Law recognises both contractual leases and usufruct rights:

- A usufruct is a principal real right which, although distinct from a contractual lease, may perform a function analogous to long-term leasehold tenure.
- A usufruct entitles the holder to use and exploit property belonging to another, while preserving its substance, for a specified period (Article 1234, Civil Transactions Law).

The Civil Transactions Law does not prescribe a general maximum duration for a usufruct right. However, the duration and availability of usufruct and leasehold rights may be subject to applicable emirate-level real estate legislation and registration requirements. In Dubai, for example, Law No. 7 of 2006 on Real Property Registration in the Emirate of Dubai permits non-UAE nationals to acquire usufruct or leasehold rights for a period not exceeding 99 years in areas designated by the Ruler.

Condominium Ownership/Equivalent

© 2026 Thomson Reuters. All rights reserved.

The Civil Transactions Law provides for ownership of floors and apartments. Where multiple owners own different floors or apartments in a building, they are co-owners of the land and those parts of the building intended for common use, including structural elements, entrances, lifts, utilities, corridors, and parking areas, subject to the title documents and applicable special legislation (Article 1089, Civil Transactions Law).

The common parts are not susceptible to partition, and each owner's share in them is proportionate to their share in the building (Article 1090, Civil Transactions Law).

Each owner must contribute to the costs of preserving, maintaining, and managing the common parts in proportion to the value of their property, unless otherwise provided by the applicable building management regulations (Article 1093, Civil Transactions Law).

The owners can form an owners' association to manage the property and ensure its proper use, subject to applicable special legislation (Article 1098, Civil Transactions Law).

In Dubai, these provisions should be read together with the applicable Dubai legislation governing jointly owned property.

Other Rights

The Civil Transactions Law also provides for Musataha rights (rights of superficies). Musataha is a principal real right granted by a property owner that entitles the Musataha holder to erect buildings or plant on land belonging to the owner (Article 1254, Civil Transactions Law).

A Musataha is created by contract between the property owner and the Musataha holder, specifying their respective rights and obligations, and must be registered with the competent authority (Article 1255, Civil Transactions Law). An unregistered disposition is void.

The duration of a Musataha is determined by agreement between the parties as specified in the contract (Article 1258, Civil Transactions Law). This differs from the former Civil Transactions Law, which imposed a maximum term of 50 years. Where no duration is specified, either party can terminate the Musataha by giving the other party at least six months' notice.

The Musataha holder owns the buildings or plant erected on the land and can dispose of them together with the Musataha right (Article 1259, subject to Article 1261, Civil Transactions Law).

Ownership of buildings, structures, plantings, and improvements made with the property owner's consent passes to the property owner on expiry of the Musataha term, unless otherwise agreed (Article 1261, Civil Transactions Law).

The Civil Transactions Law also provides for rights of use and habitation:

- Usufruct can comprise a right of use or habitation, or both, with the scope of those rights determined by the needs of the right holder and their family and the instrument creating the right (Articles 1249 and 1250, Civil Transactions Law).
- A right of use or habitation cannot be transferred to a third party except where expressly permitted by the instrument creating the right or where there is a legitimate justification (Article 1251, Civil Transactions Law).

The Civil Transactions Law further provides for easements:

© 2026 Thomson Reuters. All rights reserved.

- An easement is a real right that limits the benefit of one property for the benefit of another property owned by another person (Article 1262, Civil Transactions Law).

- Easements can be acquired by legal disposition, inheritance, or operation of law, and certain apparent easements, including rights of way, can be acquired by prescription, subject to the conditions set out in Article 1263 of the Civil Transactions Law (Article 1263, Civil Transactions Law).

Forming the Borrower Entity

It is not uncommon for a borrower to own the real property using a single-purpose entity that is formed to own a single real estate asset. The borrower's counsel must advise its client on the appropriate form of borrowing entity and prepare the entity's formation documents before closing.

In Dubai (onshore), a borrower obtaining financing secured by commercial real estate typically holds the property in one of the following structures, subject to Law No. 7 of 2006 on Real Property Registration and the requirements of the Dubai Land Department (DLD):

- Onshore limited liability company (LLC). This is the most widely used structure to hold commercial real estate in Dubai. An LLC:
    - is incorporated under Federal Decree Law No. 32 of 2021 on Commercial Companies in the UAE (Companies Law);
    - has separate legal personality;
    - limits shareholder liability to share capital;
    - is commonly structured as a single-asset vehicle;
    - is fully recognised by the DLD for freehold ownership (subject to nationality rules and designated areas); and
    - is accepted by UAE banks for mortgage registration.

For financed assets, lenders strongly prefer this structure due to liability ring-fencing and ease of enforcement.

- Individual ownership by a natural person. Commercial property can be held directly by:
    - UAE nationals and nationals of Gulf Cooperation Council (GCC) countries anywhere in the Emirate of Dubai); or

© 2026 Thomson Reuters. All rights reserved.

    - non-UAE/GCC nationals only in designated freehold areas under Regulation No. 3 of 2006 Determining Areas for Ownership by Non-UAE Nationals of Real Property in the Emirate of Dubai (see Special Considerations for Foreign Parties).

  While legally permissible, lenders typically require:

    - personal guarantees (if borrowing through a business structure); and
    - clear succession planning, as death triggers inheritance procedures before enforcement or transfer.

  For larger commercial assets, this structure is less common.

- Joint ownership (co-owners). Property can be jointly owned by two or more individuals or entities under the UAE Civil Transactions Law:

    - ownership percentages are recorded with the DLD;
    - all co-owners must sign mortgage documentation; and
    - a co-ownership agreement is advisable but not mandatory.

  Lenders require all co-owners to grant security.

- Public joint stock company (PJSC). This is used for substantial commercial portfolios or institutional holdings:

    - it is regulated by the Securities and Commodities Authority (SCA);
    - it can own property across Dubai; and
    - it is suitable for large-scale developers or listed real estate entities.

  It is less common for single-asset secured lending.

- Onshore branch of a foreign company. A foreign company registered with a Dubai branch can own property required for its licensed commercial activity:

    - the branch has no separate legal personality;
    - the foreign parent retains full liability; and
    - lenders usually require a corporate guarantee from the parent.

© 2026 Thomson Reuters. All rights reserved.

This structure is typically used for operational premises rather than investment holdings.

- Regulated real estate investment funds (onshore). Dubai permits regulated property investment funds under the SCA framework. Following Dubai Decree No. 22 of 2022 Approving the Grant of Privileges to Real Estate Investment Funds in the Emirate of Dubai, qualifying property funds benefit from:
  - reduced DLD registration fees (2% instead of 4%);
  - exemption from DLD fees on share transfers in the fund; and
  - broader ownership rights in certain approved areas.

