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MAY 2026

ABU DHABI REAL ESTATE OFF-PLAN LATEST REGULATIONS

Abu Dhabi's real estate market set new records in 2025, with AED 142 billion in total transactions and AED 8.2 billion in foreign direct investment from more than 100 nationalities, reflecting sustained global confidence in the emirate's property sector.

For investors and developers operating in the off-plan space, however, that growth came with a familiar risk, such as disputes over cancellations, unpredictable refund processes and limited statutory protection when projects stalled. That changed in 2025-26. Law No. (2) of 2025 Amending Certain Provisions of Abu Dhabi Law No. (3) of 2015 Concerning the Regulation of the Real Estate Sector in the Emirate of Abu Dhabi, entered into force in August 2025 ("**Law No. 2 of 2025**"), and four implementing decisions issued by the Department of Municipalities and Transport ("**DMT**") in March 2026 gave it practical effect across escrow management, purchaser default, jointly owned property and compensation on cancellation. What emerged is a regulatory framework that governs off-plan transactions from pre-sale registration through to post-completion governance, replacing contractual uncertainty with statutory clarity.

The Legislative Architecture

The reforms follow a clear legislative hierarchy. At the centre is Law No. (3) of 2015 Concerning the Regulation of the Real Estate Sector in the Emirate of Abu Dhabi (the "**Real Estate Sector Regulation Law**"). Law No. 2 of 2025 introduced significant amendments by expanding the scope of regulated activities, establishing a mandatory Real Estate Development Register, strengthening escrow protections, creating a statutory regime for purchaser default, and replacing the Owners' Union model with a stronger Owners' Committee structure. The implementing decisions issued in 2025-26 then put those amendments into effect:

- Administrative Decision No. (24) of 2025 Regarding the Mechanism and Controls for Disbursing Funds from the Project Escrow Account Prior to the Completion of (20%) of the Project ("**Decision 24/2025**") governs early escrow disbursements before the 20% construction threshold;

- Administrative Decision No. (25) of 2025 Regulating Property Ownership Rights and the Management of Jointly Owned Properties and Common Facilities ("**Decision 25/2025**") regulates jointly owned property and common areas;
- Administrative Decision No. (26) of 2025 Regarding the Adoption of the Bylaws for Owners' Committees in the Emirate of Abu Dhabi ("**Decision 26/2025**") standardises owners' committee bylaws across the emirate; and
- Administrative Decision No. (165) of 2025 Regarding the Determination of Percentages, Procedures, and Timeframes for the Refund of Amounts to Buyers of Units Cancelled and Re-Sold Pursuant to Article (17/3) of Law No. (3) of 2015 Concerning the Regulation of the Real Estate Sector in the Emirate of Abu Dhabi ("**Decision 165/2025**") sets compensation levels and refund timelines for off-plan purchaser default.

Together, these measures create a coherent statutory framework covering the full lifecycle of an off-plan project, rather than a set of isolated amendments.

Escrow and Financial Safeguards: The 20% Threshold and Its Exceptions

Every off-plan project must have its own escrow account. Before a developer can sell off-plan units in Abu Dhabi, it must open a project escrow account with an approved bank. All purchaser payments and any project finance loan proceeds must be paid into that account.

The core protection is simple; no money can be withdrawn from the escrow account until the developer has completed at least 20% of the construction works. Law No. 2 of 2025 confirmed this rule and added teeth by also prohibiting escrow funds from being used to pay for the land itself or for broker commissions.

The law accepts that some developers need cash flow before reaching 20% completion. To accommodate this, Article 19(3) of Law No. 2 of 2025 empowers the authorities to issue a framework for early disbursement, and Decision 24/2025 delivers it. A developer can apply to the Abu Dhabi Real Estate Centre ("**ADREC**") for permission to draw from the escrow account before the 20% milestone, but only if it provides an unconditional, irrevocable bank guarantee for at least 20% of the total construction cost. The guarantee must be payable immediately on demand by the DMT or ADREC, without involving the developer or the issuing bank.

It must come from a locally licensed bank approved by ADREC, be based on an engineering report dated within 30 days of the application, and remain valid for as long as needed.

The bank guarantee may be released before full completion, but only if both of the following conditions are met:

- the developer has completed at least 60% of the construction works; and
- the funds remaining in the escrow account are sufficient to finance the works needed to achieve full completion.

The Default and Compensation Framework: A Statutory Sliding Scale

Before the 2025 reforms, the consequences were negotiated contract by contract, which led to disputes and uncertainty. The amended law replaces that with a regulated process.

