

# **GCC Branded Residences:** Legal Architecture, Structural Fault Lines and Next Generation Designs for Saudi Arabia and the UAE

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# Introduction

Branded residences have become a core feature of the GCC's hospitality and real estate landscape. In Saudi Arabia and the UAE, they now sit at a point where international hotel operating models, jointly owned property (“**JOP**”)/strata governance, consumer protection and financing structures converge.

Most projects follow a familiar pattern: a global operator's hotel management and residence templates are adapted for a co-located or standalone branded product and then overlaid onto local JOP frameworks. The documents can be technically robust, but the harder question is whether the underlying structure is durable under (i) Saudi Arabia's Regulation of Ownership of Real Estate Units and its Implementing Regulations, driven by the Real Estate General Authority (“**REGA**”), and (ii) the

UAE's more mature strata practice, particularly Dubai's regulated management company model under Law No. 6 of 2019.

Our view is that the next generation of branded residences in Saudi Arabia and the UAE will be won by jurisdiction first design. Sponsors and operators should stop treating local governance rules as an overlay and start treating them as the operating constitution of the asset, because that is how regulators, unit owners, lenders and institutional investors increasingly experience them.

This article explores (i) the standard GCC branded residence architecture, (ii) structural fault lines that repeatedly emerge in live deals, and (iii) design themes for “next generation” structures that are more bankable, more regulator resilient and better aligned with owner and operator expectations.



# 1. Standard GCC Branded Residence Architecture

## 1.1 Real Estate Platform: SPV, Subdivision and JOP Governance

Most GCC branded residence projects adopt a similar real estate platform:

- A single purpose project company (“**SPV**”) holds the land and develops a mixed use scheme comprising a branded hotel (where applicable), a branded residential component and shared infrastructure.
- The scheme is subdivided into a hotel component unit (if there is an adjacent hotel), individual residence units sold to third party purchasers and common areas.

In Saudi Arabia, subdivision and joint ownership are governed by the Regulation of Ownership of Real Estate Units and their Subdivision and Management and its Implementing Regulations issued under REGA (together, the “**Saudi JOP Regulation**”). The Saudi JOP Regulation requires, among other things:

- the establishment of an owners’ association (“**OA**”) where there are three or more jointly owned units, with independent legal personality and financial responsibility; and
- registration of the OA and its bylaws with REGA, with OA registration being a condition for the OA to acquire legal capacity.

The Implementing Regulations also provide for REGA supervision of OAs, registration of JOP plans and bylaws, and standardised rules on cost sharing and enforcement.

In the UAE, jointly owned property is governed at both federal and emirate level. Federal law (primarily the UAE Civil Transactions Law<sup>1</sup>) sets baseline co-ownership concepts (such as rights of co-owners and rules on partition), while for towers, buildings and master communities

<sup>1</sup> Federal Decree-Law No. 25 of 2025 on the Civil Transactions Law has been issued and is scheduled to enter into force on 1 June 2026, replacing Federal Law No. 5 of 1985.

the operative “strata/JOP” rules are emirate level.

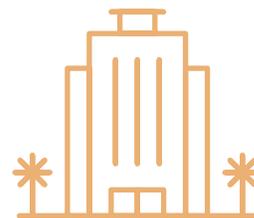
- Dubai Law No. 6 of 2019 Concerning Ownership of Jointly Owned Real Estate in the Emirate of Dubai (the “**Dubai JOP Law**”), which replaced Dubai Law No. 27 of 2007, together with Dubai Land Department/RERA directions and implementing regulations, establishes a structure built around (i) an Owners Committee that represents unit owners in relation to the common parts and (ii) a licensed management company (the “**Management Entity**” or “**management company**”, together referred to here as the “**Manager**”) responsible for day to day building/ community management, budgeting and service charge administration, with regulator oversight. Practically, the Owners Committee has defined oversight, advisory and complaints functions under the Dubai JOP Law and related practice, and does not



operate as an HOA with broad operational powers; the Manager is typically the operational counterparty for service delivery and budgeting.

- Abu Dhabi Law No. 3 of 2015 Regulating the Real Estate Sector in the Emirate of Abu Dhabi (Part 7 – Jointly Owned Floors, Flats and Parts) and its Executive Regulations form the emirate’s strata/JOP regime, including rules on joint ownership, owners associations and building management statements.

In Saudi Arabia, the UAE and other GCC markets, it is common for a developer related entity (or a party selected by the developer) to act as association manager/community manager/Manager, at least in the early years of the project. In mixed use schemes, internal cost allocation “buckets” are then used to distinguish between “hotel adjacent” and “residence only” facilities, with the stability of these allocations over time depending on their transparency and defensibility under local rules and owner scrutiny.



