Maldives Branded Residences – a Buyer's Guide

Beyond the brochure: understanding your purchase

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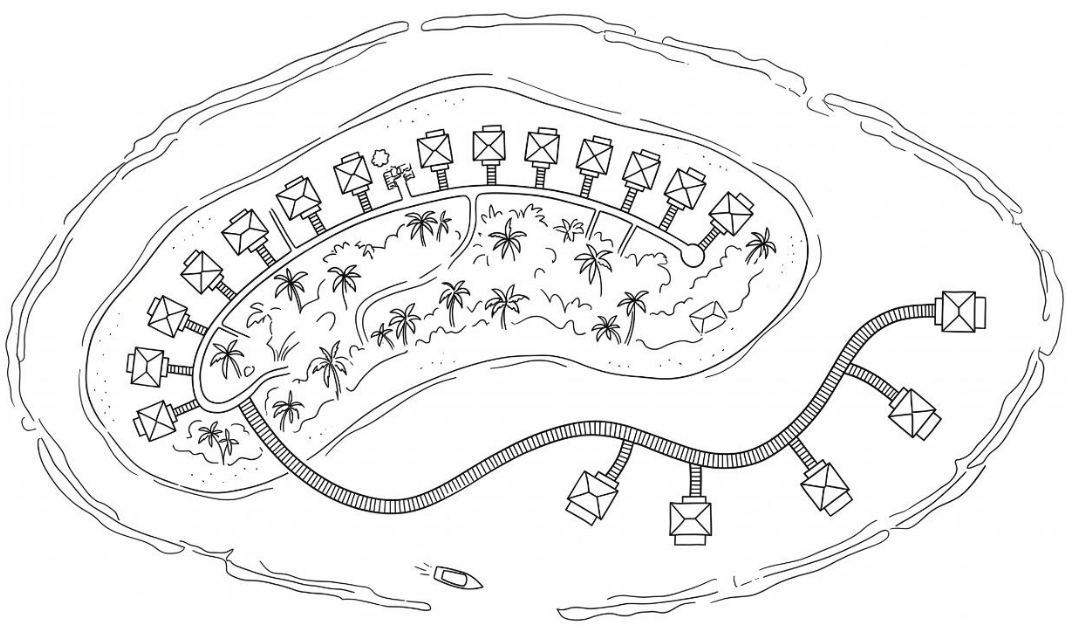

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Foreword

The Maldives has seen a significant rise in sales of branded residences since 2020, driven by growing demand from high-net-worth investors for long-stay luxury properties. The local legal framework governing these transactions is also evolving in tandem.

In addition to choosing a brand and a property to purchase, buyers must also review the transaction documents in detail with legal counsel, prior to a purchase.

This guide is written for prospective buyers, in plain language. Our aim is to explain what you are actually acquiring, the two key agreements that will determine your rights, and the questions worth asking before you commit.

> *A strata villa or residence is marketed as a purchase — but in law it is a long-term lease of a right to use. The brochure sets the expectation; the lease and management agreements determine what you actually get.*

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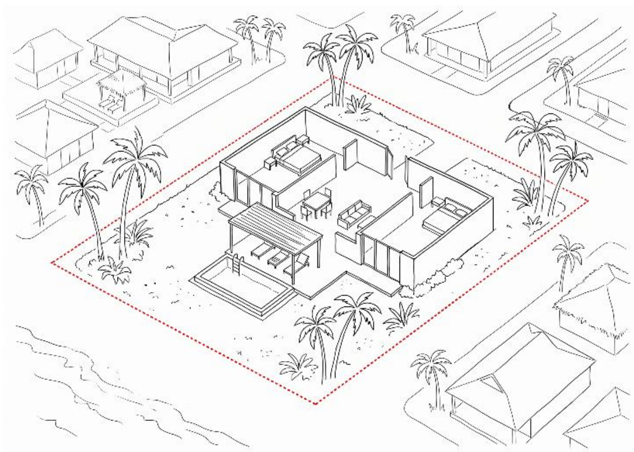
What is on Offer?

The Residence

Buyers are likely to come across a multitude of terms describing branded residences for sale, including '*mansions*', '*private estates*', '*residences*' or more plainly '*villas'*.