Under Article 17(3) of Law No. 2 of 2025, the developer must first give the purchaser 60 days' notice to pay what is owed. The DMT then facilitates an amicable settlement attempt. Only if that fails can the developer terminate the contract, remove the purchaser's name from the register, and resell the unit after 30 days. The purchaser can still challenge the termination through court or arbitration.

Decision 165/2025 sets a fixed scale based on construction progress:

- Project not yet started (for reasons outside the developer's control): full refund to the purchaser.
- Up to 10% complete: developer keeps 10% of the contract value.
- 10% to 30% complete: developer keeps 15%.
- 30% to 60% complete: developer keeps 25%.
- Over 60% complete: developer keeps 40%.

If the purchaser has paid 60% or more of the price, ADREC can decide the amount on a case-by-case basis instead of using the standard table.

The escrow trustee refunds both parties within 15 working days. Any money the developer collected outside the escrow account in breach of the law must be repaid within 30 days, and that repayment happens before the developer gets anything from the escrow account.

Developer Accountability and Transparency

The barriers to entering the off-plan market have risen significantly, filtering out undercapitalised or non-compliant developers before they can take a single purchaser payment. No person may carry out real estate development activity unless registered in the Real Estate Development Register (the "**Register**") as a main developer or sub-developer. Once registered, each project must be individually registered with the DMT, which annotates the land record to show it is subject to the law and prohibits any disposition of the land without DMT approval. A unit cannot be sold off-plan unless all six conditions are met:

- approval from the competent authorities;
- deposit of the development plans with the Register;
- proof that the developer holds title or contractual rights to the land;
- proof of possession;
- an opened escrow account; and
- DMT approval of a disclosure statement showing all data about the unit and the project.

Law No. 2 of 2025 broadened the definition of "Real Estate Activities" to cover development, sale, purchase, survey, registration, valuation, rental, management, operation, and brokerage. Anyone engaging in these activities must hold a licence from the DMT. No person may act as a developer, broker, auctioneer, valuer, or surveyor without a licence. Anyone who does so is not entitled to any fees or profits from the work and must repay anything received. Under Article 42 of Decision 25/2025, before signing a purchase contract for a unit sold off-plan, the developer must provide the purchaser with a signed written disclosure statement containing specified information about the building or project, land uses, estimated budgets, service fees, and timelines. The developer is responsible for the accuracy of this information. If any information is found to be materially inaccurate or incomplete within two years from the date of transfer of the unit, the developer is liable to the purchaser for any resulting damages, whether the unit was purchased directly from the developer or from a previous purchaser. Developers cannot advertise off-plan units through any media or participate in exhibitions without prior written permission from the DMT.

If a broker is used, a written brokerage contract must be deposited with the DMT for registration.

Practising without a licence carries imprisonment of up to six months and a fine of AED 50,000 to AED 200,000. Operating as an unregistered developer, submitting false documents, marketing fictitious projects, or misusing escrow funds can draw administrative fines of up to AED 2,000,000. The DMT may also delete a developer from the register for bankruptcy, failure to start construction within six months of approval, or breach of real estate laws. Re-registration is barred for 12 months after deletion.

A developer cannot enter the Abu Dhabi off-plan market casually. The combination of mandatory registration, project-by-project approval, licensed activity requirements, statutory pre-sale disclosure with two-year liability, marketing permits, and significant penalties creates multiple regulatory gates. Developers who are undercapitalised, non-compliant, or unwilling to operate transparently are filtered out before reaching purchasers. For purchasers, every developer selling off-plan has passed through all of these gates, and the disclosure statement provides a statutory record against which the delivered unit can be measured.

Governance After Delivery: Owners' Committees and Shared Property

The amended law replaces the former "Owners' Union" model with a more clearly defined Owners' Committee framework. Decisions 25 and 26 of 2025 give that framework practical effect by regulating three key areas:

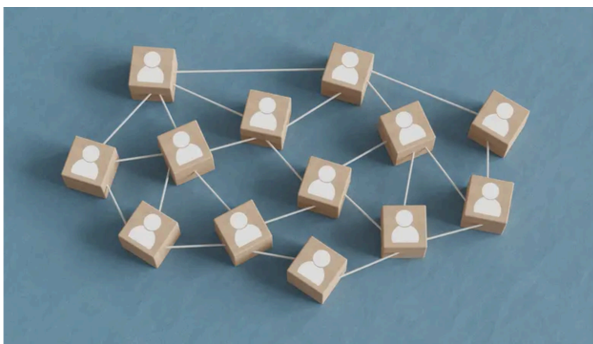
- the formation and governance of owners' committees;
- the appointment and oversight of management companies; and
- the approval and control of service fees.

