

# Law No. (3) of 2015 Concerning the Regulation of the Real Estate Sector in the Emirate of Abu Dhabi

**We, Khalifa bin Zayed Al Nahyan, Ruler of Abu Dhabi**

Having reviewed:

- Law No. (1) of 1974 concerning the reorganisation of the Governmental Body in the Emirate of Abu Dhabi and its amendments;
- Law No. (2) of 1971 concerning the National Advisory Council, and its amendments;
- Law No. (3) of 2005 concerning the regulation of real estate registration in the Emirate of Abu Dhabi;
- Law No. (19) of 2005 concerning real estate property, and its amendments;
- Law no. (9) of 2007 concerning the establishment of the Department of Municipal Affairs;
- Federal Law No. (5) of 1985 concerning the issuance of the Civil Transactions Law, and its amendments;
- Federal Law No. (3) of 1987 concerning the issuance of the Penal Code, and its amendments;
- Federal Law No. (11) of 1992 concerning the issuance of the Civil Procedures Law, and its amendments;
- Federal Law No. (35) of 1992 concerning the issuance of the Criminal Procedures Law, and its amendments,
- And based on what was presented to and approved by the Executive Council,

Issued the following Law:

Title (1)  
Definitions  
Article (1)

In application of the provisions of this Law, the following terms and expressions shall have the meanings corresponding thereto, unless the context requires otherwise:

Country	:	The United Arab Emirates.
Emirate	:	The Emirate of Abu Dhabi.
Government	:	The government of Abu Dhabi.
Executive Council	:	The Executive Council of the Emirate.
Department	:	The Department of Municipal Affairs.
Municipality	:	Abu Dhabi City Municipality or Al Ain City Municipality or the Western Region Municipality and any Municipality that may be established in the future in the Emirate.
Competent Entities	:	The Department or the government entity determined by the Department.
Chairman	:	The Chairman of the Department.
Real Estate Register	:	The Real estate register that is established according to the provisions of Law No. (3) of 2005 concerning the regulation of real estate registration in the Emirate of Abu Dhabi.
Real Estate Development Register	:	The hand-written or electronic register prepared for keeping all the data and documents related to real estate development projects.

Initial Real Estate Register	:	The hand-written or electronic register prepared for the registration of all dispositions and judgments related to the real estate units sold off the plan.
Licensees	:	The persons who work in the real estate sector and who are licensed by the Department, and they are the Developer, Broker, Brokers Employee Auctioneer, director of the Owners' Union, Evaluator and Surveyor.
Licence	:	The authorisation issued by the Department which allows the licensees to practice their activities according to the provisions of this Law.
Person	:	The natural or juristic person.
Broker	:	The person who searches, pursuant to a brokerage contract, for a second party to conclude a particular contract and to mediate in the contract negotiations for a commission.
Brokers' Employee	:	The natural person who works for and in the name of the broker to conduct the work of a broker.
Auctioneer	:	The person who is registered with the Department and authorised to sell real estates at auctions.
Surveyor	:	The person who in exchange for a payment determines the dimensions and demarcate the borders of any real estate in order to submit it for registration with the department, except for any person who works for any governmental entity with the same function.

Evaluator	:	The person who gets paid to assess and appraise, or express an opinion on, the value of a real estate and any associated property rights.
Real Estate Development Project	:	The project of constructing multi-storey buildings, or complexes for residential, commercial or mixed purposes and their utilities or the construction of the infrastructure and service facilities in the event of selling vacant lands.
Developer	:	The main developer or the sub-developer.
Main Developer	:	The person who is licensed to practice development works, sell, manage and lease out real estates as a main developer of a real estate development project.
Sub-Developer	:	The person who is licensed to practice development works, sell, manage and lease out real estates in a part of a major complex pursuant to an agreement concluded thereby with the main developer or another sub-developer.
Account Trustee	:	The bank or financial institution accredited by the Department to manage the escrow account of a project according to the provisions of this Law.
Project Escrow Account	:	The bank account for the real estate development project where the amounts paid by the buyers of the real estate units sold off the plan or the loan payments given by the funders for financing the real estate development project , are deposited.