This structure is generally used for pooled or institutional investment rather than single-borrower commercial lending.

Foreign Ownership of Real Estate Through Corporate Vehicles

Foreign investors can acquire property in designated areas (see Restrictions on Foreign Ownership of Real Estate) using certain UAE-recognised entities, including:

- Jebel Ali Free Zone offshore companies.
- Dubai Multi Commodities Centre (DMCC) companies.
- Abu Dhabi Global Market (ADGM) entities.
- RAK International Corporate Centre offshore companies.
- Dubai International Financial Centre (DIFC) companies, partnerships, foundations, REITs, or funds (subject to approval).
- UAE onshore LLCs (subject to licensing structure and regulatory requirements).

In practice, foreign investors commonly use a special purpose vehicle (SPV) to hold property. This structure is typically used to ring-fence liability to the property-holding entity.

REITs are only permitted within certain regulatory frameworks, including:

- The ADGM regime.
- The DIFC Investment Trust framework.
- The SCA framework (Administrative Decision No. 6/R.T of 2019).

© 2026 Thomson Reuters. All rights reserved.

Dubai Decree No. 22 of 2022 introduced incentives for property investment funds. These include:

- The ability for qualifying property funds to acquire ownership or usufruct rights (up to 99 years) in certain areas where foreign ownership is typically restricted.
- An exemption from DLD registration fees on transfers of shares in the fund.
- A reduction in DLD registration fees for property acquisitions from 4% to 2% of market value (and similarly 2% for usufruct or long-term lease registration).

REITs are now subject to corporate tax unless they qualify for an exemption. The relevant regulations are:

- Cabinet Decision No. 34 of 2025 on Qualifying Investment Funds and Qualifying Limited Partnerships, which sets out the criteria for tax exemption (replacing Cabinet Decision No. 81 of 2023).
- Ministerial Decision No. 96 of 2025, which introduces additional conditions for certain REITs, including adjustments to minimum float requirements.

These measures do not repeal Administrative Decision No. 6/R.T of 2019 on Real Estate Investment Fund Controls, but they add a corporate tax layer affecting SCA-regulated real estate funds.

For additional guidance on entity types in the UAE, see Practice Note, Trading Vehicles: Overview (UAE).

Types of Loan Collateral in Real Estate Financing

Commercial real estate loans are typically secured by multiple types of collateral in which the borrower grants the lender a first priority security interest and the borrower's group companies provide security such as guarantees, share pledges, or mortgages (see Creating and Perfecting the Lender's Security Interest).

Liens on Real Property

The lender's primary collateral consists of liens on the borrower's or a security provider's right, title, and interest in:

- The land.
- Improvements, buildings, and fixtures located on the land.
- Assets appurtenant to the land, such as development rights or easements.
- The leases of the land or improvements.

© 2026 Thomson Reuters. All rights reserved.

- Rents and profits from the land and improvements.
- Insurance proceeds and condemnation awards payable to the borrower.

Mortgage Over Immovable Property

A mortgage is the most common form of security granted over immovable property located in the UAE (especially the onshore UAE). A mortgage is a contract by which a creditor acquires the right to be satisfied from the proceeds of the sale of the mortgaged immovable property in priority to unsecured creditors and other secured creditors of the debtor (Civil Transactions Law).

A mortgage over immovable property must be both in writing and registered with the appropriate real estate authority in each emirate. Registered mortgage deeds are generally standard form documents prescribed by the relevant authorities. It is also necessary to register a charge or mortgage over a leasehold interest and the underlying lease with the real estate authority in the relevant emirate. The time of registration of the mortgage determines priority among mortgages over the same real estate.

Although the mortgagor must be the owner of the mortgaged property, it is not essential that the mortgagor be the principal obligor of the debt that is secured by the mortgage and the mortgagor can be a guarantor of the debt.

Requirement for a Local Security Agent

Immovable property can only be mortgaged to a bank, financing company or institution that has been duly licensed and registered by the Central Bank of the UAE (CBUAE) (Article 4, Dubai Law No. 14 of 2008 (as amended) and Article 32, Abu Dhabi Law No. 3 of 2015). Therefore, financing is generally limited to these licensed banks and institutions or where they act as a local security agent.

Foreign lenders providing financing to UAE borrowers normally appoint such a bank/licensed institution as a local security agent to hold the UAE-located security on their behalf. However, this can be time-consuming and expensive for a foreign lender, particularly as most local banks only act as a local security agent in financings where they are part of the syndicate of lenders or if the foreign lender is from a GCC country.

Free Zone Rules and Regulations

Free zones are specially designated areas in the UAE intended to attract foreign investment by allowing 100% foreign ownership and facilitating business operations.

It is possible to register a charge or mortgage over a leasehold interest in real property located in one of the free zones in the UAE, depending on the free zone's rules and regulations. The procedure and requirements depend on the free zone's rules and regulations. Generally, it requires:

- Approvals or no-objection certificates from the landlord, the mortgagee, and the free zone authorities.
- Registration with the appropriate real estate authority in the emirate (if necessary).
- A charge or mortgage agreement (this may be based on the relevant free zone's approved format).

© 2026 Thomson Reuters. All rights reserved.

- Payment of a registration fee.

Even in a free zone, certain free zone authorities may require the charge or mortgage and the underlying lease to be registered with the real estate authority in the relevant emirate. The time of registration of the charge or mortgage usually determines priority among charges or mortgages over the same leasehold interest.

Further, a number of free zones also require any mortgage or security interest over real property to be created in favour of a local security agent (see Requirement for a Local Security Agent).

Generally, a free zone mortgage or charge only prevents the owner of the leasehold interest (the mortgagor) from transferring or further encumbering its leasehold interest and does not entitle the mortgagee to request the transfer of the leasehold interest. Transferring a leasehold interest requires a court order.

Related Collateral

The lender's primary collateral also consists of liens on the borrower's or a security provider's right, title, and interest in other non-real estate collateral, such as:

- Pledges over shares of the borrower company or of other group companies to provide credit enhancement.
- Corporate guarantee from the borrower's shareholders/group companies.
- Personal guarantees from the borrower's ultimate beneficial owners.
- Equipment.
- Intellectual property.
- Contract rights.
- Bank accounts.
- Loan reserves.

Security Interests over Movable Assets

Movable assets are broadly defined under:

- Federal Law No. 4 of 2020 on Securing the Rights in Movables (repealing Federal Law No. 20 of 2016 on the Pledge of Movable Property to Secure Debt (Old Movables Law)).
- As read with UAE Cabinet Decision No. 29 of 2021 on the Executive Regulations for Federal Law No. 4 of 2020 and related decrees (Implementing Regulations), decisions, and regulations.

