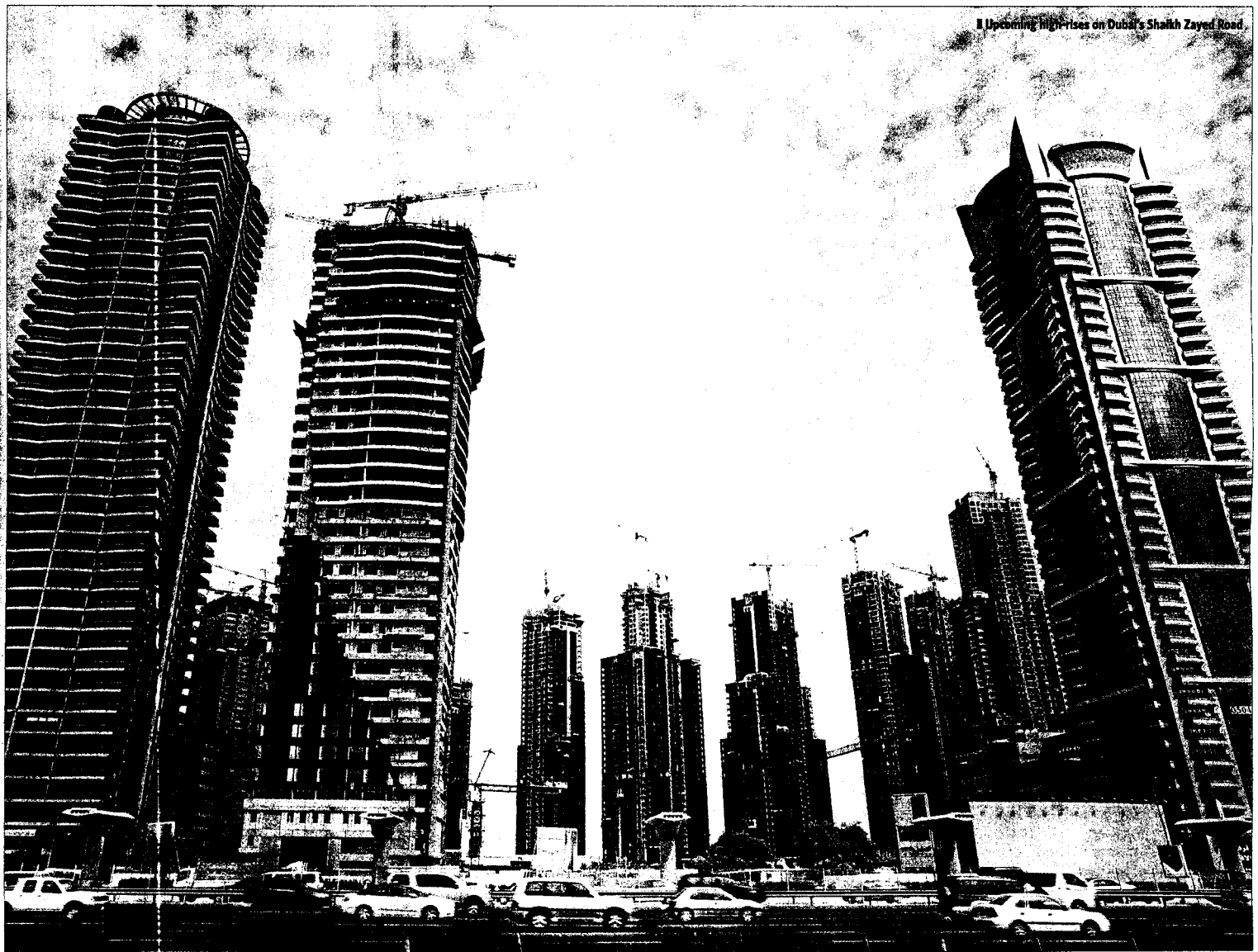


NEED FOR MORE NEW LAWS

■ The recently announced property regulations are steps in the right direction, but there are certain grey areas within the market which still require control by way of specific legal directives



Shahram Safai

THE ESCROW Account Law has served to create much confidence for investors and buyers of apartments, villas and of-

fices in Dubai. Although it has also created some initial confusion for developers as to the procedures and details related to it, overall it has been a very positive step.

I believe it is fair to observe that with every new real estate related law that is announced in Dubai — starting with the Property Registration Law in 2006 — the market seems to be becoming more mature and professional in its dealings.

Confidence increases and more investments are attracted to Dubai. Given such a

background, I would like to review in this article three proposals for new laws that I propose would serve to further enhance confidence in this market — the strata law, the investment fund law, and the timeshare law.

Strata law

The UAE Civil Code (Federal Law Number 5 of 1985, as amended) contains certain provisions with respect to co-ownership of real estate and associations. But such provi-

sions should only serve as a foundation for a much more detailed strata law to be enacted by each emirate including Dubai.