Mortgage	:	A contract whereby the creditor acquires with regard to the mortgaged property allocated for the settlement of his debt, a real right or a contractual benefit whereby he has priority over ordinary creditors and other creditors who are ranked next in order of preference.
Mortgaged Property	:	The real estate, the real right or the contractual right related to a property right, encumbered for the benefit of the mortgagee.
Off-Plan Sale	:	The contract whereby the buyer shall be granted property rights to a real estate unit suggested according to the compound plan and the floor plan.
Real Estate	:	All kinds of real estates including lands, buildings and fixtures and properties by allotment including a real estate unit.
Real Estate Unit	:	The apartments, levels, shops and any part of a house (villa) linked to another house or independent, or a vacant land located in a joint property, whether existing or suggested on the compound plan or the floor plan, and are allocated for a commercial, residential or mixed purpose.
Original Real Right	:	The right of ownership.
Musataha Right	:	A real right that entitles its holder to construct a building or plant a land for others.
Usufruct Right	:	A real right that entitles its holder to use a property that belongs to others and exploit the same as long as it is kept as is.

Long-Term Lease	:	The right of lease of which the initial period is no less than 25 years.
Property Right	:	The original real right, Musataha right, usufruct right and long-term lease right.
Owner	:	The person registered according to the provisions of aforesaid Law No. (3) of 2005 as the owner of the real estate or any of the property rights.
Occupant	:	whoever rents an existing real estate unit or resides or works therein, excluding the owner of the real estate unit or any of the property rights holders.
Owners' Union	:	The Owners' Union formed pursuant to the provisions of this Law to manage and operate the common parts including the repair, maintenance and proper utilisation thereof.
Board of Directors	:	The Board elected by the owners according to the provisions of this Law to manage the Owners' Union.
Director of the Owners' Union	:	The person who is appointed by the developer or the owners' union to manage the daily work of the Owners' Union.
Articles of Association of the Owners' Union	:	The rules and provisions that regulate the Owners' Union.
Plans	:	The compound plan, the floor plan, the model plan and the volumetric plan among other plans to be determined by the Department.
Main Development Plan:	:	The plan which determines the real estate which will be developed by the main developer.

Subsidiary Development : Plan		A subsidiary plan derived from the main plan and determining the real estate to be developed through the sub-developer.
Compound plan	:	The plan which divides the real estate horizontally into two real estate units or more and to common parts.
Floor plan	:	The plan which vertically divides the building or any part thereof as well as the land on which it is located, into two real estate units or more and to common parts, and that by referring to the levels, walls and ceilings.
Model plan	:	The plan which divides the piece of land into many parts without establishing common parts.
Volumetric plan	:	The plan which vertically divides the building or any part thereof as well as the land on which it is located into two volumetric spaces or more without any common parts resulting from such division for the relevant building or land.
Joint Property	:	The whole building or any part thereof, the land or both of them, which is divided into real estate units and a part or more of such building is determined as common parts.
Common Parts	:	The common parts of the joint property, which are allocated to be used by the real estate units' owners and occupants as determined in the floor plan or the compound plan according to the provisions of this Law.

Real Estate Development : Project Completion Certificate	The certificate issued by the Municipality to confirm the completion of the real estate development project according to the licences and plans approved by the Building Permits Department at the Municipality.
Volumetric Space :	The volumetric space shown in the volumetric plan in 3D perspective by using the spatial coordinates.
Service Fees :	The fees imposed by the owners' union on the owners of the real estate units to cover the costs of the common parts management and maintenance.
Compound fees :	The fees imposed by the developer on the real estate development projects for the use of the infrastructure, services or facilities by the owners or occupants as well as the parts and areas owned by the developer in a real estate development project.
Public Services :	Any of the following services: <ol style="list-style-type: none"> <li>1. Water networks or water supply.</li> <li>2. Gas networks or gas supply.</li> <li>3. Electricity networks or power supply.</li> <li>4. Air Conditioning.</li> <li>5. Water cooling.</li> <li>6. Phone service.</li> <li>7. Services related to computer data or TV services.</li> <li>8. Security services.</li> <li>9. Sewage system.</li> <li>10. Rain water drainage.</li> <li>11. Waste or residues removal or disposal system.</li> <li>12. Mail, parcel or merchandise delivery system.</li> <li>13. Any other system or service allocated for enhancing the utilities of the units or common parts.</li> </ol>

Service facilities	:	Water pipes, wires and cables and other facilities including the structural walls, thresholds and ceilings within the perimeter of a particular real estate unit and which may serve other real estate units different than the unit where it is located.
Building Management Regulation	:	The regulation which determines the conditions and obligations related to the management of the building and land covered by the volumetric plan.
Compound Management Regulation	:	The regulation which determines the conditions and obligations related to the management and use of the real estate covered by the compound plan.
Floor Management Regulation	:	The regulation which determines the conditions and obligations related to the management and use of the real estate covered by the floor plan.
Contribution Percentage	:	The percentage allotted to real estate units which shows its share in rights and obligations imposed on all real estate units.

