



## Client Alert

November 2019

### Dubai changes regulation and supervision of jointly owned property

Two new laws aimed at boosting investor confidence in the Dubai real estate sector came into force on 18 November 2019. These are:

- Dubai Law No. 6 of 2019 on the joint ownership of properties (**Joint Ownership Law**)
- Dubai Law No. 4 of 2019 on the Real Estate Regulatory Agency (**RERA Law**)

#### What has changed?

##### 1. Joint Ownership Law

The Joint Ownership Law fundamentally changes how joint owned properties are regulated by the Real Estate Regulatory Agency (RERA) and how common areas are managed.

##### **Management**

In accordance with the new law, the entity responsible for the management of the common areas will now be the developer or management company, depending on the category of the real estate. There are three categories introduced by the Joint Ownership Law:

- (i) major projects, which must be managed by the developer or a property management company appointed by the



developer or RERA (in case the project does not have a developer);

- (ii) hotel projects, which must be managed by a suitable qualified hotel management company appointed by the developer (and approved by RERA); and
- (iii) other projects which do not fall within the category of major projects or hotel projects, which will be managed by a management company approved by RERA.

### ***The end of Owners' Associations***

Owners' associations are no longer responsible for the management of the common areas within the joint property. Management will be undertaken by the relevant management company in line with the building management systems to be put in place for each property. Owners' interests are overseen by an owners' committee and RERA.

### ***RERA's powers***

The new law grants RERA a broad authority to supervise the operation, management, maintenance and repair of jointly owned property, common areas and utilities. RERA may carry out inspections, audit revenues and expenses related to the service and usage charges and request relevant information and documents.

### ***Service and usage charges***

The new law provides that all service and usage fees must be preapproved by RERA and determined based on a budget that is approved by an external auditor.

The entity managing the property is required to open a separate bank account and deposit all service charges within 7 working days from the date of collection. The same obligation applies to usage fees collected by the master developer from the owners or sub-developer.



The management company and developer are also required to use the new Mollak electronic system to invoice service and usage charges.

In the event that an owner does not pay the fees within 30 days of being requested to do so, the managing entity is entitled to enforce the lien over the service fees. This period is significantly shorter than the 3-month period provided under the previous law.

## **2. RERA Law**

The new law amends and restates competencies and the responsibilities of RERA. The most notable changes introduced are:

- Transferring the jurisdiction to regulate matters related to lease contracts (including the registration of lease contracts) from RERA to the Dubai Land Department.
- Adding explicit reference to RERA's responsibility to regulate and supervise the operation, management and maintenance of jointly owned property and common areas and utilities.
- Providing RERA with an express power to investigate and review those complaints filed against persons conducting real estate activities.

### **What does this mean for you?**

All developers, property managers and owners' associations are required to adjust their operations and review their internal processes to comply with the provisions of the Joint Ownership Law.

The Joint Ownership Law provides a grace period of 6 months from the effective date of the new law.

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