© 2026 Thomson Reuters. All rights reserved.

(Together, the Movables Law.)

The Movables Law provides an online registration process where lenders will be able to establish an online account with a security registry (Security Registry), which will operate a security register (Security Register). There will be significant benefits of registering a security interest under the Movables Law, including:

- The perfection of the security interest and obtaining priority over any unregistered competing security interests (including any executed before the date of the registration).
- Preventing a third party from registering their security interest and obtaining a superior security interest.
- If the company owning or holding the pledged assets becomes bankrupt, the registration may (at the discretion of the bankruptcy court) be helpful to establish the secured party's security interest in the pledged assets.

The formalities and procedure to register a security interest in the Security Register are outlined in the Implementing Regulations.

Until the Security Register and Security Registry are established, it is possible to register a security interest under the Movables Law in the online security register (EIRC Register) established under the Old Movables Law, operated by Emirates Integrated Registries Company (EIRC), according to the requirements under the Old Movables Law. These include submitting an application through an online account with the EIRC and providing details as set out in the Implementing Regulations and the EIRC forms. Registration on the EIRC Register provides a fast-track mechanism to enforce a security interest created under the Movables Law and remedies similar to common law self-help remedies, which are otherwise not available under UAE law.

Receivables, Income, and Insurance

Security is commonly granted over receivables, income, and insurance. Common forms of security over such assets include an assignment of the receivables, income, and insurances.

Once the Security Register is established, it will be possible to perfect the security created under an assignment of income and receivables. Until then, it is possible to register a security interest in the EIRC Register under the Movables Law (see Security Interests over Movable Assets). It is also possible to register a security interest created under an assignment of insurance provided the insured asset(s) has also been pledged as security for the same financing.

An assignment of rights only requires notification from the assignor to the third party, confirming the assignment to the assignee. Where this is not possible or practical (for example, the assignment of a retail business's income), the lender may require the income to be deposited into a collection account.

Bank Accounts

The most common form of security over bank accounts/cash deposits is an account pledge.

Until the Security Register is established, it is possible to register a security interest under an account pledge in the EIRC Register under the Movables Law (see Security Interests over Movable Assets). In addition, a control agreement may be required between the account bank where the account is maintained and the pledgee (if the pledgee is not the account bank). This is usually achieved by giving the account bank notice of the pledge and receiving an acknowledgment from the account bank of the pledge.

© 2026 Thomson Reuters. All rights reserved.

Intellectual Property

It is not common to grant security over intellectual property in the UAE. Until the Security Register is established, it is possible to register a security interest over intellectual property rights in the EIRC Register under the Movables Law (see Security Interests over Movable Assets).

Personal and Corporate Guarantees

Personal and corporate guarantees are commonly used forms of security/credit enhancement. They must be made in writing and specify the amount they secure. For guarantees of larger financings, it is not uncommon for the guarantors to comply with certain financial covenants (for example, minimum net worth). Generally, a guarantee can be enforced once the relevant conditions have been satisfied, otherwise a guarantee can be enforced through a court.

Vehicles, Vessels, and Aircraft

Security interests can also be granted and registered over vehicles, vessels, and aircraft. There are special registers in which the security interest must be registered. For example, a vehicle mortgage is registered with the local traffic police and the road or transport authority, and a notation is made in the title deed of the vehicle. The borrower retains legal ownership of the vehicle, subject to the mortgage.

Pledge of Shares

A pledge of shares over private companies located in the onshore UAE is governed by the Companies Law, which replaced Federal Law No. 2 of 2015 on Commercial Companies, as amended. Depending on the transaction, sometimes a pledge is taken as security for commercial real estate financings. Typically, it is taken over the property.

A pledge over the shares of an LLC is perfected by registration of the pledge with the department of economic development of the emirate where the LLC is established. For registration, the following is required:

- Filing the executed share pledge agreement with other documents (as required by the companies' regulator of the relevant emirate's department of economic development).
- The share pledge must be created in favour of a local bank/financing company or institution licensed by the CBUAE
- Notarisation of the share pledge agreement.
- Payment of the relevant notary and registration fee.

Pledging the shares in an LLC must be in accordance with its formation documents. A pledge of an LLC partner's stake must be made in accordance with the terms of the memorandum of association, under a formally attested instrument, and is only valid against the company and third parties from the date of registration in the commercial register with the competent authority (Article 79, Companies Law). It is unclear whether this requires express provisions permitting the pledging of shares in the LLC or whether the absence of a prohibition on pledging the shares suffices.

A share pledge can cause difficulty since there is no uniform procedure to register it. This is particularly true for shares in a free zone company, which are subject to the free zone's specific share pledge registration requirements and procedures. Further, not all free zones provide a mechanism to register share pledges.

© 2026 Thomson Reuters. All rights reserved.

In addition, a share pledge often requires appointing a local security agent (usually a CBUAE licensed entity) to act as the pledgee and this can be costly and time-consuming for overseas lenders (see Requirement for a Local Security Agent). This requirement may also be indirect. For example, in certain free zones, a share pledge must be notarised before it can be registered with the free zone authority. Even if the free zone does not require the pledgee to be a local lender, the notary may require a local entity/lender to act as the pledgee as a condition to notarising the share pledge agreement.

In addition, it is not uncommon for free zones to issue regulations requiring registration of a security interest, without issuing a detailed procedure or framework (for example, registers) to register it in practice. This creates difficulties for lenders, in that they are aware of registration requirements for their security interest (sometimes, free zone regulations even require registration for the security interest to be valid) but have no practical means to fulfil them. This can create uncertainty for lenders about the enforceability of their unregistered security interests, before the free zone authority and the local courts.

Leasehold Financing

Leasehold ownership is common in the UAE and leasehold interests are often used as collateral for real estate loans (see Mortgage Over Immovable Property).

Loan Documentation

A commercial real estate loan is typically documented in two stages:

- Preliminary documents. The documents that initiate the loan underwriting process and memorialize the key loan terms to be included in the definitive closing documents (see Preliminary Documents).
- Definitive documents. The documents entered into at closing that bind the parties to the loan terms (see Definitive Documents).

Preliminary Documents

The initial steps in a commercial real estate financing transaction include the parties negotiating and entering into the following documents:

- Loan application. This is typically prepared by a borrower (or financial broker instructed by the borrower), often on the lender's standard form. It typically outlines:
  - the requested facility amount;
  - purpose;
  - security; and
  - the borrower's financial profile.

© 2026 Thomson Reuters. All rights reserved.