## Title (2)

### The Competencies and Administrative Structure of the Department and the Real Estate Development Register

#### Chapter (1)- Competencies and Powers of the Department

## Article (2)

1. The Department shall have the competence to organise and develop the real estate sector in the Emirate as well as to supervise and control all the matters related to this sector, and coordinate between the municipalities in this regard, and it shall in particular assume the following functions:

- a. Issuing the licences of Brokers, Brokers' employees, Auctioneers, Directors of the owners' union, Evaluators and Surveyors.
- b. Supervising and auditing the management of the project escrow account.
- c. Issuing developers' licences and registering the same in the real estate development register.
- d. Reviewing the plans and documents related to it and register the same in the real estate development register.
- e. Accredite the account trustees who are approved by the Department to operate the project escrow account.
- f. Controlling the compliance of the owners' union with the obligations determined in this Law and its Executive Regulation, including the auditing of the owner's unions' accounts.
- g. Managing and supervising the real estate development register, the Initial Real Estate Register and the Real Estate Register.
- h. Supervising the application and implementation of the provisions of this Law as well as the executive regulations and resolutions issued in implementation thereof.
- i. Enhancing the professional development of the licensees and any person who shall be registered with the Department and providing advices thereto according to the provisions of this Law.
- j. Controlling the compliance of the concerned entities with the obligations determined in the provisions of this Law and its Executive Regulation concerning the promotion and advertising in the real estate sector and the marketing of real estate projects.

- k. Issuing the statistical reports, indicators and specialised researches concerning the real estate sector in the Emirate, including the preparation of the bulletins and statements which serve such researches.
  - l. Preparing and developing the programs which contribute in the activation of the role of the Nationals of the Country in the real estate sector and their encouragement to work therein.
  - m. Implementing educational and guiding programs about the rights and obligations of the concerned parties in the real estate sector in the Emirate.
  - n. Examining customer complaints and working to resolve them.
  - o. Working on the provision of mechanisms to resolve the disputes related to the real estate sector in the Emirate.
  - p. Any other competencies or tasks entrusted to the Department by the Executive Council.
2. The Department may have recourse to any legal person to work under its supervision to exercise any of its competencies and powers determined pursuant to the provisions of this Law. It may as well, assign some or all of its competencies and powers to the Municipalities.

## Chapter (2) - The Administrative Structure of the Department

### Article (3)

The Department shall set the appropriate administrative structure to assume its competencies and powers and exercise its functions pursuant to the provisions of this Law in preparation for its approval by the Executive Council.

## Chapter (3) - The Real Estate Development Register

### Article (4)

1. The Department shall prepare a real estate development register in order to keep all information of any statements or documents related to real estate development projects, including:
  - a. The statements or documents related to the licensees.
  - b. The statements or documents related to the account trustees and the agreements of the project escrow account.
  - c. The statements or documents related to the permits of marketing real estate development projects.
  - d. The details of the main or subsidiary development plans of the real estate development project, including the initial compound plan and the floor plan deposited with the Department.
  - e. Any other statements or documents of which registration in the real estate development register is deemed necessary by the Department.
2. The Department may use the documents kept with the relevant entities in order to implement the aforementioned.

### Title 3

### Licensees

## Chapter (1) - Licensing and its Categories and Conditions

### Article (5)

1. No person may carry out any activity as a Developer, Broker, Brokers' employee, Auctioneer, Director of owners' union, Evaluator or Surveyor, nor may they introduce themselves in such capacity without a licence issued by the Department.



2. No person that violates the provisions of Clause (1) of this Article, may be entitled to any remuneration, profits or fees for any work conducted thereby. In the event of receiving such amounts, they shall be returned to the customer and who shall be compensated for the value of the remuneration or profit should it be non-refundable in nature.
3. Obtaining a licence according to the provisions of this Article shall not release any person from the obligation to obtain any other licences, permits or approvals required by any other governmental entity to be able to conduct their work.
4. The Executive Regulation shall determine the conditions to be fulfilled by the licence applicants as well as the categories, form and substance of any licence issued according to the provisions of this Law.
5. The licence issued by the Department shall be renewed annually according to the rules, conditions and provisions specified in the Executive Regulation, and the Department may request that the licensees undergo training programs to be specified by the Executive Regulation as a condition to renew the licence.