## 1.2 Hotel Management Stack (Where There Is A Co-located Hotel)

Where a branded hotel sits alongside the residences, it is usually operated under a long form hotel management agreement (“HMA”) with a global operator. The HMA is typically supported by:

- a technical services agreement for design and pre opening;
- an international services or “above property” services agreement;
- a trademark licence and royalty agreement for use of marks and brand systems; and
- insurance and lender non disturbance arrangements.

HMAs and related documents typically:

- give the operator extensive discretion and control over day to day



- operations and (where applicable) a hotel run rental programme;
- require the owner to construct, maintain and refurbish the hotel to system standards, often through defined FF&E and building reserve mechanics;
- constrain leverage and impose DSCR and “qualified mortgage” conditions; and
- restrict security over hotel operating accounts and reserves, while requiring non disturbance undertakings from mortgagees.

These protections are designed to preserve brand integrity and continuity of operations. The issue for branded residences is not that these concepts exist, but whether the same assumptions can be extended (without adjustment) into a community of unit owners operating under Saudi or UAE JOP rules.

### 1.3 Residential Brand and Services Stack

On the residential side, operators rarely contract directly with unit owners or (in Dubai) the Owners Committee. Instead, the brand relationship is typically mediated through a set of residential agreements, often including:

- a residential marketing and licence agreement granting rights to use marks in sales and marketing;
- a residential pre-opening agreement;
- a supervisory or residential management agreement under

which the operator supervises service delivery and brand standards; and

- a residence services and facilities agreement (“**RSFA**”) under which a local entity (often the developer, hotel owner or an affiliate) delivers residence facing services.

The RSFA is typically between:

- a “service provider” (often the hotel owner or developer affiliate); and
- the OA (Saudi) or the applicable JOP management body/Manager (UAE), acting for the owners.

Under the RSFA, the service provider:

- delivers agreed services (concierge, security, cleaning of residence common areas, maintenance coordination, etc.); and
- makes certain amenities available to owners (dedicated residential facilities or, if there is a hotel, access to hotel leisure facilities), subject to governance documents.

The supervisory/residential management agreement above the RSFA typically gives the operator rights to direct, supervise and control the delivery of those services and the use of the marks, and to condition ongoing brand association on compliance with standards and payment of fees.

### 1.4 Governance, Service Charges and Brand Protections

The governance documents (being the OA constitution and bylaws (Saudi) or the relevant declaration/building management statement

and implementing instruments (UAE)) are where the real estate platform and the brand stack meet. In practice they:

- establish governance mechanics and the Manager’s role, in line with local law;
- oblige owners to pay service charges and reserve contributions;
- embed brand driven covenants (use, alterations, signage, conduct and quality standards);
- impose use and letting restrictions (often limiting short term letting outside a managed programme); and
- require owners to comply with the RSFA and brand related documents as a condition of ownership.

Service charge structures must then allocate:

- routine common area operating costs;
- capital reserve funding; and
- incremental costs of brand driven services and amenity access, including any management fee charged by the service provider.

In co-located hotel and residence projects, the HMA usually excludes residence service costs from hotel operating deductions, pushing them into residence budgets. In standalone projects, all amenity costs sit within the residential cost base.

### 1.5 Rental Programmes

Managed rental programmes are common in GCC branded residence projects. Typical features include:



- optional participation by unit owners under separate rental documentation;
- centralised management of participating units by the operator or its affiliate;
- pooling of revenue and certain costs across participating units; and
- distribution formulas allocating net income among participating owners and the programme manager/operator.

Governance documents often prohibit short term letting outside the managed programme and prohibit use of brand marks in connection with unregulated rentals, with enforcement being the responsibility of the OA/ Manager.

### 1.6 Financing Overlay

Financing sits on top of this architecture. In broad terms:

- senior lenders are secured over the hotel component and key project rights and/or SPV equity, subject to HMA limits and operator non disturbance protections;
- residence units are sold free of project level security, with purchasers taking subject to OA/JOP and residential obligations; and
- private credit and mezzanine providers, where present, seek additional security (distributions, shareholder receivables and certain governance rights) within constraints imposed by the hotel and residential brand agreements.

Clear separation and allocation of hotel and residence cash flows, including rental programme revenue, is often critical to making this stack bankable.

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*The next generation of branded residences in Saudi Arabia and the UAE will be won by jurisdiction first design.”*





## 2. Structural Fault Lines and Market Tensions

### 2.1 Operator Distance From Unit Owners

Operators have strong commercial reasons to limit direct exposure to residence owners. Structures are therefore drafted so that:

- the operator's counterparties are the hotel owner and brand/licence entities;
- the OA/unit owners contract with local entities (service provider, developer affiliates, association manager/Manager); and
- hotel and residential documents exclude third party rights for owners and OAs/Owners Committees.