- It is informational and non-binding and used by the lender for an initial credit screening and know-your-customer (KYC) assessment.

- Indicative letter of intent/term sheet. This is typically drafted by the lender following pre-approval KYC processes and a property valuation. In UAE real estate financing it is generally non-binding in nature. It represents the lender's indicative appetite and proposed terms following pre-approval KYC and valuation but does not create a legal obligation to lend. It sets out:
  - the key proposed terms, including facility type and amount;
  - tenure;
  - conditions precedent;
  - any security provisions; and
  - applicable closing timelines.

- Commitment/final offer letter/facility offer letter. This is drafted by and generally binds the lender, outlining its commitment to provide the facility, subject to any conditions precedent. It often includes:
  - a commitment amount (and tranches to it, where financing is contingent on performance milestones);
  - conditions precedent;
  - loan term;
  - fees; and
  - repayment requirements (including any statutory stays (referred to as moratoria)).

- Title documents. Many lenders require title documents or details of the site map of the mortgaged property to be part of the facility offer letter.

Definitive Documents

The lender's counsel typically prepares the first draft of the loan documents, based on the terms set out in the final offer letter. The following are the key documents entered into at closing:

- Facility agreement. This is the principal loan agreement between the parties. It sets out the:

© 2026 Thomson Reuters. All rights reserved.

    - facility mechanics (utilisation, repayment, and pre-payment);
    - representations and warranties;
    - applicable fees;
    - financial covenants;
    - default clauses;
    - enforcement mechanisms;
    - any applicable insurance arrangements; and
    - any tranche-based financing mechanisms (and performance requirements to it).

- Security documents. These create and perfect the security arrangement between the parties, and may include:
    - a mortgage (to be registered with the relevant land department/free zone);
    - a share pledge; and
    - an assignment/pledge of other assets.

- Guarantees. Corporate or personal guarantees, where required, are typically provided by sponsors or parent entities, who act as a guarantor in case of the borrower's default. These often remove barriers to financing in complex transactions, especially involving entities without significant asset holdings in the UAE.

- Intercreditor agreement (where applicable). In syndicated or mezzanine financing structures, this document governs ranking, enforcement mechanics, voting procedures among lenders, and recovery procedures among secured parties.

Key Loan Terms

Some of the material loan terms that are typically subject to negotiation by the parties include the following.

Undertakings for the Loan

Undertakings are positive and negative covenants given by the borrower to the lender for the duration of the facility:

© 2026 Thomson Reuters. All rights reserved.

- Financial undertakings include payment of instalments, interest, fees, and amounts as and when due, and maintaining financial ratios.
- Property undertakings include maintaining the property in good and marketable condition, compliance with applicable laws, and maintaining all the required insurances.
- Information undertakings include providing financial information on the due date, notification of disputes against the property, and any other material events impacting the property.
- Negative undertakings include not creating any encumbrance on the property, not taking additional indebtedness in excess of agreed limits, and not changing the borrower's ownership structure.

Prepayment and Break Costs in the Event of Prepayment

Prepayment refers to the borrower's right to repay all or part of the loan before its scheduled maturity date. Loan agreements typically set out:

- Whether prepayment is permitted.
- Whether lender consent is required.
- The percentage of costs and fees payable in case of prepayment.

Break costs are amounts payable by the borrower to compensate the lender for losses, expenses, or costs incurred as a result of the loan being repaid earlier than expected.

Tranches of the Loan

Tranche-based structures are most common in development financing, where drawdowns are tied to construction milestones. Each tranche carries its own conditions precedent, utilisation conditions, and availability period.

The lender retains the right to withhold subsequent tranches if agreed conditions are not met or an event of default occurs, as expressly documented in the facility agreement.

Indemnities and Guarantees

An indemnity is a contractual promise to compensate another party for losses, liabilities, costs, or expenses arising from specified events. A guarantee is a promise by a third party (the guarantor) to perform the borrower's obligations if the borrower fails to do so.

Indemnities in UAE commercial real estate loan documentation typically cover the lender against losses arising from borrower default, increased costs, tax gross-up obligations, and currency exposures. Corporate or personal guarantees are commonly provided by sponsors, parent entities, or individuals as credit enhancement and operate as primary obligations, meaning the lender may call on the guarantor directly without first exhausting remedies against the borrower.

© 2026 Thomson Reuters. All rights reserved.

Fees and Costs

The fees and costs include the expenses associated with arranging, documenting, administering, and enforcing the loan, which are to be paid to the lender for transaction-related costs and for making the financing available. Fees typically include:

- An arrangement fee.
- A commitment fee on undrawn amounts.
- An agency fee in syndicated transactions.

Borrowers generally bear all transaction costs, including the lender's legal fees, valuation fees, and mortgage registration fees payable to the relevant land department under Dubai Law No. 14 of 2008 (as amended) and equivalent emirate legislation.

Non-Disposal and Restriction on Ownership Transfers

A standard negative undertaking prohibits the borrower from selling, transferring, or otherwise disposing of the mortgaged property or any interest in it without the lender's prior written consent.

Under Dubai Law No. 14 of 2008 (as amended) and equivalent emirate legislation, any transfer of registered real property requires land department approval, and a registered mortgage prevents any unauthorised transfer being recorded.

Restrictions on changes in the ownership or control of the borrower entity are also standard, as a change of control typically triggers an event of default or a mandatory prepayment obligation.

Carve-Outs to the Representation and Warranties

A carve-out is a qualification, exception, or limitation to a statement of fact made by the borrower, guarantor, and other obligors regarding their legal status, the property, the project, and the financing documents, that prevents the statement from being absolute and reduces the risk of a technical breach.

In real estate financings, representations and warranties are typically qualified by materiality and knowledge, and subject to carve-outs for matters disclosed during due diligence, matters already known to the lender, and matters arising from the lender's own acts or omissions.

Creating and Perfecting the Lender's Security Interest

Lenders secure their loans by placing a lien on the borrower's interest in the real property and other loan collateral. The lender's security interest must be properly created and perfected to ensure that the loan can be repaid from the proceeds of a sale of the collateral. It is also essential that the lender's security interest has priority over any other creditors to make certain that the lender receives payment before any junior creditors.

Security Interest in Real Property

© 2026 Thomson Reuters. All rights reserved.

The mortgage agreement is the primary document that creates a security interest in real property in the lender's favour. The land laws of the relevant emirate/free zone regulations may have different requirements. The land departments of the relevant emirates may have standard form documents that must be completed and registered (see Mortgage Over Immovable Property).