A strata law should generally contemplate the division of property by a strata plan, for example, the registration of apartments in a building. It also extends to the ownership of common property and the rights and responsibilities for the same.

It will also bring within its purview the

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unit entitlements to such common property, the establishment and operation of an owner's association and management committee, the holding of general meetings, elections and voting, and enforcement of the by-laws and fees.

Such a strata law should also contemplate the status of control of the building by the owner-developer prior to the first conveyance. After the first conveyance, the transfer of control and all monies passes on to the first management committee.

Another matter that should be dealt with in the strata law is the establishment of, and contribution to, an Operating Fund and the Contingency Reserve Fund for the building. Insurance matters as well as lawsuits by or against the owner's association should also be addressed.

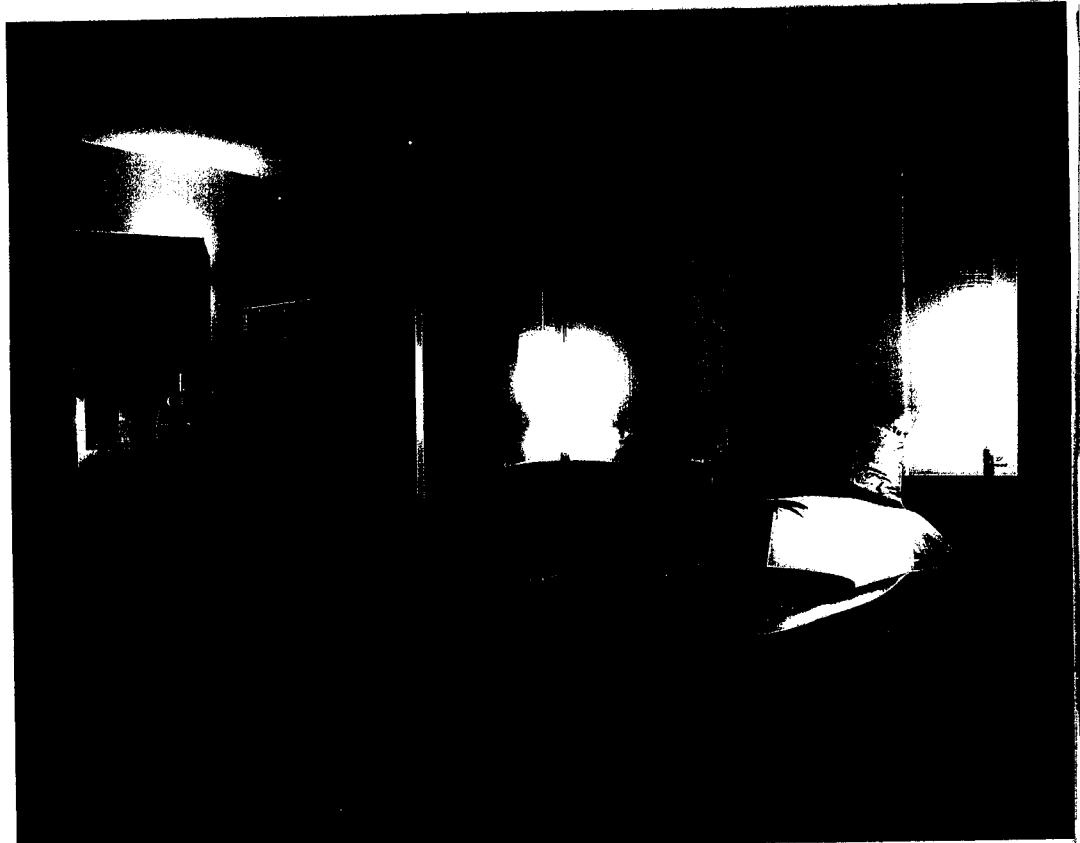
You may be relieved to know that the Real Estate Regulatory Agency (RERA) has the situation well under control. They have already circulated a draft of the new strata law to certain industry stakeholders and have stated the announcement is imminent.

Investment fund law

As the property market continues to offer stellar returns over the longer term (especially in comparison to the more mature markets), more sophisticated investors are increasingly attracted to the region. Many of them are used to investing their funds indirectly through real estate investment funds.

Such an indirect investment by an investor has the advantage of having the invested funds managed by a professional management team which then directly invests in real estate and pays dividends back to the investor on a regular basis.

This is in addition to realising certain capital gains which are paid upon redemption. One of the greatest advantages



With the UAE fast becoming a vacation destination, an improved timeshare law is required to create a conducive environment for the fractional ownership segment of the market

'Although Dubai presently has timeshare regulations that were drafted years ago, I believe it is safe to say that it is in need of some renovation and improvement'

...in the UAE ... some renovation and improvement.

international best practices for the industry with necessary changes to suit the local market. The law should address the following areas: consumer protection, licensing for agents and minimum standards for management of properties, and the amount and usage of membership and maintenance fees