## Chapter (2) – Obligations of the Licensees

### Article (6)

#### The Code of Conduct

All licensees shall abide by the provisions of the guideline on the code of conduct and professional ethics issued by the Department pursuant to the provisions of this Law.

## Article (7)

### Rights and Obligations of the Broker

1. The broker shall commit to conclude a written brokerage contract on the form approved by the Department before carrying out any work for the party with whom the contract is concluded, and shall submit such contract to the Department in order to register it in the real estate development register before receiving any amounts from the client, and within a maximum of (15) fifteen days from the date of signing said contract.
2. If the developer agrees with the broker that the latter will be in charge of marketing the real estate development project, in part or in whole, the broker shall deposit the price of the real estate unit of which the sale was mediated thereby in the project escrow account, and may not deposit the amount in his personal account nor may he deduct his commission from the price before depositing the amount in the escrow account. Any agreement to the contrary shall be considered null and void.
3. The broker may not achieve any personal benefit from the amounts deposited in the project escrow account nor may he withdraw any amount from such account unless in the cases approved by the Department.
4. The funds deposited by the broker in the project's escrow account shall not be subject to the procedures of mortgage, attachment, liquidation or bankruptcy or any other procedures to which the broker may be subject as a result of the legal obligations incurred by him.

5. The maximum remuneration or commission to be paid to the broker by the customer shall be determined by a resolution issued by the Chairman from time to time.
6. The broker shall not be entitled to any remuneration or commission for his brokerage service unless such service led to the conclusion of a contract between the parties. The contract shall be considered as having been concluded when both parties agree on all the substantive issues in the contract. The broker shall be entitled to his remuneration once the contract is concluded, even if it was not executed, unless otherwise agreed.
7. If the contracting party appoints more than one broker for the same work, a main brokerage contract shall be concluded with any of these brokers who shall, in their turn, draw a written sub-contract between them according to the form approved by the Department in order to distribute the commission or remuneration consistently with the manner specified in the sub-contract.
8. The broker may not represent more than one party for the same transaction. By way of exception, two brokers or two employees of a broker at the same office or company may represent more than one party separately for the same transaction provided that:
  - a. The contracting parties know that the broker or the employee of the broker represents more than one party for the same transaction, and agree on this matter.

- b. Each of the contracting parties separately sign with the broker a written brokerage contract.
  - c. The broker or the employee of the broker shall represent the contracting party in all honesty and independence.
9. The broker may not achieve any personal benefit in any transaction concluded in favour of the contracting party, other than the remuneration or commission due thereto in consideration of the work carried out for the customers pursuant to the brokerage contract. The broker shall keep the contracting party informed concerning all the details of negotiations conducted thereby on the latter's behalf.
10. The broker shall note down the number of his registration in the Real Estate Register outside his workplace and it shall also appear on all correspondences, advertisements and documents issued thereby as well as business cards and any printouts or material used.
11. The broker shall keep the registers specified pursuant to the provisions of the Executive Regulation and register all the transactions concluded through him in the real estate development register in the manner specified by the Department.
12. The broker shall serve as a secretary concerning any financial instruments, securities or title deeds received from the contracting party and he shall deliver them according to the terms laid down by said party.

## Article (8)

### Functions of the Evaluator

The Evaluator shall perform his work according to an agreement concluded between him and the contracting party who shall specify the obligations and liabilities of the Evaluator as well as the remuneration due to him for his work. In all cases, his functions shall include the expression of opinion on the value of the real estate or any property rights related thereto, and appraise it according to the adopted basis and standards.

## Article (9)

### Obligations of the Evaluator

1. The Evaluator shall be committed to conclude a written agreement with the contracting party upon conducting any work in the latter's favour.
2. The Evaluator shall keep a register where all the appraisals conducted thereby are recorded, and should include the following:
  - a. A description of the real estate being appraised.
  - b. The value or overall value of the real estate.
  - c. Statement on the appraisal type adopted.
  - d. Statement on the method used for the appraisal.
  - e. Any assumptions related to the appraisal.
  - f. Any other matters that may be requested by the Department.
3. The Evaluator shall conduct his appraisal with total independence from the contracting party and without any influence from the latter on how to conduct the appraisal or the manner to determine the value of the real estate being appraised.

