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REAL ESTATE TOKENISATION IN THE UAE: STRUCTURING AND REGULATORY CONSIDERATIONS

Real estate tokenisation is not only a technology solution. It is a legal and commercial structure through which rights connected to an underlying real estate asset are represented digitally and made available to investors in smaller, more flexible units. The legal work behind such a project is therefore not limited to the creation of tokens. It requires a clear analysis of the asset, the rights being offered, the issuer, the platform, the investor base and the regulated activities that may arise at each stage of the structure.

A well-structured project should answer three questions at the outset: what does the token represent, who is responsible for the underlying asset and income stream, and how will investors acquire, hold, transfer and enforce their rights? These questions are central to any UAE real estate tokenisation project, whether the structure is established onshore, in a financial free zone or through a combination of entities.

WHAT IS TOKENISATION?

Tokenisation is the process of converting rights in, or claims to, an underlying asset into digital tokens recorded on a distributed ledger (also known as a blockchain) or other digital infrastructure. The token is not the asset itself. It is a digital representation of the rights created around that asset and should be supported by clear legal documentation.

Those rights may take different forms. A token may represent a fractional ownership interest, a contractual right to receive income, a right linked to shares or units in an asset-holding vehicle, a debt instrument or another agreed economic entitlement. The legal effect of the token therefore depends on the structure behind it, the documents that define investor rights and the regulatory classification of the product.

This is why tokenisation should not be treated only as a technology exercise. The key questions are what the token represents, who owes the relevant obligations to investors, how transfers are controlled, and what happens if the underlying asset is sold, refinanced, impaired or subject to enforcement. In a real estate context, these questions are particularly important because the asset is a regulated physical asset and ownership or economic participation must be aligned with property law, corporate law and any applicable financial services or virtual asset regulation.



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The commercial attraction of tokenisation is that it can make traditionally illiquid assets more accessible, flexible and easier to manage. In the real estate context, tokenisation may allow a property or portfolio to be divided into smaller economic interests, enabling investors to obtain exposure without acquiring the whole asset. It can also support faster transfers, broader investor participation, improved transparency over ownership and distributions, and more efficient administration of investor rights. For asset owners and developers, tokenisation may provide an alternative method of raising capital or monetising part of an asset while retaining control over the underlying property. However, these benefits depend on the legal and regulatory structure being properly implemented, as the token only has value to the extent that it is supported by enforceable rights in the underlying asset or structure.

WHAT IS REAL ESTATE TOKENISATION?

Real estate tokenisation involves the creation of digital tokens that represent rights or economic interests linked to a real estate asset. In practice, a token may provide exposure to rental income, capital appreciation, sale proceeds or other agreed economic benefits. The token itself does not automatically transfer ownership of land or replace the underlying legal documentation. The rights of token holders will depend on the structure adopted and the contractual, corporate or fund documents supporting it.

This distinction is important. A token may represent a share in an asset-holding vehicle, a unit in a fund, a contractual entitlement to distributions, a debt instrument, or another form of economic participation. Each model carries different legal, regulatory, tax, governance and enforcement consequences. Accordingly, the starting point is not the technology, but the legal character of the interest being created and offered to investors.





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HOW A REAL ESTATE TOKENISATION STRUCTURE WORKS

A typical structure separates ownership of the real estate asset from the operation of the tokenisation platform and the management of investor relationships. This separation helps to allocate risk, support governance and allow the business to scale. It also makes it easier to identify which entity owns the asset, which entity issues or arranges the token, which entity operates the platform and which activities may require regulatory approval.

Asset-Holding SPV

The underlying property is commonly held by an asset-holding special purpose vehicle. This vehicle may acquire and hold title to the property, enter into leases, appoint property managers, receive rental income and distribute proceeds in accordance with the agreed structure. Using a dedicated asset-holding vehicle can help ring-fence asset-level liabilities and make the economic link between the property and the tokenised interests clearer.

Where the asset is located in Dubai or elsewhere in the UAE, the structure must also take account of applicable property ownership rules, land registration requirements, restrictions on foreign ownership, mortgage arrangements, leasing arrangements and any approvals required from the relevant land department or real estate authority. These property issues should be addressed before the token economics are finalised.



TopCo

The TopCo usually sits above the operating and asset-holding entities. It may be owned by the founders and, where applicable, strategic or external investors. It may also hold intellectual property, platform technology and shares in subsidiary entities. Founder rights, reserved matters, board composition, funding obligations, transfer restrictions and exit mechanics are often documented at this level through a shareholders' agreement.



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The TopCo is generally not the entity that should conduct day-to-day regulated or operational activity unless this is deliberate and supported by the necessary approvals. Keeping it relatively passive may help preserve a clear distinction between group ownership, platform operations and asset-specific investment arrangements.