In the Emirate of Dubai, mortgage applications are submitted to the DLD signed by the mortgagor and the mortgagee, and include the following:

- All information related to the real property.
- The value of the real property.
- The value of the debt.
- The mortgage term.
- Particulars of the mortgagor and the mortgagee, including their domiciles and places of residence.

The mortgage contract must be executed on the standard form prescribed by the DLD and registered in the relevant property register maintained by the DLD. The DLD maintains two property registers:

- The Real Property Register. Established under Article 7 of Law No. 7 of 2006 on Real Property Registration, this is the primary register for completed properties, recording all property rights, ownership, and legal encumbrances, including mortgages. Ownership is evidenced by a title deed issued under Article 22 of Law No. 7 of 2006 on Real Property Registration.
- The Interim Real Property Register. Established under Law No. 13 of 2008 on the Interim Property Register in the Emirate of Dubai, in which the details of off-plan sale contracts, and other off-plan legal dispositions, of real estate are recorded before transferring them to the Real Property Register.

The rank of the mortgage is determined in accordance with the date of its registration. The DLD delivers to the parties a mortgage deed signed by the competent officer and stamped with the DLD seal.

In Abu Dhabi, a developer cannot mortgage the land of a real estate development project or any property right relating to it unless it is for the exclusive purpose of obtaining funding to construct the project and provided that the developer and its financier comply with the following:

- The buyer of the real estate unit must be notified that the land of the real estate development project or the property right relating to it is mortgaged and this must be stipulated explicitly in the sale and purchase contract.
- The developer undertakes and its financier approves the discharge of the mortgage of the real estate unit, after the buyer has fully paid the purchase price for the real estate unit and deposited it in the project escrow account.

© 2026 Thomson Reuters. All rights reserved.

- The bank or funding institution must deposit the whole amount of the funding in the project escrow account and not pay it directly to the developer.

Other emirates and free zones may have separate requirements.

If the security is created onshore in the UAE, a lender perfects its security interest in real property by registering it with the relevant land department of the emirate where the real property is located.

Separately, free zones have their own specific procedures for registration and perfection of a security interest over immovable property located in the free zone (see Free Zone Rules and Regulations). Typically, a free zone requires a mortgage over immovable property located in the free zone to be registered with the free zone authority. This is in addition to registration with the land department of the relevant emirate.

The priority of a lender's security interest is determined by the time and date of registration of the security interest with the land department of the relevant emirate and/or the relevant free zone authority. A lender can protect the priority of its security interest by undertaking title due diligence before creating the mortgage to ensure that there are no existing mortgages and, if necessary, by renewing its mortgage registration before it expires.

After closing, the lender can lose the priority of its security interest if the lender fails to register the mortgage as required under applicable laws or if there is an existing mortgage over the real estate.

Title insurance is not commonly used in the UAE.

Security Interest in Other Collateral

A security interest in non-real property collateral, such as personal property, equipment, and bank accounts, is created by a mortgage/pledge agreement and/or an assignment agreement, and can be perfected by filing it with the EIRC security register (see Security Interests over Movable Assets).

In addition, certain free zones may require a security interest over non-real property collateral to be registered with the relevant free zone authority.

The priority of a lender's security interest in non-real property collateral is determined by the date and time of perfection of the security interest and, for filings with the EIRC security register, by the date and time of registration on the EIRC security register.

Loan Due Diligence

The lender's due diligence for a secured real estate loan includes investigating the property, the borrower, and any loan guarantors to confirm the lender's underwriting assumptions.

Due Diligence of Borrower Parties

Depending on the transaction requirements, the lender's legal due diligence of the borrower parties, including any loan guarantors, typically includes reviewing:

© 2026 Thomson Reuters. All rights reserved.

- Entity formation documents. These are typically provided by the relevant government department or the free zone with which the company is registered or incorporated. These include:
  - memorandum of association and articles of association of the obligor companies;
  - certificates of incorporation/formation/registration and the relevant licenses (trade, commercial, service, and so on);
  - certificate of incumbency; and
  - certificate of good standing/extract of the registry (as applicable), issued or submitted to the relevant authority where the entity is incorporated.
- Financial information and credit history. The lender typically requires the borrower parties to provide audited financial statements and tax returns (if available) for the prior three years.
- Governmental searches. There are very limited public searches available in the UAE. Some free zones have public registers and provide certain public information about borrower entities, such as the status of the borrower entity. There are no public litigation or insolvency registers in the UAE, therefore it is usually not possible to determine if any litigation or insolvency proceeding has been initiated and the status of the proceedings against a borrower or a security provider.

  Usually, the lender obtains from the borrower documents issued by the relevant authority where the borrower is established to confirm certain information. These include:
  - documents that establish the current standing of a borrower party, such as certificates of incumbency/good standing (confirming that the relevant borrower entity is in good standing, has paid all dues, made all filings, and that there are no actions for insolvency or for striking its name off the register); and
  - registry extracts (confirming information such as shareholders, directors, secretary, number of shares, license details, and so on).

  Not all jurisdictions issue all types of documents and these are usually determined on a case-by-case basis.

  The lender also undertakes searches in the EIRC to confirm if there are any security interests registered against any of the movable properties of the borrower entities.

Property Due Diligence

The lender's property due diligence involves reviewing and analyzing the following.

Title Registration

© 2026 Thomson Reuters. All rights reserved.

It is common for lenders to verify the property registration with the relevant emirate's land department. The lender usually receives the title deed from the property owner and its details are usually verified through the land department's online portal. In the Emirate of Dubai, it is done through the DLD's Title Deed Verification Service. In free zones, it may be necessary to visit the free zone to verify or obtain confirmation from the relevant free zone authority in relation to leases.

Property Appraisal/Survey

The lender may, by way of its property valuation at the pre-approval stage, carry out a survey of the property to confirm its dimensions and physical condition. The resulting valuation report forms the basis on which the loan amount (and loan-to-value (LTV) ratio quantum) is determined.

Governmental Searches

Accessing public information about land or property in Dubai is generally restricted without the owner's consent, typically granted through a power of attorney. However, the lender can submit relevant inquiries directly to the borrower and request supporting documentation about services and other matters. It is not common for a lender to carry out property searches in Dubai with third party governmental agencies or departments. The lender cannot access information on land charges. Information on utility services is only accessible with the seller/owner's permission.

For further information, see Practice Note, Purchasing and Selling Commercial Real Estate: Overview (Emirate of Dubai, UAE).

Leases

It is common for lenders to review lease documents such as tenancy agreements (*Ejari*) before closing. Ejari is the official tenancy contract registration system for the Emirate of Dubai, operated by the Real Estate Regulatory Agency (RERA), the regulatory arm of the DLD. Dubai law requires applicable tenancy contracts, and amendments to them, to be registered with RERA through the Ejari system.