Under Decision 26/2025, an Owners' Committee must be formed once not less than 30% of the total number of real estate units in a development project are registered in the names of multiple owners. The developer is expressly excluded from membership, even where it holds unsold units. Members are selected through fully electronic voting, with each unit owner entitled to one vote regardless of the number or area of units owned.

The management company must provide an electronic application or platform for nominations and voting, accessible to all unit owners without restriction. Voting results are counted and issued electronically without human intervention, and membership is awarded to the top candidates obtaining the highest number of votes, provided each receives no less than 5% of the total votes. ADREC must approve the constitution of the Committee and its members before they can be announced. Membership carries a two-year term, and no member may receive any allowance or financial remuneration for their service.

The Owners' Committee's role is oversight and representation, not direct management. It may propose or advise on the selection of management companies, review annual budgets, and submit recommendations to ADREC, monitor the performance of the management company, follow up on complaints from unit owners, and notify ADREC or the developer of defects requiring urgent remedy. It is prohibited from intervening in functions not legally assigned to it. The Committee must meet quarterly, with its first meeting within 15 days of ADREC's approval of its constitution. Meetings may be held using visual electronic communication means, which count as actual attendance for quorum and voting purposes.

ADREC retains broad authority to supervise and follow up on all matters related to the constitution and work of Owners' Committees, including the power to dissolve a committee or revoke or suspend the membership of any member at any time and without stating reasons. In the event of dissolution, a new committee must be reconstituted within 60 days.



Under Decision 25/2025, the developer must appoint an ADREC-accredited management company within 30 days of delivery of the first real estate unit to its owner. The appointment agreement is capped at three consecutive years unless ADREC approves a longer term and must include an express clause allowing the developer to terminate without recourse to the courts if the management company breaches its obligations and fails to remedy the breach within 30 days of written notice. The management company must provide ADREC with a periodic report every six months on the management of the jointly owned properties, common areas, and maintenance works. ADREC may require management companies seeking accreditation to provide a bank guarantee or professional indemnity insurance to secure against damage from negligence or default.

Service fees require approval from ADREC after the Department's approval; any fees imposed without such approval are unlawful, have no legal effect, and may not be collected, with the payer entitled to recover them. Annual service fees must be payable in monthly or quarterly instalments; the owner may not be compelled to pay in a single lump sum. The management company holds a preferential right over the unit and its appurtenances for the collection of service fees, which survives a change of ownership and transfers to the new owner as of the date of transfer. Where service fees remain overdue, ADREC may restrict the real estate unit's register, preventing any disposal of the unit until the due amounts are paid. Service fees must be deposited into a dedicated bank account and may not be used for any purpose other than managing, operating, maintaining, and repairing the common areas and service facilities. The developer bears all costs and expenses relating to a unit, including service fees, accruing before handover, and must maintain and preserve all books, documents, and records required under the law and the applicable management systems. The developer also bears all costs related to the repair and rectification of defects in the building, common areas, or units in accordance with statutory warranties, and may not pass those costs on to the management company or unit owners

Mortgage and Project Transfer Protections

The amended law addresses a key risk in off-plan transactions by creating a framework that balances the rights of secured creditors with the protections afforded to purchasers. In particular, it reduces the exposure buyers previously faced when a developer's financial distress led lenders to enforce their security.

Under Article 52 of the Real Estate Sector Regulation Law, the buyer of an off-plan unit may pledge their contractual right to the unit as collateral to settle the sale price, provided the unit is registered in the Interim Real Estate Register, and the mortgagee pays the debt amount directly into the project escrow account. This provision integrates mortgage financing into the escrow protection framework rather than allowing it to bypass it.

Article 54 of the Real Estate Sector Regulation Law, as replaced by Law No. 2 of 2025, sets out the enforcement mechanism. If the mortgagor, its guarantor, or any successor fails to pay the debt, the judge of summary matters must, upon the mortgagee's request, issue a decision to sell the mortgaged property through public auction following legally prescribed procedures.

Crucially, where the mortgaged property is the land of a real estate development project under construction, the competent enforcement judge may decide to restrict the sale procedures exclusively to developers registered with the Department. When this occurs:

- The mortgagee's debt is paid from the sale proceeds.
- Any remaining proceeds are deposited into the project escrow account.
- The new developer replaces the previous developer in all rights and obligations of the project, including the obligation to complete the construction works and deliver the sold units to their buyers.

This is the cornerstone of the project transfer protection. The off-plan purchaser's contractual right to the unit is not extinguished by the developer's default to its lender; instead, the obligation to perform under existing sale agreements passes to the acquiring developer as a statutory condition of the sale.

