

Stalled Real Estate Projects in Dubai

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Stalled real estate projects are considered one of the most important subjects which imposed itself on the real estate market in Dubai during the last decade as it is a detritus of the global financial crisis which has impacted all countries world-wide including UAE and specifically Dubai at the end of year 2008.

This issue has economic, social and legal effect which no one can deny. When someone talks about a stalled real estate project, we remember the adventurers who took advantage of the high demand on properties in Dubai prior to 2008 and they did not have the financial capability or any of the elements of the real estate investment except the desire and will to make financial profit by taking advantage of this new investment opportunities and the lack of legislations regulating their work in that period of time.

We cannot deny that many adventurers succeeded in their investments and were able to complete their projects and achieve huge and unexpected profits, but some were unable to overcome the obstacle of the global financial crisis, so they fled and left behind many investors who lost their harvest and years of their investment. It was a hard lesson for everyone, but we have learned a lot from it, learned the foundations of a better and more transparent phase, and the creation of a legislative infrastructure that deters adventurers and encourages real estate investment based on sound foundations.

At the same time, stalled real estate projects are considered an investment opportunity for many investors and investment funds, in which they found as an investment opportunity to make profits. Many investors succeeded in purchasing stalled real estate projects and were able to complete the real estate project and hand over the units to investors, despite the delay and losses incurred by the purchasers, it was a way of survival for them. The new developers were able to revive such stalled real estate projects due to their experience in the field of real estate development and their success in conducting a proper legal and financial due diligence in respect of such stalled real estate projects and with the help of the Real Estate Regulatory Agency, which provided them with the necessary information to make the right decision.

As a real estate lawyer, I do not think that resorting to litigation has always been the best option for investors with respect to stalled real estate projects, because despite the issuance of judicial decisions in favour of the investors, it was often not possible to execute the same and collect their money owed to them, because there are no monies or assets in the name of the developer (the adventurer) that can be attached, and in many cases the land of the project was not owned by this adventurer or was burdened with a mortgage to banks which also incurred huge financial losses in this field.

The Dubai Land Department (DLD) and the Real Estate Regulatory Agency (RERA) in Dubai worked hard to revive many stalled real estate projects and has played a role far away from its traditional role which is the regulator and competent authority to do real estate registration, as they played the role of the mediator to find investors and provide all possible facilities for them to complete the development work and revive the real estate projects again and protect the rights of investors with minimal losses as possible.

However, the Land Department and the Real Estate Regulatory Agency often faced issues with the stalled developer's lack of cooperation and disappearance, and they had no legal tool to confront the stalled real estate developer except to cancel and liquidate the stalled real estate project through the Special Judicial Committee to liquidate cancelled real estate projects in the Emirate of Dubai, which was established in 2013, this option did not help many investors, as they only received a small portion of their dues after the liquidation of such real estate projects.

On November 24, 2020, His Highness Sheikh Mohammed bin Rashid issued Decree No. (33) of 2020 regarding the Special Judicial Committee for Incomplete and Cancelled Real Estate Projects in the Emirate

of Dubai. Under this decree, a judicial committee was established to replace the previous judicial committee and was granted broader powers, including transferring the incomplete real estate project to another developer, so it is no longer limited to cancelling real estate projects, but rather finding practical solutions for incomplete real estate projects. The new judicial committee is actively working to liquidate or find reasonable solutions for all stalled or incomplete projects, and the fact that this new committee is located at DLD will assist it in obtaining the necessary information and required help from DLD and RERA to perform its duties smoothly.

I think that this is a great step, and it will help revive stalled and incomplete real estate projects and will motivate developers to expedite the completion of their real estate projects, or otherwise, they will lose the same pursuant to the mechanism set out under Decree No. 33 of 2020.

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