OpCo

The OpCo is responsible for the commercial operation of the business. Its role may include operating the technology platform, employing personnel, contracting with service providers, managing investor onboarding, coordinating marketing, and supporting reporting and investor communications. Depending on the business model, the OpCo may also be the entity that applies for, or relies on, any licences or approvals required for platform activity.

Separating the OpCo from the asset-holding vehicle is particularly important where the platform intends to tokenise multiple properties over time. It allows the operating business to remain distinct from each property structure and helps avoid unnecessary contagion between platform-level liabilities and asset-level investment risk.



Issuer or Investment Vehicle

The issuer is the entity through which investors receive their tokenised rights. In some cases, the issuer may be the asset-holding SPV. In other cases, investors may subscribe through a fund, a holding vehicle, a note structure or another investment vehicle. The correct issuer model will depend on the target investors, the intended economic rights, the level of investor control, the proposed transferability of the tokens and the regulatory classification of the product.

This is one of the most important structuring decisions. If token holders receive equity-like rights, voting rights, redemption rights or a right to participate in profits, the product may be treated differently from a token that merely records a contractual entitlement. The offering documents must therefore clearly explain what investors receive and, equally, what they do not receive.



REGULATORY CLASSIFICATION IS THE STARTING POINT

The regulatory analysis should begin with the token and the activities surrounding it. The key issue is whether the tokenised interest is a virtual asset, a security, a fund interest, a derivative, a debt instrument or another form of regulated investment. The answer will affect the licensing analysis, marketing restrictions, investor eligibility, disclosure requirements and ongoing compliance obligations.

In the UAE, this analysis may involve more than one regulator. A Dubai real estate asset may raise issues under property laws and real estate regulation, while the issuance, marketing, dealing, arranging, advising, custody or secondary trading of tokenised interests may trigger financial services or virtual asset regulation. The relevant analysis may therefore involve, among others, the Dubai Land Department, the Real Estate Regulatory Agency, the Virtual Assets Regulatory Authority, the Dubai Financial Services Authority or the Financial Services Regulatory Authority, depending on the structure and where the activities are carried out.

The focus should not be on choosing a jurisdiction in the abstract. It should be on identifying the activities that the project will actually conduct. For example, a passive holding structure will raise different issues from a platform that actively markets investments, provides custody, facilitates secondary trading, accepts crypto settlement or offers leverage. Each activity should be mapped against the proposed entities and the relevant regulatory perimeter.



REAL ESTATE-SPECIFIC CONSIDERATIONS

Real estate tokenisation is different from tokenising a purely digital asset because the underlying asset is a regulated physical asset. The structure should therefore deal with legal title, permitted ownership, property management, leasing, valuation, insurance, financing, maintenance costs, service charges and the mechanics for distributing rental income or sale proceeds.



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Where the property is mortgaged or financed, the lender’s consent and security package may also affect the tokenisation structure. Similarly, if the asset is leased, the lease terms may affect income projections, distributions, investor disclosures and exit assumptions. These matters should be reflected in the investment documentation and not treated as operational details to be addressed after launch.

The treatment of investor transfers also requires careful consideration. Even if a token can be transferred technically, legal transferability may be limited by securities laws, fund rules, property restrictions, platform terms, sanctions screening, know-your-customer checks and investor eligibility requirements. The smart contract mechanics should therefore be aligned with the legal transfer restrictions rather than operating independently from them.

INVESTOR ONBOARDING, AML AND DISCLOSURE

A tokenisation platform should have a clear process for onboarding investors, verifying eligibility, conducting anti-money laundering and sanctions checks, and recording beneficial ownership information where required. These steps are not secondary to the technology. They are part of the legal architecture needed to support a compliant offering and to reduce execution risk.

Investor disclosures should also be tailored to the actual product. Investors should understand the nature of the real estate asset, the rights attached to the token, the role of each entity in the structure, the basis for distributions, the costs and fees, the transfer restrictions, the liquidity risks and the circumstances in which the underlying property may be sold. Where there is no guaranteed secondary market, this should be made clear.





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PLATFORM, CUSTODY AND SECONDARY TRADING

The platform model is a core part of the legal analysis. A platform that only records ownership and provides investor reporting may be treated differently from a platform that arranges subscriptions, holds client assets, provides wallet services, matches buyers and sellers, operates an exchange-style marketplace or permits crypto settlement. Each additional function may introduce a separate regulatory issue.

Custody also needs to be analysed carefully. The structure should identify who controls the tokens, who controls any wallets, whether private keys are self-custodied or held by a service provider, and how lost keys, transfers on death, enforcement events and account freezes will be addressed. These issues should be reflected in the platform terms and investor documents.