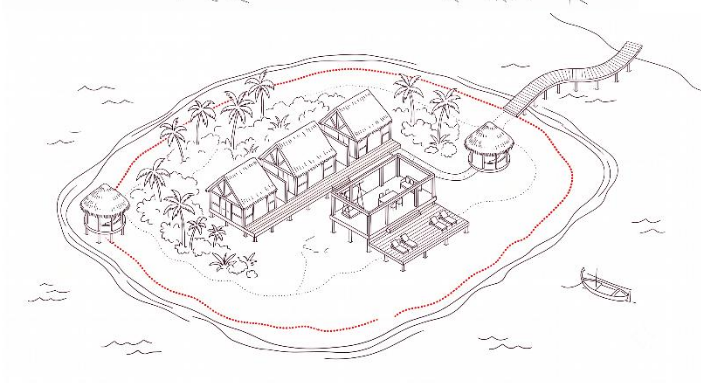
In essence, a branded residence may be one of the following:

Model 1



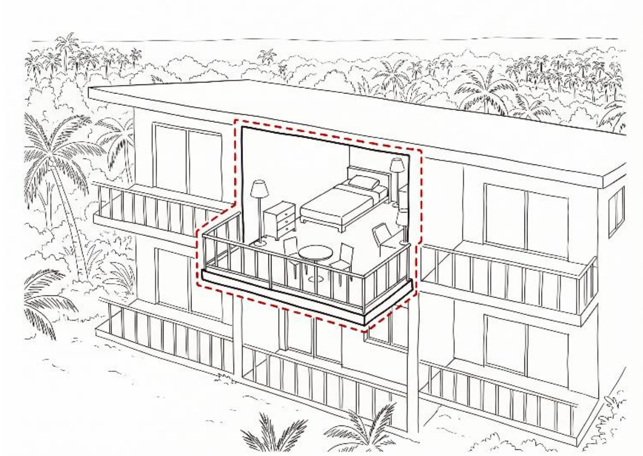
- a designated residence (comprising one or more rooms, plus living space(s), outdoor area(s)) ***located within a resort***, demarcated as a plot; or

Model 2



- a designated residence (comprising one or more rooms, plus living spaces, outdoor area(s)) ***located on a standalone island*** connected to and comprising the resort property; or

Model 3



- a room or an apartment ***within a tourist resort***.

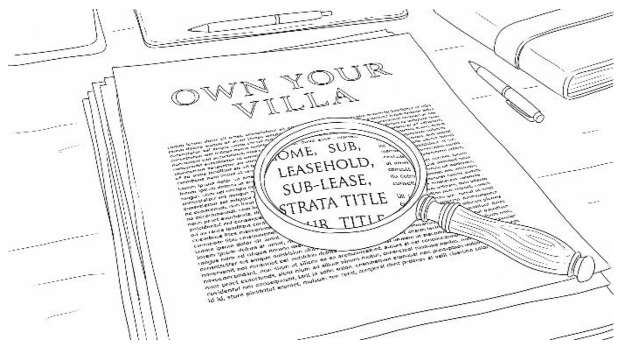
Throughout this guide, we use the term '***residence***' to describe any type of branded or non-branded residence offered under above models.

Sale or Lease?

Almost universally, the marketing language for residences indicates them for 'sale', to 'purchase', 'own' or 'buy', as a headline sales term.

The ownership FAQs are likely to disclose the underlying structure as follows:

- **Leasehold interest**: ownership is a long-term leasehold interest structured as a sub-lease under strata title. Legislation distinguishes these interests as *strata leases*. At present, the Maldives Constitution does not permit foreign ownership of freehold land within the jurisdiction.
- **Subordinate to primary lease**: each tourist resort in the Maldives is leased directly from the Government. This is often referred to as the 'primary' or 'head' lease. The *strata lease* is subordinate to the primary lease.
- **Cap on lease term**: The primary lease will be granted for a period of 50 (fifty) years or extended (at election of the lessee) for a cumulative term of 99 (ninety-nine) years. The term of the *strata lease* cannot exceed that of the primary lease.
- **Restriction on further subletting**: the lessee under a *strata lease* may not further sub-let the residence to a third-party, as this is restricted under applicable law.



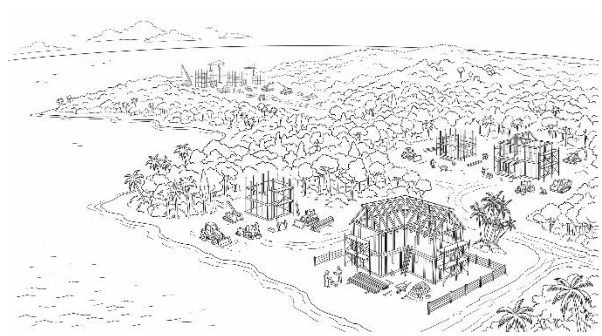
Watch Point: Resorts may, at their discretion, require mandatory inclusion of your residence in their rental programme at the resort. Buyers should be aware of any 'black-out' periods that may affect the availability of their residences.