In lender due diligence, it is common for lenders to review the tenancy agreement and the related Ejari certificate before closing. The Ejari certificate provides an official record of the registered tenancy and key lease particulars, including the parties, leased premises, rent, and lease term. However, it does not perform all the functions of a tenant estoppel certificate, as it does not necessarily confirm matters such as defaults, side agreements, outstanding obligations, concessions or disputes between the landlord and tenant. Further, the lender may require pre-confirmations from the authority with jurisdiction over the leased land that they will grant approval to create a security interest over the leasehold property. Some free zones may not have detailed procedures for this and it may involve the borrower company and the lender's counsel consulting the free zone authority (see Free Zone Rules and Regulations and Pledge of Shares).

Tenant estoppel certificates, as understood in US common-law practice, are not a recognised or standard feature of UAE commercial leasing and are not typically required as a closing deliverable in onshore UAE real estate transactions.

Existing leases gain priority over future mortgages under the Civil Transactions Law.

Leases in Onshore Dubai

The landlord-tenant relationship is governed at federal level by the Civil Transactions Law, and, in Dubai, by Law No. 26 of 2007 Regulating the Relationship Between Landlords and Tenants in the Emirate of Dubai, as amended by Law No. 33 of 2008. Dubai law requires tenancy contracts, and amendments to them, to be registered with RERA, in practice through the Ejari registration system operated under the DLD.

Ejari registration provides an official record of the registered tenancy and its principal contractual particulars and therefore provides a degree of independent verification of the existence and key terms of the lease. However, Ejari does not perform

© 2026 Thomson Reuters. All rights reserved.

all the functions of a tenant estoppel certificate in US real estate practice. In particular, it does not necessarily provide tenant confirmation of matters such as no landlord or tenant defaults, undisclosed amendments or side agreements, outstanding obligations, rent concessions, security deposits, disputes, or other claims between the parties.

Due diligence on the sale of a tenanted commercial property in onshore Dubai typically includes, as applicable:

- Verification of the title deed and ownership details with the DLD.
- Review of the Ejari registration and underlying tenancy agreement, together with any amendments.
- Review of a tenancy schedule or rent roll provided by the seller.
- Confirmation of the settlement of applicable service charges.
- Obtaining any developer no-objection certificate (NOC) or other transfer documentation required for the particular property and transaction.

A tenant-executed estoppel certificate or confirmation letter is therefore not generally a statutory or market-standard closing document in an onshore Dubai real estate transaction. However, a buyer or lender may request a tenant confirmation letter as an additional contractual due diligence requirement, particularly where confirmation is sought regarding rent payments, security deposits, defaults, amendments, side agreements, disputes or other matters that cannot be established conclusively from the registered lease documentation.

Property Reports

Depending on the type of financing and the lender's requirements, the lender may require the following:

- Real estate valuation report/certificate.
- Legal due diligence report.
- Technical due diligence report (property condition report) (covering the physical and structural condition of the property).
- Environmental site assessments.

Legal Compliance

Lenders may, depending on the circumstances:

- Carry out further checks relating to government-issued permissions. For example:
  - if a property is in a free zone, there may be requirements to obtain prior approvals from the freezone regulator, depending on the type of project to be developed;

© 2026 Thomson Reuters. All rights reserved.

- there may be additional requirements, depending on the type of project, for example, from the civil defence department or the relevant municipality. Therefore, the lender may check if such pre-approvals have been obtained;
- check if the borrower company has the necessary permissions on its (operating) licence for the real estate activities it proposes to carry out, and this may vary between freezones.

- Evaluate the project for feasibility against the relevant zoning laws and community regulations, particularly for property acquired for development. In this context:
  - zoning laws refer to the applicable planning, land use, and development controls imposed by the relevant government authorities, including restrictions on permitted use, building parameters, and development density;
  - community regulations refer to the rules and requirements applicable to the particular development or community, typically imposed by the master developer, developer, or owners' association, which may regulate matters such as property use, alterations, signage, access, and other development-specific requirements.

Third-Party Contracts

It is not unusual for lenders to review third party contracts relating to the property, for example, maintenance contracts and property management agreements. Often, lenders may obtain step-in rights in these contracts on default by the borrower or receivables from these contracts may be pledged to the bank as security.

Insurance

Lenders may evaluate existing insurance provisions (for the property and for mortgage protection). Lenders often require amendments to these arrangements as a condition precedent to loan disbursal.

Operating Budgets

This relates to a project feasibility evaluation and may often involve appointing a technical expert to confirm operating costs and income projections and assess debt servicing capabilities. This may be covered under a financial due diligence report obtained by the lender.

Anti-Money Laundering Requirements

The UAE's Anti-Money Laundering (AML) regime imposes detailed compliance, governance, and reporting obligations on all financial institutions (FIs) (including banks and mortgage providers) and designated non-financial professionals (DNFBPs) (such as real estate brokers) (Federal Decree Law No. 10 of 2025 Regarding Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation Financing and Cabinet Decision No. 134 of 2025).

The regime requires a structured, enterprise-wide approach to financial crime risk management, embedding AML controls into governance, onboarding, monitoring, and reporting functions. These requirements include:

© 2026 Thomson Reuters. All rights reserved.

- Suspicious transaction reporting. FIs and DNFBPs must promptly submit suspicious transaction reports (STRs) to the UAE Financial Intelligence Unit (FIU) through approved reporting channels where they have reasonable grounds to suspect that a transaction or funds, whether wholly or in part, constitutes proceeds of a crime or are intended for use in a crime.

- Risk assessment and reporting. FIs and DNFBPs must also identify, manage, assess, and document money laundering, terrorism financing, and proliferation financing risks in their business activities, retaining risk assessment records for submission to the CBUAE or any other supervisory authorities on request.

- Customer due diligence (CDD) and ongoing monitoring. FIs and DNFBPs (such as real estate brokers, when completing a sale) must implement appropriate CDD measures and transaction monitoring aligned with CBUAE risk assessment requirements. FIs are also prohibited from opening or maintaining anonymized, fictitious, alias-based, or numbered accounts. Enhanced CDD is required in high-risk scenarios.

For additional information on anti-money laundering laws in the UAE, see Practice Note: Lending to a Company in the UAE: Anti-Money Laundering Issues.

Loan Closing

Pre-Closing

In the UAE, pre-closing mechanics in financing transactions (particularly real estate-backed and corporate secured lending) require coordination with onshore registries, free zone authorities and, where applicable, CBUAE regulated banks.