Secondary trading is often presented as one of the commercial advantages of tokenisation, but it is also one of the more sensitive regulatory areas. If the project intends to create a market for tokenised real estate interests, the platform must consider whether it is operating a trading venue, exchange, broker, arranger or other regulated service. In many cases, it may be preferable to launch with limited transferability and introduce broader liquidity features only after the relevant approvals and infrastructure are in place.



DOCUMENTATION AND GOVERNANCE

The legal documentation should support the structure rather than merely describe the technology. Depending on the model, the project may require constitutional documents, a shareholders' agreement, subscription documents, investor terms, platform terms, risk disclosures, property management arrangements, service provider agreements, custody arrangements and policies dealing with AML, sanctions, complaints, conflicts of interest and data protection.

Governance arrangements should be clear from the outset. Founders and investors should understand who controls the asset, who may approve a sale, how income is calculated, how expenses are allocated, what information investors receive, how disputes are resolved and what happens if the platform operator, issuer or asset-holding vehicle becomes insolvent. These issues are particularly important where investors do not hold direct title to the property.



PHASED IMPLEMENTATION

Many real estate tokenisation projects are implemented in phases. An initial phase may focus on establishing the group structure, acquiring or identifying the asset, preparing the investor documentation and using authorised service providers where appropriate. Later phases may introduce additional features such as a wider investor base, crypto settlement, secondary transfers, additional properties, lending or more sophisticated platform functionality.

PRACTICAL IMPLICATIONS

For sponsors, developers and platform operators, the structure should be designed before the token economics are marketed. In practice, this means allocating each function - asset ownership, token issuance, platform operation, custody, investor onboarding, secondary transfers and distributions - to the correct entity, and identifying which regulated activity each entity may conduct. A failure to map the regulatory perimeter early can result in a structure that is commercially attractive but not launchable without licensing, approvals or restructuring.



Property title and investor rights should not be conflated. A token holder will not necessarily be recorded as the land owner. The documentation should therefore explain whether the investor is acquiring a share, fund unit, note, contractual entitlement or other economic right, and how that right is linked to rental income, sale proceeds, costs, leverage and downside risk.

A controlled launch model is usually preferable. Many UAE projects are likely to be implemented in phases, starting with a limited investor base, restricted transfers, fiat settlement and authorised or regulated service providers before introducing broader investor access, wallet functionality, crypto settlement or secondary-market liquidity. This reduces execution risk and allows regulatory, operational and market assumptions to be tested before the platform scales.



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Transferability needs legal controls, not only smart-contract controls. Even where tokens can move technically, the platform should prevent transfers that would breach investor eligibility, anti-money laundering, sanctions, property, securities, fund or virtual asset restrictions. The smart contract, register of token holders and contractual transfer provisions should therefore operate together rather than independently.

Governance is as important as technology. Investors will look for clarity on who can approve a sale, refinancing or material lease, how valuations are obtained, how expenses and reserves are calculated, when distributions are made, how conflicts with founders or related parties are managed, and what happens if the issuer, platform operator or property manager fails.

Marketing and disclosure should be conservative. Offering materials should describe the tokenised interest accurately and avoid implying that tokenisation itself creates legal title, guaranteed returns or immediate liquidity. Where there is no approved secondary market, this should be made clear, together with any restrictions on resale, redemption, transfers to non-eligible investors and cross-border distribution.

Exit planning should be built into the documents from the outset. The structure should specify whether investors exit through a property sale, redemption, secondary transfer, refinancing, buyback, fund wind-up or sale of the asset-holding vehicle. These mechanics are particularly important where investors are passive and do not directly control the real estate asset.

For cross-border offerings, UAE compliance is only part of the analysis. If the project targets investors outside the UAE, the issuer and platform should also consider local securities, fund marketing, virtual asset, consumer protection, tax and data protection rules in the investor jurisdictions. This is a practical point because digital access can create a wider distribution footprint than the sponsor originally intended.





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CONCLUSION

Real estate tokenisation can provide a flexible way to broaden access to real estate investment and create more efficient structures for fractional participation. However, the legal analysis must begin with the underlying asset and the rights being offered, not with the token itself.

A successful structure should clearly identify the asset owner, the issuer, the platform operator, the investor rights, the transfer mechanics and the regulatory perimeter. It should also address real estate law, financial services regulation, virtual asset regulation, AML, investor disclosure, custody and governance in an integrated manner.

There is no single structure that is suitable for every project. The optimal approach will depend on the asset, the investor base, the proposed activities, the desired liquidity model and the long-term commercial strategy. Early attention to structuring, documentation and regulatory classification reduces execution risk and supports future growth.

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