Article 26 of the Real Estate Sector Regulation Law provides a parallel protection where the developer fails to complete the project outside the mortgage enforcement context. The account trustee, following approval from the Department, must take measures to preserve the rights of depositors and ensure completion, including by arranging for the financier or another developer to complete the project. If no completion solution is found within six months, the remaining escrow funds are distributed to depositors in a prescribed order of priority under the Department's supervision. Article 17(3) of the Real Estate Sector Regulation Law, as replaced by Law No. 2 of 2025, establishes a structured termination process that also engages mortgagee rights. Where a purchaser defaults on an off-plan sale agreement, the developer must notify both the purchaser and, if applicable, the mortgagee creditor via notary public or registered mail, demanding cure within 60 days. The Department is notified after 15 days from the date of notification to the purchaser or mortgagee. If no amicable settlement is reached, the developer may terminate the contract, and the Department may remove the purchaser's name from the Interim Real Estate Register and permit resale after 30 days, with proceeds deposited into the escrow account. The developer may deduct a portion from the amounts deposited by the purchaser proportionate to the breach and the project's completion percentage, as specified by Decision 165/2025.

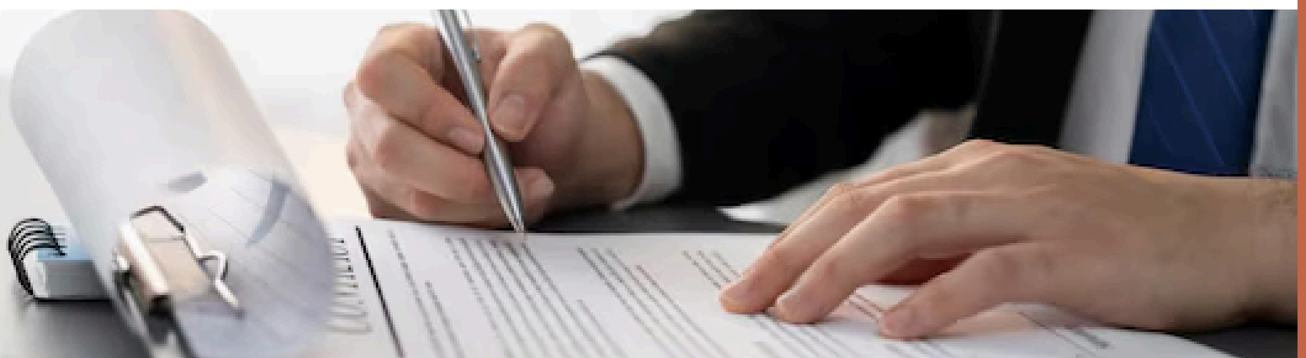
Decision 25/2025 confirms that the management company's preferential right over a unit for unpaid service fees operates without prejudice to the rights of a mortgagee creditor in respect of mortgaged real estate units. This preserves the mortgagee's priority ranking while ensuring that service fee obligations remain enforceable against the unit and survive a change of ownership. Article 57 of the Real Estate Sector Regulation Law provides that a mortgage registered under the Law has binding force against third parties and constitutes a writ of execution enforceable before the competent execution judge. This statutory enforceability underpins the willingness of financiers to extend mortgage credit against off-plan units, knowing that their security interest is both registered and directly executable.

Market Implications and Practical Takeaways

The reforms represent a coordinated statutory intervention across the full lifecycle of an off-plan project. For each stakeholder group, the practical implications are distinct.

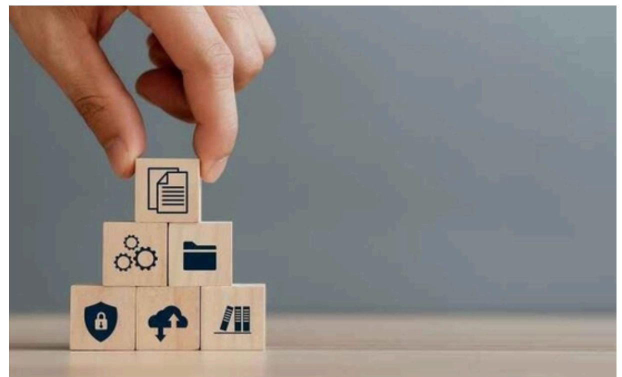
For developers, the reforms raise the compliance threshold for entering and operating in the off-plan market. The main practical implications can be grouped as follows:

