

New rule empowers home owners in Dubai

New rule gives home owner associations control over who maintains their units, service levels and service fees

- By Nicole Walter, Senior Reporter
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Dubai: Dubai's developers have six months to hand control to home owners associations (HOA) since the Land Department added the much-awaited regulations or guidelines accompanying the 'strata law' Wednesday.

"Transparent strata management guidelines are essential to the property market stability and will provide a range of benefits boosting confidence of foreign investors, increasing property values and allow residents to enjoy quality life and peace of mind," said Peter Crogan, chief executive officer at BCS Strata Management Services.

The guidelines, implementing Law No. 27 of 2007 'Concerning Ownership of Jointly Owned property in The Emirate of Dubai', known as the 'strata law', give home owner associations control over who maintains their units, chose service levels and costs and with that control the much-disputed service fees.

Developers now have six months to bring their existing projects under the law, said Gary Budgen, Executive Chairman at PRDNationwide Middle East. As an international strata law specialist he has been assisting with drafting the regulations.

In essence, this means that developers have to register their sub-division plans, defining common areas and private units, as well as create home-owners associations.

"It's a very positive step, but I believe Rera [Dubai's Real Estate Regulatory Agency] is aware that implementation problems will occur which would require adjustments along the way," Budgen said.

Developers could try to prepare documents, such as on common areas, for the handover in their favour rather than that of the home owners, he cited.

Hands-on role

"They could come up with all sorts of tricks, but Rera intends to take a hands-on role, making sure owners are not unfairly treated is a large part of the implementation process," said Budgen.

Indeed, training for HOAs has already started at the Dubai Real Estate Institute and the Land Department's survey department will set rules and guide surveyors when calculating the dimension of units and common area entitlements. Rera will also have the power to temporarily administer a development to deal with owners' breach of 'community rules'.

Once registered with Rera, the HOA takes control and can hold their first board meeting after three months.

"The HOA will be able to scrutinise the services of existing maintenance providers and decide whether to keep them.

"They may be bound by some existing service contracts embodied in the original sales and purchase agreements, but many are shaky," said Budgen.

In addition, he explained, that as the HOA legally didn't exist at the time of service agreements being entered most contracts would be frustrated (invalidated) by the coming into existence of the HOA.

The guidelines clearly set out the rights of unit purchasers in relation to the real estate developer, including the participation in the HOA and those related to services provided and fees, Mohammad Khalifa Bin Hammad, Rera's Director of Real Estate Relations, said in a statement.

"For example, there are provisions to restrict developers' ability to enter into supply agreements on behalf of Owners Associations," he added.

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