

# Owning Property in Qatar: Options for Foreign Investors

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March 2017

There is a general prohibition on foreigners (natural or legal entities) acquiring any rights over fixed assets in Qatar, including desert and agricultural lands, and buildings of any type, as set out in Law No. 5 of 1963 'Concerning the Non Allowance of Foreigners to Acquire Ownership of Fixed Assets'.

However, developments in the law since 1963 allow for certain exemptions to this general prohibition, such that non-Qataris may invest and own property in certain designated areas only, and subject to certain restrictions as set out below.

## 2002 Developments

In 2002, Qatar introduced Law No. 2 of 2002 'Regulating Property Ownership of Gulf Cooperation Council Nationals (the "2002 Law") allowing natural persons of Gulf Cooperation Council ("GCC") nations to own no more than three real estate investments in residential areas in Qatar. The three areas specified for freehold ownership by GCC nationals are Lusail, Al Khuraj and Jabal Thailab.

However such investment is subject to the following restrictions:

- The real estate must only be used for residential purposes for either the owner or the owner's family members.
- The floor area of the property must not be more than 3000 m<sup>2</sup>.
- The owner may not transfer the title of property before the expiry of two years from the date the property was registered in the owner's name.

The 2002 Law further provides that where the real estate comprises vacant land, the owner must ensure that construction of the residential property is completed within six years of the land being registered in the owner's name; failure to comply can result in the Ministry of Agriculture and Municipality Affairs having the right to dispose of such real estate, subject to the owner being compensated, to the value of the property at the time that the land was acquired or at the value of the property at the time of disposal, whichever is lower.

In addition, the 2002 Law also affords both natural as well legal GCC persons the right to own real estate in order to practice their vocation or licensed economic activity ("LEA") provided that the real estate be limited in use for the purposes of such vocation or LEA, and that the area of the property is appropriate for such vocation or LEA. The disposal of any property acquired for such purposes is not permitted until such time as the owner has (a) discontinued the vocation or LEA; or (b) relocated the place where such vocation or LEA is being practiced.

Usufruct rights were also afforded to both natural and legal GCC persons under the 2002 Law for purposes of LEA. Usufruct is a legal term which means that the holder of a usufruct, known as a usufructuary, has the right to use the property and enjoy its benefits. Nevertheless such usufructuary will not be an outright owner of the same, it being akin to a leasehold interest but has the effect of discontinuing any rights of the freehold proprietor until such time as the usufructuary

has come to an end.

The 2002 Law also stipulates that individuals who have acquired a GCC citizenship may only own real estate after the elapse of five years from the date of obtaining such GCC citizenship. In order for a company to be considered a GCC legal entity, 100% of the shareholding must be held by GCC persons.

## **2004 Developments**

In 2004, Qatar opened up designated areas of the real estate market to non-Qataris (which for the avoidance of doubt includes GCC nationals) by virtue of Law No.17 of 2004 and the subsequent Cabinet Decision No. 20 of 2004 'Concerning the Organization of Ownership and Use of Real Estate and Residential Units by non-Qataris' (together referred to as the '2004 Law'). The 2004 Law allows non-Qataris, GCC nationals or otherwise, to acquire a freehold interest in lands and residential units in the areas of the Pearl, West Bay Lagoon and parts of Al Khor.

The 2004 Law further stipulates that a non-Qatari may acquire the right of usufruct for a term of 99 years renewable on similar terms in certain specified investment areas. Such investment areas are outlined in the Law No. 6 of 2006 'Setting Terms and Procedures for Usufruct Rights of Non-Qataris in Real Estate and Residential Units', the investment areas being defined as specific zones within Msheireb, Fariq Abdul Aziz, Doha Al Jadeeda, Al Ghanim Al Atiq, Al Rifaa / Al Hitmi Al Atiq, Al Sulda, Bin Mahmoud, Rawdat Al Khail, Al Mansoura/ Bin Dirham, Najma, Umm Ghuwailina, Al Khalifat, Al Saad, Al Mirqab Al Jadeed / Al Nasr, Doha International Airport, Al Qusar / Al Dafna / Onaiza and Lusail / Al Khuraj / Jabal Thailab.

The 2004 Law provides that a non-Qatari's usufruct right will not be recognised unless such right has been registered. A registered right of usufruct is transferable to any heirs and shall terminate upon either of the following:

- The expiry of its defined term.
- Mutual agreement of the parties.
- The destruction of the property.
- The expropriation thereof for the public interest.

## **Foreign Missions**

Non-Qataris are also permitted to own real estate for the purpose of Arab and foreign missions pursuant to Law No. 1 of 1980 'Concerning Regulating the Ownership of Real Estate by Foreign Missions in Qatar'. Foreign missions are defined by law to include regional and international bodies, organisations and agencies. Notwithstanding the foregoing, any such real estate subject to acquisition by a foreign mission has to meet the following conditions:

- The real estate shall be located within the boundaries of the city of Doha.
- The area of such real estate shall not be greater than 4,500 m<sup>2</sup> for each foreign mission, noting that such area may be increased by a resolution of the Emir; and
- The purpose of owning real estate shall be for use as a main office for diplomatic or consular missions, or as a residence for the head of mission.

## **Strata Title**

Whilst primary laws were introduced in 2002 and 2004 to allow foreign ownership of property in

Qatar, it is only in recent years that formal transactions with non-Qataris are more common place. Many developments in the areas specified for foreign ownership comprise off-plan apartments, however a registration system for apartment ownership has yet come into place or be legislated for. Whilst the Real Estate Registration Department of the Ministry of Justice has commenced issuing titles for apartments, it has yet to have in place any system whereby a strata title can be issued to individual apartments and to establish an owners' association for the common use components of the developments.

## **Conclusion**

Interest in the real estate market of Qatar by foreigners arose after the introduction of the 2004 Law and for GCC nationals arose after commencement of the Lusail project, which is a major development related to Qatar's hosting of the 2022 FIFA World Cup. However, with the significant numbers of apartments and compounds being constructed, the development of a strata title law is an issue that the authorities will need to address in the immediate future.