

COVID-19: Economic Stimulus Packages in the UAE – Real Estate and Hospitality

April 9, 2020

The UAE government is taking a number of steps to support investors, citizens and residents at this challenging time. Recent weeks have seen a flurry of announcements promising reliefs across many sectors of the UAE economy. The size of the challenge posed by the coronavirus pandemic has necessitated an unprecedented response – and in record time. To help filter those items most relevant to real estate and hospitality in Abu Dhabi and Dubai, we have summarised the key announcements to date.

Federal

UAE Central Bank

- 5% increase in loan-to-value ratios on mortgage loans for first-time homebuyers.
- Revised limit on bank exposure to the real estate sector. Once exposure reaches 20% of a bank's loan portfolio (measured by risk-weighted assets), it can increase this to 30% but will be required to hold more capital.
- "The Central Bank of the UAE announces a comprehensive AED 100 billion Targeted Economic Support Scheme to contain the repercussions of the pandemic COVID-19", Central Bank of the U.A.E.

Abu Dhabi

Government of Abu Dhabi – Ghadan 21 Abu Dhabi Economic Stimulus Package

- No individual or commercial real estate registration fees until the end of 2020.
- No Tawtheeq fees for commercial and industrial activities (only) until the end of 2020.
- Industrial land leasing fees reduced by 25% for new contracts.
- Rebates of up to 20% on rent for restaurant, tourism and entertainment sectors.
- Tourism and municipality fees for the tourism and entertainment sectors suspended for this year.
- Government of Abu Dhabi announcement - "Launch of 16 dynamic initiatives under Abu Dhabi's economic stimulus package", Government of Abu Dhabi.

Abu Dhabi Global Market (ADGM)

- Rent and service charge payments deferred for 2020 for office leases at ADGM Square (signed with AISowah

Square Properties).

- "ADGM launches support measures for registered businesses to counter the impact of COVID-19", ADGM, 1 April 2020.

Abu Dhabi Judicial Department

- Rent evictions suspended for two months (March and April).
- Emirates News Agency announcement – "Abu Dhabi Judicial Department to suspend rent evictions for two months", 23 March 2020.

Aldar

- Monthly payment plans for residential rents until the end of 2020.
- Waiver of administrative, transfer and late payment fees applicable during 2020.
- "Aldar applauds government stimulus and announces key programmes for customers, communities and partners.", Aldar, 17 March 2020 .

Dubai

Dubai Government

- Reduction of municipality fees on sales at hotels from 7% to 3.5%.
- Freezing the fees for the rating of hotels.
- "Hamdan bin Mohammed launches AED1.5 bn economic stimulus package for next three months", Emirates News Agency, 12 March 2020

Dubai Free Zones Council

- Postponement of rent payments by a period of up to six months.
- Facilitating instalments for rental payments.
- Participating free zones include Dubai Silicon Oasis Authority, Dubai Airport Free Zone Authority, Jebel Ali Free Zone, Dubai World Trade Centre, Dubai International Financial Centre (DIFC), Dubai Development Authority, Dubai South, Meydan City Corporation, and Dubai Multi Commodities Centre.
- "Dubai Free Zones Council launches economic stimulus package", Emirates News Agency, 28 March 2020.

Dubai Land Department

- Rent evictions suspended for two months (March and April).
- "DLD commends the directives of HH Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum", Government of Dubai, 26 March 2020.

Dubai Multi Commodities Centre (DMCC)

- Postponement of rent for three months for flexi desk and DMCC Business Centre tenants.
- Waiver of rent for two months for businesses impacted by mandatory closure requirements.
- Waiver of outdoor area rents for three months for JLT retailers with existing contracts.
- Waiver of flexi desk and DMCC Business Centre penalties until the end of 2020.
- Waiver of office sharing permit fees.
- These reliefs apply from 1 April 2020 until 30 June 2020 (unless stated otherwise) and (for leasing matters) where DMCC is the landlord.
- "DMCC Announces Support Package for Business to Boost UAE's Economic Resilience", DMCC, 26 March 2020.

DP World (including JAFZA, National Industries Park and Dubai Auto Zone)

- Postponement of rent payments for two months.
- Facilitating instalments for rental payments.
- JAFZA announcement on Payment Flexibility Plan.
- National Industries Park announcement on Payment Flexibility Plan.
- Dubai Auto Zone announcement on Payment Flexibility Plan.

DIFC

- Postponement of rent for three months on a six-month payment plan for commercial leases.
- No refunds of rent payments made prior to 1 April 2020.
- Reduction of property registration fees from 5% to 4% on any sale or purchase of property between 1 April 2020 and 30 June 2020 and registered within 30 days of this period.
- These reliefs apply from 1 April 2020 until 30 June 2020 (unless stated otherwise) and (for leasing matters) where DIFC Investments Ltd is the landlord.
- "Business Stimulus Initiatives", Dubai International Financial Centre.

Nakheel

- Rent holiday for retail and hospitality businesses operating within the Nakheel Malls portfolio, (taking effect when the malls reopen).
- Rent holiday for small retail businesses operating within Nakheel's master communities.
- Waiver of administration charges across various services for three months.
- "Nakheel Pledges AED230 Million in Financial Support For Customers", Nakheel, 26 March 2020.

Dubai Holding and Meraas

- An economic relief package amounting to more than AED 1 billion to be implemented on a case-by-case basis.

- "Dubai Holding and Meraas unveil economic relief package of over AED 1 billion across their commercial business, retail and residential ecosystem" Dubai Holding, 17 March 2020.

Recommendations

Since the available reliefs and approaches to implementation will vary according to each location and contractual relationship, it is important to establish the particular reliefs that may be available to you. One fundamental question for obtaining any of the rental reliefs mentioned in this note, is whether the party offering the relief (and not a third party) is your contractual counterparty. Other reliefs may also be available from other authorities, developers and landlords (as applicable to each location and contractual relationship). In parallel with identifying any reliefs, the terms of the relevant contract should also be reviewed for any terms that may assist. Dentons can help with this process.

Your Key Contacts



Iain Black

Partner, Dubai

D +971 4 4020 850

iain.black@dentons.com



Joe Carroll

Senior Associate, Dubai

D +971 4 4020 854

joe.carroll@dentons.com