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REAL ESTATE ESCROW ACCOUNTS IN DUBAI

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GUIDE TO ESCROW ACCOUNTS IN DUBAI

Escrow accounts are one of the most important protections for property investors in Dubai and they exist for a reason.

Before 2007, developers could collect money freely and some diverted funds away from construction, leaving projects delayed or abandoned.

Under Dubai Law No. (8) of 2007, every off-plan project in Dubai must have an escrow account registered with the Dubai Land Department (DLD). This system ensures that the money you invest is ringfenced and only released when construction milestones are reached.

What is an Escrow Account?

An escrow account is a secure bank account – that is held and managed by a third party – linked to a specific development project.

- All payments from buyers go into this account.
- The developer cannot touch the money unless construction progress is verified.
- Independent consultant and auditors confirm the work has been done before funds are released.
- The developer must contribute 20% into the escrow account which is used to protect the investors' money.

Escrow accounts hold developers accountable, so investors know their money is being used to build the specific project, and not for something else.

HOW ESCROW ACCOUNTS WORK, STEP BY STEP

- 1 The developer contributes 20% into the escrow account.
- 2 Buyers pay instalments into the escrow account.
- 3 Funds remain locked until certain construction milestones are met.
- 4 An independent consultant inspects progress and reports back to the DLD.
- 5 The DLD approves the release of funds to the developer.
- 6 If a project is cancelled, any unused funds are returned to buyers BEFORE the developer receives their 20%.

FEATURES OF ESCROW ACCOUNTS

- 1 Regulated by the Real Estate Regulatory Agency (RERA) and the Dubai Land Department (DLD).
- 2 Linked to individual projects – not pooled developer accounts.
- 3 Audited and reviewed regularly.
- 4 Transparent — escrow details can be checked online.

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Every Dirham Except...

Every Dirham for a project goes through the escrow except:

- Developer equity or private capital used to fund construction upfront.
- Third-party financing e.g. buyers' mortgages might be routed differently, but they usually still go through the escrow.
- Post-handover payments, after final completion do not typically go through the escrow account.

Benefits for Investors

The main benefit is the protection and regulation. Very tight regulation and strict management around these accounts means they're more than just a regular bank account.

These accounts are actively managed by an escrow trustee at the bank, who is regulated by the Real Estate Regulation Agency (RERA) which is part of the Dubai Land Department (DLD, and every single dirham for construction, must go through the escrow.

Other benefits include:

- Capital Protection – prevents misuse of funds.
- Reduced Risk – payments tied to construction, not “promises”.
- Professional Standards – enforces responsible development.
- Confidence – provides assurance and security to international buyers that are unfamiliar with Dubai.



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The 20% Rule

Before selling off-plan, a developer must qualify by contributing 20% to the project in one of three ways:

1. Deposit 20% into escrow or
2. Provide a 20% bank guarantee or
3. Achieve 20% construction completion

The escrow will be in the name of the project and the proceeds are used exclusively for that project and the developer is paid in stages. These payments are made after the construction.

The 5% Rules

There are two 5% rules:

1. 5% budget allowance for marketing
2. 5% of the money must be retained for 12 months post-handover, to cover defects.

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If a Project is Cancelled

The escrow system prevents misuse of buyers' money, and it ensures buyers' money is only used for their project, and not for the developer's other projects or their liabilities.

Importantly, buyers' money is protected and developers' creditors cannot access the money if there's a default or an insolvency situation.

If a project is cancelled, buyers are refunded from escrow first and any developer equity / bank-guarantee release is last.

Benefits for Developers

- Allows them to demonstrate financial discipline.
- Allows them to build trust with investors, which improves sales.
- Strengthens credibility with banks and regulators.

How to Check if a Project Has an Escrow Account

- Visit the Dubai Land Department (DLD) website or use the Oqood system.
- Ask the broker or developer for the escrow account number.
- If they hesitate, it's a red flag.

Violations

When it comes to violations the penalties are severe.

Any misuse of escrow funds or fraud will result in a fine and possibly jailtime, and marketing, selling or launching unregistered off plan projects will result in a fine of AED 500,000 per violation.

Serious breaches or repeated offences could result in the developer or brokers' licenses being revoked and removal from the registry.

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Matt's Guidance

For more than 20 years I have discouraged people from putting money into projects that are not structured properly and carry too much risk for investors, and time after time I have been proven right. A glossy deck means very little if your money isn't protected!

The Dubai escrow account system gives buyers serious protection and if you pay money to a developer without paying it into a registered escrow account, your money could be seriously at risk because it's just an unsecured loan and you are just an unsecured creditor.

I only recommend off-plan projects with properly registered escrow accounts and the first thing anyone should do when they review a project is check that the developer and the escrow are both properly set up and registered. Without this, you could accidentally hand over money without proper security, and this is why due diligence matters, and why most of my work with clients starts by validating structures, not chasing headlines.

The system in Dubai has come a long way in the last 10-15 years and you can expect the regulators to enforce compliance, because the UAE is serious about reaching its goals.

Real estate in the UAE is all about attracting foreign investment, and to do that successfully, you need the best possible systems, which is precisely what they've built, and the golden rule is, only ever pay into an escrow account.





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Summary Checklist for Investors

- ☒ Is the project registered with DLD?
- ☒ Does it have a verified escrow account?
- ☒ Which bank is holding the escrow?
- ☒ Who audits and approves fund releases?
- ☒ Are construction milestones realistic?

Closing

Escrow accounts are one of the main reasons Dubai's off-plan market has matured into one of the safest in the world. But like everything in real estate, the system is only as strong as the checks you make before you invest. If you'd like me to review an off-plan project for you — or show you how to structure your investment safely — reach out and let's speak.

A handwritten signature in blue ink, appearing to be 'MS' or 'Matt Siddell', located at the bottom left of the page.