Off Plan Sales and Reservations

Several developers pre-sell residences 'off plan' while the resort is still under development, with prepayments leading up to the handover of the residence to a buyer. Buyers may be invited to execute a *reservation agreement* with a *lease agreement* to follow.

Buyers should confirm the milestones for payments, and ensure their rights if the resort fails to be completed on schedule, including:

- right to inspect construction progress;
- remedies where a brand withdraws before resort completion/ residence handover; and
- remedies where the resort fails to open.



Watch Point: Applicable law requires the underlying agreement to address a failure by the developer to complete on schedule and handover a residence, however it does not prescribe particular remedies. The buyer's protection depends on what is negotiated in the agreements.

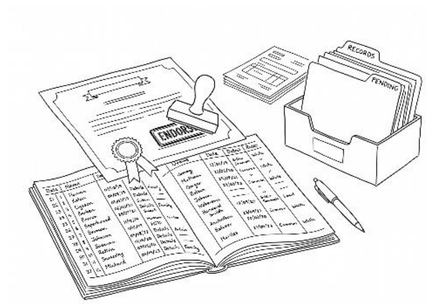
Legislation on Branded Residences

Applicable law

The Tourism Act (Law No. 2/99) and relevant subordinate regulations govern the leasing of residences on strata basis and provides minimum protections for buyers.

The subordinate regulations are updated from time to time to reflect the developments in the branded residences market; therefore buyers should obtain professional legal advice prior to completing their purchase to ensure that they obtain proper title to their residences and relevant protections.

Title to Residence



A buyer’s interest in a residence is recorded and registered at the Ministry of Tourism.

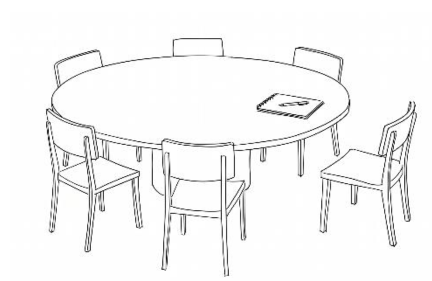
Before the lease agreement is executed, the developer must first register the residence itself, submitting the site plan demarcating the unit.

The Ministry then issues a registration certificate, and the residence is entered onto its official registry. Once this pre-sale registration is complete, the developer and buyer may sign the key agreements (*see next page*) and register the same with the Ministry. The Ministry will then issue a *registration certificate* naming the buyer as the owner of the residence. This second step is what formally registers the buyer's interest over the residence. There is no separate ‘title deed’ in the freehold sense.

Lessee Rights and Protections

At the minimum, under applicable law, a residence owner has the right to access and leave the resort island where their residence is located, and to quiet enjoyment of the residence without interference. Buyers may mortgage their leasehold interest to secure financing, subject to the Ministry of Tourism's prior consent. Buyers have access to standard utilities provided at the resort. Buyers are also entitled to sell or assign their strata interest to a third party, subject to any conditions set out in the key agreements (*see next page*) with the developer.

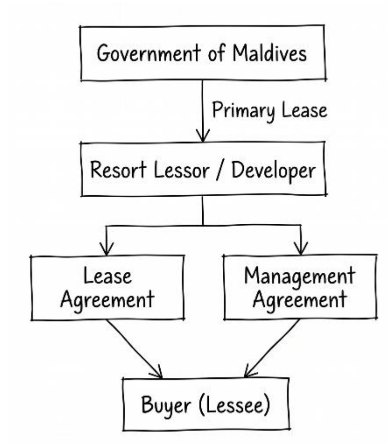
Owners’ Associations



Maldivian law does not require developers to form, or residence owners to be represented by an owners' association. Each residence owner’s relationship with the developer is governed individually, through their own key agreements, rather than through a collective body acting on behalf of owners generally. Some developers elect to establish an owners' association for their residences; where this is done, its administration and governing rules are set at the developer's discretion, rather than being prescribed by law.

Key Agreements

Priority of agreements



Applicable law mandates that the buyer and developer enter into two agreements — a *lease agreement* and a *management agreement*. Neither agreement can exceed the term of the primary lease, and any provision that conflicts with it is void. Understanding this priority matters in practice: a buyer's rights to a residence sit beneath the primary lease.