Liability is channelled through multiple steps, so owners' practical claims typically lie against the seller, the service provider and the governance/management structure, not against the brand. This distance is often treated as "standard"; in practice, it is one of the most important structural choices in the deal, because it makes the JOP governance framework and the identity and incentives of the manager central to the asset's long term stability.

### 2.2 De-Branding and Stranded Asset Risk

De-branding is a central risk in any branded residence project. Standard structures typically:

- allow the operator to terminate hotel and/or residential agreements for a wide range of defaults (including governance and regulatory events);
- trigger automatic cessation of brand use on termination; and
- require removal of marks and identifiers.

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*Mapping enforcement pathways early is often the difference between a bankable structure and a fragile one.”*



What is often less developed is a coherent post de-branding regime for the residential platform.

Common gaps include:

- absence of pre agreed “brand neutral” service standards and budgets;
- lack of a framework for appointing a replacement brand or shifting to an unbranded regime; and
- misalignment between lender underwriting (assuming a branded product) and the reality of a de-branded building embedded in brand coded governance documents.

Without conscious design, de-branding can leave owners and lenders with a structurally stranded asset.

### 2.3 JOP Governance and Service Charge Tensions (Saudi Arabia and Dubai in Particular)

In Saudi Arabia, the Saudi JOP Regulation and REGA practice emphasise:

- mandatory OA governance and REGA supervision;
- owner participation and, in many cases, replacement mechanics for managers; and
- principled, transparent cost sharing and enforcement of OA obligations.

In the UAE, especially Dubai, the governance reality is shaped by:

- regulator expectations on service charge budgeting, registration and reasonableness;
- the licensing and role of the Manager as the operational management company; and





- the fact that the Owners Committee represents owners but does not run operations like a US style HOA.

Against this, many branded residence templates:

- entrench developer related managers or service providers for long periods with limited contestability;
- apply cost allocations driven by brand economics rather than statutory principles; and
- embed extensive brand controls that can be difficult to reconcile with evolving regulatory and owner expectations.

The risk is not only formal compliance; it is long term friction: service charge disputes, contested budgets, weakened collections and ultimately pressure on service levels and brand continuity.

## 2.4 Rental Programme Classification and Consumer Protection Risk

Managed rental programmes that emphasise pooled returns, passive participation and professional management can attract scrutiny, particularly in Dubai and Saudi Arabia, under:

- tourism and building classification regimes;
- real estate investment/collective investment concepts; and
- consumer protection frameworks, particularly in off plan contexts.

Most projects mitigate this by making participation optional and avoiding hard guarantees, but marketing around yields, liquidity and “hands off ownership” remains a fault line as regulators refine their approach to real estate linked investment propositions.

## 2.5 Financing Constraints and Enforcement Planning

HMAs and brand agreements constrain security and control in ways that can conflict with lender expectations, including:

- limits on security over operating accounts and reserves;
- leverage and DSCR tests tied to “qualified mortgages”; and
- non disturbance protections that restrict termination or restructuring.

When mezzanine or private credit is layered in, enforcement planning becomes materially more complex, particularly if enforcement could trigger de-branding or conflict with JOP service obligations. Mapping enforcement pathways early is often the difference between a bankable structure and a fragile one.

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*A simplified, locally optimised suite is easier to implement, easier to enforce and easier to explain to regulators, lenders and purchasers.”*



## 3. Saudi and UAE JOP Regimes: Design Constraints, Not Afterthoughts

### 3.1 Saudi Arabia: REGA's Direction of Travel

Saudi Arabia's Saudi JOP Regulation and implementing framework introduce a more structured joint ownership regime, including:

- compulsory OAs and, where applicable, broader community associations;
- prescribed content for OA constitutions and governance instruments;
- REGA registration, digital platforms (such as Mullak) and supervision; and
- a clearer framework for cost sharing and enforcement.

REGA's increased activity and guidance signal a policy emphasis on governance quality, transparency and consumer protection. For branded residences, this means:

- OA and manager mechanics should reflect statutory handover and replacement rights, rather than "lifetime lock ins" imported from global forms;

- service charge structures and cost allocations should be capable of justification under REGA principles, particularly in mixed use projects; and
- governance and disclosure materials should anticipate increasing standardisation and scrutiny, rather than relying solely on operator forms.

