

## Dubai's Strata Regime - a new world for developers and consumers



By Alexis Waller

With the new implementing directions for Dubai's strata law (Law No. 27 of 2007) published last month, we reflect on the key features that a fully operational strata regime will bring to the Dubai Property market.

The introduction of Law No. (7) of 2006 "Concerning Real Property Registration" in the Emirate of Dubai was the first step towards bridging the gap between the growth in development and the sophistication of the property law system governing such development, and introduced a system of ownership registration in line with other established world markets.

The implementation of the strata law is the next step in the growth of the property law system as it incorporates apartment ownership (and the ownership of other jointly owned property) within the registration system and deals with the management and maintenance of commonly owned areas.

Put simply, 'strata' title enables the subdivision of a building both horizontally and vertically allowing for the creation of separate titles for each defined area of cubic airspace. As such, under a strata title system, a building that has multiple ownership may be subdivided into defined "units" and "common areas" and a title issued to the owner of each unit.

Key features of the enabling law and regulation are as follows:

- **Legal formation of an owners' association:** This is an association of all the owners of units within the building (or part of the building that has multiple ownership). The role of the owners' association is to manage the operation, repair and maintenance of the common areas within the building to ensure that the building operates and is repaired and maintained to an appropriate standard.
- **Disclosure requirements:** A strong focus has been placed on consumer protection, especially in relation to the sale of units 'off the plan'. The directions aim to substantially increase the level of disclosure required from developers to consumers prior to the entering into of sale and purchase agreements.

This is designed to curb the degree of variation occurring between the promotion/sale and actual delivery of units and ensure that consumers have details of estimated operational charges at the time of purchase.

- **Service charges:** The directions contain approval mechanisms for service charges and the ability for owners' associations to impose monetary penalties on defaulting owners and to have a statutory 'lien' over an owner's unit in respect of outstanding service charges and costs.
- **Supply agreements:** Consumer protection for the imposition of supply agreements on owners' associations. The length and content of such agreements are regulated.
- **Subdivision and management:** Volumetric subdivision and a building management statement to bring together different components of a building are contemplated (useful for mixed use developments). Community management is also provided for.
- **Survey regulation:** Requirements, standards and duties for surveyors and powers for the Land Department to dictate the form of survey plans have been introduced.
- **Transitional provisions:** These are designed to bring existing developments in line with the latest requirements.

The issue of the latest directions represents a significant progression of the ownership and registration system for Dubai's property market. Given the extent of their application, all players in the industry – including developers, investors, consumers, facilities management providers, hotel operators and owners, owners' association managers and banks alike – should ensure that they are fully aware of the implications of these latest developments in ownership rights, developer obligations and management.

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