The process of obtaining third-party deliverables, such as title confirmations, land department searches, landlord or master developer consents, and notarized security instruments should be initiated well in advance of closing, particularly given notarization and Arabic translation requirements.

The borrower's counsel is responsible for:

- Negotiating financing documents.

- Coordinating with the borrower to ensure the lender's closing conditions are satisfied.

- Forming the borrower entity (see Forming the Borrower Entity).

- Obtaining third-party consents from landlords, master developers, or free zone authorities.

- Ordering government records searches.

The lender's counsel is typically responsible for:

© 2026 Thomson Reuters. All rights reserved.

- Drafting the definitive documents (see Definitive Documents).
- Conducting legal loan due diligence (see Loan Due Diligence).
- Preparing conditions precedent checklists and closing mechanics memoranda.
- Ensuring completion of the conditions precedent, including issuing a final legal opinion as required by the lenders.

Closing Conditions

Depending on the lender's requirements and the time taken to obtain approvals and so on, the closing conditions may be conditions precedent or subsequent. Typically, real estate finance transactions in the UAE are typically subject to the following requirements:

- Signed and executed definitive documents, including receipt of any necessary acknowledgments and proof of registration of security interests (for example, EIRC registration certificate).
- Landlord or master developer no-objection certificates (NOCs) are required to allow the sale of the real estate unit being mortgaged.
- Approvals/third-party consents, such as approvals from the relevant land department or free zone authorities.
- Governmental searches/certificates (see Due Diligence of Borrower Parties).
- Relevant insurance.
- Legal opinions.

Closing Procedures

Closing procedures are the usual closing procedures for financing transactions and may vary depending on the commercial terms. Typically, they involve obtaining all conditions precedent documents such as resolutions, certificates, company documents, executed guarantees, and executed financing documents.

There is no set form and manner for closings. The manner of closing varies from bank to bank and in the circumstances. Typically, closing happens online by completion of all the conditions precedent. Different parties perform different functions, such as lawyers who hold on to letters and so on and release them on closing. Parties can also appoint escrow agents, which can be a third-party bank. However, in the authors' experience, we have seen closings take place between the lender, the security agent, the borrower, and their legal counsels.

A notary is not required during a closing. However, a notary is required where documents must be notarized prior to their submission to the relevant land departments.

© 2026 Thomson Reuters. All rights reserved.

There is no pre-determined manner for execution. Parties can circulate executed signature pages to their legal counsel or to the lead counsel who will collect all the signed pages and consolidate them into the relevant financing documents. Alternatively, parties can execute through electronic signatures such as using the DocuSign envelope. Lenders usually prefer to see wet ink signatures but they are open to execution by electronic signature such as using DocuSign.

In addition, depending on the terms of the transaction documents, the lender may require proof that the relevant security has been created, such as EIRC registration certificates. Following this, the relevant legal opinions are issued by counsel. This usually completes the pre-financing legal work. Following this, and after completion of the lender's internal requirements including receipt of the relevant fees, the bank disburses the funds.

Closing Costs

In UAE-based transactions, closing costs primarily relate to registration and regulatory formalities. A draft closing statement may be prepared by the lender's counsel, particularly in syndicated financing transactions. Counsel should review the closing statement to ensure that all transaction costs and fees are included and allocated to the appropriate responsible party.

The borrower typically pays:

- Any fees payable to the lenders for the facility, such as commitment fees and syndication fees.
- Fees payable to perfect the security, such as:
    - a mortgage registration fee for the jurisdiction where the mortgage is being registered: for example, in the Emirate of Dubai it is 0.25% of the loan amount;
    - fees to register share pledges, which depend on the government department where it is being registered, for example in DMCC this is AED4,535; and
    - fees for filing with the EIRC security register which, depending on the tenure of the loan, range from AED800 to AED1,000.
- Translation and notarization fees for security documents such as mortgages, share pledges, and powers of attorney. The notary's fee depends on the size of the document, type, value, and other factors.
- Valuation fees and any insurance charges.
- Counsel fees.

Registration

See Creating and Perfecting the Lender's Security Interest.

© 2026 Thomson Reuters. All rights reserved.

Lender Remedies for Borrower Defaults

Court Order to Sell the Asset by Public Auction

In the UAE, a mortgage over real estate can only be enforced through a court order. The concept of self-help (or extra-judicial enforcement) is not recognised in UAE law. The security must be enforced by a sale of the mortgaged real estate by public auction.

If a share pledge is not registered with the EIRC it can only be enforced through a court order.

Generally, a secured creditor can enforce its security only after both:

- A default event has occurred.
- A court has granted an enforcement order.

The secured party can apply to a UAE court for summary judgment to seize the secured assets and exercise its rights over them. This can involve placing the secured asset with a third party to effect its sale. The summary proceedings judge must notify all relevant parties of the application, who can file an objection with the court. If the court grants the summary judgment, it will authorise the secured party to either:

- Take possession of the secured asset and sell it at market value.
- Attach additional conditions for the sale of the mortgaged asset.

The sale must follow the procedure specified under the Movables Law. The sale proceeds must be distributed in accordance with the court's directions, taking into account the rights of any other parties over the secured asset.

Each emirate has its own rules on enforcing mortgages. In Dubai and Abu Dhabi, a mortgagee must obtain a court order allowing it to sell the property by public auction (Article 26, Dubai Law No. 14 of 2008 and Article 53, Abu Dhabi Law No. 3 of 2015). A mortgagee cannot sell or deal with the mortgaged property by any other means. As a matter of policy, mortgages over property owned and occupied by a UAE national as their personal residence cannot generally be enforced.

The lender can claim default interest and late charges but granting these is at the discretion of the courts. Compound interest (interest over interest) is prohibited and the amount of default interest/late charges cannot exceed the principal outstanding on the loan.

Pledge Over a Bank Account

Only a pledge over a bank account can be enforced without a court order, either by set off if the lender is the same bank where the account is maintained, or by claiming the amount in default from the account bank.

Movable Assets

© 2026 Thomson Reuters. All rights reserved.

Registration on the EIRC Register provides a fast-track mechanism to enforce a security interest created under the Movables Law and remedies similar to common law self-help remedies, which are otherwise not available under UAE law (see Security Interests over Movable Assets).

Personal and Corporate Guarantees

Generally, a guarantee can be enforced once the relevant conditions have been satisfied, otherwise a guarantee can be enforced through a court (see Personal and Corporate Guarantees).

Effect of Borrower Bankruptcy

The principal insolvency regime (excluding the DIFC and the ADGM) is governed by Federal Decree Law No. 51 of 2023 Promulgating the Financial and Bankruptcy Law, supplemented by Cabinet Decision No. 94 of 2024.