- **Market entry and licensing**: Registration on the Real Estate Development Register is now a precondition to marketing or selling off-plan units. In addition, the expanded definition of regulated real estate activities means that surveying, valuation, brokerage, and property management each require separate licensing.
- **Upfront funding requirements**: The 20% escrow threshold requires developers to self-fund, or secure construction financing for the earliest phase of a project before escrow funds can be drawn down.
- **Restricted early access to escrow funds**: Early disbursement is available only to developers with a four-year track record, three completed projects, and a clean compliance history, and only against a bank guarantee of at least 20% of construction costs that remains in place until full completion or 60% progress.
- **Contract updating**: Existing standard-form off-plan sale agreements should be reviewed to ensure that termination and compensation provisions align with Article 17(3) and Decision 165/2025, which replace broad contractual forfeiture provisions with a statutory graduated scale.
- **Disclosure risk**: Developers should ensure that disclosure statements and project documentation are complete and accurate, given the two-year liability window for materially inaccurate or incomplete pre-sale information under Decision 25/2025.



For purchasers, the reforms replace a largely contractual risk allocation model with a statutory protection framework that applies throughout the life of the project. The key protections are as follows:

- **Escrow protection before completion**: Purchaser payments must be held in a project-specific escrow account and cannot be used for land costs or broker commissions. Funds cannot be disbursed until at least 20% of the construction works have been completed.
- **Greater certainty on purchaser default**: Decision 165/2025 replaces uncertainty with a graduated compensation scale. If the project has not started, the purchaser receives a full refund. Once construction has begun, the developer may retain only a defined percentage linked to the stage of completion, capped at 40% even where the project is more than 60% complete.
- **Mandatory refund timelines**: Refunds from escrow must be made within 15 working days, creating a clearer and faster repayment process.
- **Limits on unilateral forfeiture**: Developers can no longer rely on open-ended contractual forfeiture provisions; termination and retention are now governed by statute.
- **Post-delivery governance rights**: After completion, purchasers gain statutory rights through the Owners' Committee framework under Decision 26/2025, including the ability to review budgets, monitor management company performance, and escalate complaints to ADREC. The developer is expressly excluded from committee membership.



For financiers, the amended mortgage framework provides a clearer statutory basis for secured lending against off-plan units. Its main practical implications are as follows:

- **Priority on enforcement**: On an enforcement sale, the mortgagee's debt is paid first from the sale proceeds.
- **Continuity of project obligations**: The acquiring developer assumes all obligations to complete the project and deliver units to existing purchasers. This means the purchaser's contractual rights are not extinguished by the original developer's default to its lender.

- **Preservation of mortgage security**: The management company's preferential right in respect of service fees operates without prejudice to the mortgagee's security.
- **Improved credit analysis**: Taken together, these features reduce the risk profile of off-plan mortgage portfolios and provide a stronger statutory foundation for the tracing and enforcement of security interests that might previously have depended more heavily on contractual drafting.

For legal practitioners, the reforms introduce new regulatory touchpoints at every stage of an off-plan transaction. The main practical implications can be grouped as follows:

- **Due diligence**: Practitioners should verify the developer's registration on the Real Estate Development Register, review the escrow account structure, confirm compliance with the 20% threshold or the bank guarantee alternative under Decision 24/2025, and assess the accuracy of pre-sale disclosure statements in light of the two-year liability period.
- **Contract drafting**: Off-plan sale agreements should be updated so that termination and compensation provisions align with Article 17(3) and Decision 165/2025.
- **Post-completion matters**: Advisers should address Owners' Committee formation under Decision 26/2025 and the appointment of an ADREC-accredited management company within 30 days of delivery of the first unit under Decision 25/2025.
- **Regulatory engagement**: ADREC's expanded supervisory powers, including the authority to dissolve committees, remove members, and oversee management company appointments, mean that regulatory involvement now extends beyond licensing and registration into the operational governance of completed projects.

Conclusion

Abu Dhabi's real estate reforms are not minor adjustments. Law No. 2 of 2025 and its four implementing decisions replace contractual uncertainty with statutory clarity across the off-plan lifecycle, from registration and escrow protection to default, cancellation, mortgage enforcement, project transfer, and post-completion governance.

For developers, the reforms mean higher compliance thresholds but greater legal certainty and purchaser confidence. For purchasers and advisers, they provide statutory protections that previously depended on contract terms or litigation.

For financiers, they offer a clearer basis for risk assessment and enforceable security that survives developer default. More broadly, the reforms show Abu Dhabi's intent to compete on regulatory quality as well as market activity.

Whether the framework delivers in practice will depend on consistent enforcement, ADREC's operational capacity, and how the regime responds to distressed projects at scale. But the legislative architecture is now in place. Abu Dhabi's off-plan market has moved from risk allocation by bargaining power to risk allocation by statute.

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