Reviewing the primary lease's remaining term, status and developer's title forms part of standard due diligence before purchase.

The Lease Agreement

This is the primary agreement governing a buyer's long-term right to lease and use a residence. Developers may sometimes term this as a 'sale and purchase' agreement as well.

This agreement must be registered with the Ministry of Tourism on execution, and must contain certain minimum terms, including: the duration of the lease; the purchase price and payment schedule; identification of the property and the services available to it; the requirement to also enter a management agreement; and a dispute resolution mechanism.

Developers may also include provisions on maintenance standards, and by-laws governing the use of the residence.

> ***Watch Point:*** The lease agreement must not contain any provisions that conflict with the primary lease. Any conflicting clause in the lease agreement is automatically void.

The Management Agreement

The management agreement is intended to operate alongside the lease agreement; applicable law presently does not permit a lease agreement to operate in isolation.

This agreement should contain certain minimum terms on how the property is to be maintained and who bears the cost. Applicable law also states that the management agreement should address usage periods, rental periods, and the division of rental proceeds – though a Developer may require the execution of an additional, separate *rental agreement* to govern these matters.

It is worth noting that, even where a Developer has engaged a manager for the property under a hotel management agreement/ residences management agreement, the Developer remains the relevant counterpart to the management agreement to be signed with a buyer in respect of a residence. Applicable law does not mandate any warranties to be provided by a manager to a residence buyer.

> ***Watch Point:*** Your management agreement is with the developer, not the brand — if the brand licence ends or changes, your residence may lose the name and standards. Confirm what happens to your agreement, usage rights, and rental income if this occurs, as applicable law does not guarantee the brand will remain for the life of your lease.

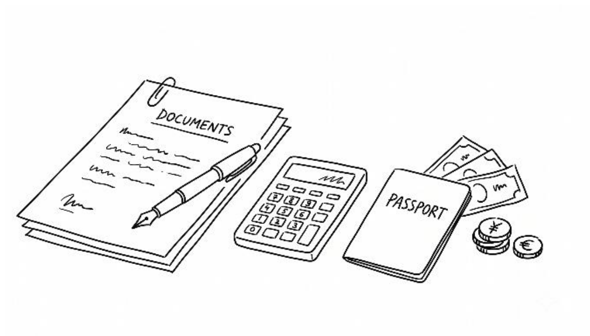
Other Purchase Considerations

Taxes and local structuring

The sale of residences to buyers used to attract goods and services tax, however, as of date of this guide, this no longer applies (though regulatory changes are expected on this front).

For buyers acquiring residences within a special economic zone, a property transfer tax of 4% applies on the transaction. For residence sales in sustainable township SEZ developments, special concessions on this property transfer tax apply - 1% on the first sale, 2% on the first resale, and 4% on any resale thereafter.

Rental income from a resort's rental programme may be taxable — 15% for corporate owners above the MVR 500,000, and 5.5% – 15% for individual owners above the MVR 720,000. Non-resident buyers may also face withholding tax on certain payments. Actual liability depends on the buyer's specific ownership structure.



Residency and Visa Eligibility

Acquisition of a residence may make the buyer, and in some cases their family, eligible for residency in the Maldives, though this is not automatic and depends on the specific project and the buyer's individual circumstances.

Some developments offer resident visas tied to ownership of the residence, in certain cases renewable for as long as the buyer holds their interest.

The residency programs and relevant rules are expected to be updated by the Government in H2 2026. Given the variation between projects and the potential change to the applicable rules, buyers should obtain specific advice on residency eligibility and should not treat any residency benefit as guaranteed by the purchase alone.

Financing

A buyer's lessee rights may be mortgaged to a financial institution, but only with the prior written approval of the Ministry of Tourism and (where the key agreements mandate it) the developer, and the executed mortgage agreement must be registered with the Ministry on signing. Buyers intending to finance their purchase should confirm early in the process whether local mortgage facilities are available for the specific project, and factor Ministry approval timelines into their payment schedule.

Insurance

Buyers are not required to separately insure their residence, under applicable law. Insurance of the property (including residences thereon) is arranged by the developer as part of their obligations under the primary lease, rather than by individual owners. However, the cost of this cover is typically passed on to buyers, in whole or in part, as a contribution collected through the management agreement's service or maintenance charges.

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We have been consistently ranked as a Band 1 commercial law firm in Maldives by **Chambers & Partners**, **IFLR1000** and **Asialaw Profiles**.

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