The law provides three primary procedures:

- Preventive settlement. This is a debtor-led process, allowing a viable business to propose a settlement plan to creditors while retaining operational control, subject to court supervision.
- Restructuring. This is available where the debtor has ceased payment due to financial distress. A restructuring plan is proposed and, if approved by creditors and ratified by the court, implemented under trustee supervision.
- Bankruptcy (liquidation). This is initiated where the debtor has suspended payments and the business is non-viable. A court-appointed trustee assumes control, liquidates assets, and distributes proceeds under an approved liquidation plan.

On commencement of formal bankruptcy proceedings, unsecured enforcement actions are generally stayed. Secured creditors retain priority over secured assets, but enforcement may be subject to court supervision and procedural controls in the bankruptcy framework.

Assets subject to validly perfected security are typically sold to satisfy the secured obligation (less costs). However, the court retains discretion in limited circumstances to terminate or modify agreements where necessary to protect the interests of the creditor body as a whole. The bankruptcy court can order the termination of an effective contract to which the debtor is a party where termination is necessary for the debtor to continue their business or where it serves the interests of creditors. With the bankruptcy court's permission:

- The trustee can terminate a lease of premises used for the debtor's business, within 60 days from the decision to initiate bankruptcy proceedings.
- The trustee can assign an existing contract to a third party where the assignment serves the best interests of the bankruptcy estate and the assignee can perform the contract.

Deficiency Claims and Recourse

If foreclosure or auction proceeds are insufficient to discharge the secured obligations in full, the borrower remains personally liable for the outstanding balance. Accordingly, following liquidation of the secured asset, the lender can initiate separate court

© 2026 Thomson Reuters. All rights reserved.

proceedings to recover the shortfall as an unsecured debt claim. Contractual acceleration provisions typically render the entire outstanding amount immediately due and payable on default, forming the basis of such a claim.

Recourse in the UAE is generally limited to the asset(s) over which security has been granted. Each category of asset, including real estate, shares, receivables, bank accounts, or other movables, must be secured through a distinct security instrument complying with its own statutory formalities and, where applicable, registration requirements (see Creating and Perfecting the Lender's Security Interest). Failure to create and perfect security in accordance with the relevant regime may result in the lender ranking as an unsecured creditor for that asset.

Lenders frequently mitigate recourse limitations through structural enhancements, including:

- Multiple security interests over different asset classes (such as a real estate mortgage, share pledge, receivables assignment, and account pledge).
- Corporate guarantees from parent or affiliate entities.
- Personal guarantees from sponsors or shareholders (which must be in writing and specify the guaranteed amount).
- Joint and several liability provisions among obligors.

In an insolvency context, secured creditors retain priority over the proceeds of their validly perfected collateral. Any residual unpaid balance following enforcement ranks as an unsecured claim in the bankruptcy estate and participates in distributions pari passu with other unsecured creditors (Federal Decree-Law No. 51 of 2023 Promulgating the Financial and Bankruptcy Law).

Accordingly, while in principle UAE law permits full recourse for deficiencies, practical recovery beyond the secured collateral depends on the borrower's solvency, the existence of additional obligors, and the overall asset pool available for enforcement..

For additional information on restructuring and insolvency in the UAE, see Practice Note, Lending to a Company in the UAE: Insolvency Issues for Foreign Lenders.

Special Considerations for Foreign Parties

Immovable property can only be mortgaged to a bank, financing company or institution that has been duly licensed and registered by the CBUAE. Therefore, financing is generally limited to these licensed banks and institutions or where they act as a local security agent (see Requirement for a Local Security Agent). Free zones may have additional requirements (see Free Zone Rules and Regulations).

From a UAE corporate tax perspective (Federal Decree Law No. 47 of 2022 on Corporate and Business Tax, as amended (Corporate Tax Law)), there are no specific disclosure requirements solely because a borrower or lender is foreign.

However, a foreign borrower or foreign lender may become subject to UAE corporate tax if it:

- Has a UAE permanent establishment (PE).
- Has a taxable nexus in the UAE (for example, through UAE immovable property).

© 2026 Thomson Reuters. All rights reserved.

- Derives UAE-sourced income that falls within the scope of the corporate tax regime.

Cross-border financing arrangements should also be reviewed for transfer pricing compliance, particularly where the parties are related.

In addition, although the Corporate Tax Law provides for a withholding tax regime, the applicable rate is currently 0%. Therefore, there are presently no withholding tax deduction, registration, or filing obligations in relation to outbound payments such as interest, dividends, or royalties to foreign lenders. Foreign parties should also consider the availability of relief under any applicable double tax treaties.

Restrictions on Foreign Ownership of Real Estate

There is no express prohibition of foreign ownership of land under UAE federal law, particularly the Civil Transactions Law. However, each emirate can enact its own legislation on property ownership in its jurisdiction.

In Dubai, only the following persons can own property in all areas of the Emirate of Dubai:

- UAE nationals.
- Nationals of GCC countries.
- Companies wholly owned by UAE or GCC nationals.

(Article 4, Law No. 7 of 2006 on Real Property Registration.)

Importantly, a company incorporated in the UAE or a GCC country that has any foreign ownership is not regarded as a UAE or GCC national for the purpose of property ownership in Dubai.

Non-UAE/GCC nationals (including foreign individuals and foreign-owned companies) can only acquire freehold, leasehold (up to 99 years), or usufruct rights (up to 99 years) in specifically designated areas of Dubai outlined in Regulation No. 3 of 2006 Determining Areas for Ownership by Non-UAE Nationals of Real Property (as amended). These areas include:

- Burj Khalifa.
- Business Bay.
- Palm Jumeirah.
- Emirates Hills.
- Jumeirah Islands.

© 2026 Thomson Reuters. All rights reserved.

- Jumeirah Lake Towers.

- Dubai Marina.

This restriction also applies to foreign companies, subject to the DLD's prevailing policy on title registration in these areas. Under current DLD policy, title deeds in designated areas are only issued to companies registered in Dubai or in specific free zones, including the Jebel Ali Free Zone.

Foreign ownership is permitted without restrictions in Dubai's free zones, such as the DIFC.

Additionally, under Law No. 7 of 2006 on Real Property Registration, a foreign individual can obtain a leasehold interest in areas outside the designated zones but not the freehold title.

Further, any company (local or foreign) that owns property in Dubai must notify the DLD of any change in shareholding, at any level up to the ultimate beneficial owner.

For further information, see Practice Note, Purchasing and Selling Commercial Real Estate: Overview (Emirate of Dubai, UAE).

END OF DOCUMENT

© 2026 Thomson Reuters. All rights reserved.