### 3.2 UAE: Strata Maturity and Dubai's Manager Model

In the UAE, strata/JOP regimes, especially in Dubai and Abu Dhabi, are now sufficiently developed such that:

- governance documents and budgets are scrutinised for compliance and reasonableness; and
- the operational role of the regulated Manager (in Dubai) or building management bodies (in Abu Dhabi) is central to service charge administration and service delivery.

Branded residence structures in Dubai therefore need to:

- respect the statutory allocation of functions between Owners Committee and Manager;
- ensure brand protections and service standards are implementable through the Manager channel; and
- design related party arrangements and cost allocations to withstand regulatory and owner scrutiny.



## 4. Next Generation GCC Branded Residence Structures

### 4.1 Calibrate the Operator's Residential Role

Operators can sit along a spectrum:

- purely supervisory (current norm);
- co-manager of residential services with a locally compliant/regulated manager; or
- full residential manager where local law and licensing permit.

In Saudi Arabia and the UAE, each point on that spectrum has implications for licensing, liability, disclosure and enforceability. Future structures should choose consciously where on the spectrum the operator sits and then draft accordingly, rather than relying on a multi jurisdictional template.

### 4.2 Align Governance With JOP Policy and Cost Discipline

Governance documents should be drafted around:

- statutory requirements and regulator guidance;

- credible manager handover and replacement mechanics;
- transparent, defensible cost sharing formulas; and
- owner participation mechanics that reduce the risk of deadlock and non collection.

A practical and increasingly important discipline is to separate baseline building/community costs (statutory/common area operations and reserves) from incremental brand driven "premium" costs (enhanced staffing, brand mandated services, amenity access and brand compliance infrastructure).

This increases transparency for purchasers, regulators and lenders and reduces political friction within the owner community.

### 4.3 Simplify and Rationalise the Document Suite

Many GCC deals still rely on heavily cross referenced global suites where hotel and residence documents

contain overlapping concepts that do not map cleanly onto Saudi or UAE governance mechanics. In practice, we often see better outcomes where parties:

- streamline residence services, supervisory and marketing/licence agreements;
- remove duplicative or inoperable provisions; and
- harmonise definitions and remedies across hotel, residence and governance documents.

A simplified, locally optimised suite is easier to implement, easier to enforce and easier to explain to regulators, lenders and purchasers.

### 4.4 Design A Credible De-branding and Transition Regime

A next generation structure should treat de-branding as a designed transition, not an event. That typically means:

- transparent triggers and cure mechanics;



- interim service continuity and budget discipline;
- a framework for replacement brand appointment or transition to an unbranded regime; and
- coordination with lender non disturbance and enforcement mechanics.

This is a value preservation exercise as much as a drafting exercise.

#### 4.5 Calibrate Rental Programmes and Disclosures

Rental programmes should be designed with a regulator lens as well as a commercial lens, particularly in Dubai and Saudi Arabia, including:

- mapping programme features against tourism/building classification and consumer protection frameworks;
- avoiding characteristics that point strongly toward collective investment treatment (such as guaranteed returns, fixed income promises and overly passive pooled participation);
- aligning marketing narratives with SPA disclosures and risk statements to reduce mis-selling exposure; and
- ensuring the programme's rental mechanics (including rent-setting, escalation and renewals) comply with any applicable rent-freeze, rent cap or rent-control regulations (particularly relevant for properties located in Riyadh<sup>2</sup>), and that the documentation preserves flexibility to adjust pricing and terms as needed to remain compliant.



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<sup>2</sup> See our article published on 29 September 2025: [Saudi Arabia Introduces Rent Controls and Automatic Lease Renewal](#)



## 5. Practical Questions for Investors and Developers

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For institutional investors, private credit funds, developers and operators, the following questions are a useful way to interrogate any GCC branded residence structure:

- Does the subdivision and JOP architecture reflect local law and policy, or is it driven by template convenience?
- Is the operator's residential role clearly defined and calibrated to Saudi/UAE licensing, liability and enforcement realities?
- Are governance and service charge arrangements grounded in REGA principles (Saudi Arabia) and in Dubai/UAE strata practice, with defensible allocations and transparent budgets?
- How robust is the de-branding and transition framework, and how does it interact with lender protections and owner expectations?
- Do rental programme structures and disclosures withstand scrutiny under current and expected regulatory approaches in Dubai and Saudi Arabia?
- Can lenders enforce without triggering de-branding or destabilising the community's service ecosystem?

Branded residences in Saudi Arabia and the UAE require more than copying global forms. They demand structures designed around REGA's governance framework, Dubai's Manager led strata mechanics, local financing realities and the expectations of sophisticated capital. That is where the next generation of GCC branded residence work will be done: not in longer templates, but in jurisdiction sensitive design that makes brand, governance, owner outcomes and bankability reinforce each other over the asset's lifecycle.

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