## Article (10)

### Functions of the Surveyor

The surveyor shall perform his work according to an agreement concluded between him and the contracting party who shall specify the obligations and liabilities of the surveyor as well as the remuneration due to him for his work. In all cases, his functions shall include the determination of the borders and dimensions of any real estate and carry out any surveying work according to the basis and standards specified by the competent authorities, without exceeding the achievement of the objectives of this Law.

## Article (11)

### Obligations of the Surveyor

1. The surveyor shall be committed to conclude a written agreement with the contracting party upon conducting any surveying work in the latter's favour.
2. The surveyor shall submit all the plans and statements to the competent entities according to the form approved by such entities.
3. The Department may use the plans and statements submitted thereto by the surveyor.

## Title (4)

### Real Estate Development

#### Chapter (1) - Real Estate Development Projects

## Article (12)

### Obligation of Registering the Developer

1. No person may practice a real estate development activity unless they are registered in the Real Estate Development Register as a main developer or sub-developer.

2. The developer registered in the Real Estate Development Register according to the provisions of this Article shall not be exempt from the obligation of obtaining any other licences, permits or approvals from any other governmental entity to be able to conduct its work.

#### Article (13)

##### Registration of Real Estate Projects

1. The developer shall register the real estate projects with the Department according to the provisions of this Law and its Executive Regulation and the Department's instructions.
2. The Department shall mark an annotation on the Real Estate Register regarding the land where the real estate development project will be constructed, indicating that the project is subject to the provisions of the Law and that no disposition of the land is permitted without the approval of the Department.
3. The Department shall delete the annotation mentioned in the previous Clause following the execution of the real estate development project and registration of its units in the names of the buyers in the Real Estate Register, or because of cancellation of the project according to the provisions of this Law.

#### Article (14)

##### Marketing Real Estate Development Projects Sold Off-Plan

1. Developers may not have recourse to advertising through the local or foreign media nor may they participate in local or foreign exhibitions to promote the off-plan sale of the real estate units of the real estate

development projects, before obtaining a written permit from the Department which shall issue such permit within (30) days from the date of submitting the application along with all the documents requested by the Department from the developer to this effect according to the provisions of the law and the Executive Regulation.

2. If the developer wishes to market his own real estate development project through a broker, he shall conclude a contract with the licensed broker pursuant to the provisions of this Law and deposit the brokerage contract concluded therewith with the department for registration in the real estate development register.
3. The Department shall issue the resolutions and instructions required for the organisation of the conditions of advertising in the local and foreign media as well as the participation in the local and foreign exhibitions.

#### Article (15) Off-Plan Sale

1. No real estate unit may be sold off-plan unless the following conditions are fulfilled:
  - a. The approval of the competent entities on the real estate development project.
  - b. The deposit of the main or subsidiary development plan of the real estate development project before the Real Estate Register at the Department, including the initial floor plan and initial compound plan.
  - c. The developer shall hold property rights to the land on which the real estate development project will be established or the contractual rights, which allow him to develop the land and grant property rights to the real estate units to be constructed on the land.



- d. The developer shall submit proof that he has possession of the land on which the real estate development project will be constructed.
  - e. The developer has opened a project escrow account.
  - f. Obtaining the approval of the Department on the disclosure statement related to the real estate unit as per the form prepared by the Department and which shows all the data related to the real estate unit and the real estate development project.
- 2. The buyer shall be bound to pay the value of the off-plan real estate unit according to the actual completion percentage of the construction works, unless otherwise agreed with the developer.
  - 3. The Department shall issue the resolutions required for the organisation of the matters related to the methods and mechanisms of off-plan sale as well as the documents that should be exchanged between the concerned parties in this regard.

#### Article (16)

##### Inadmissibility of Imposition of Registration Fees

The developer may not collect any fees, whether registration fees or other fees, expenses or remuneration related to any dispositions of the real estates, except for the administrative fees received from others and within the maximum limit specified by the Department.

#### Article (17)

##### Breach of Execution of the Off-Plan Sale Contract

- 1. The developer or the buyer may rescind the off-plan sale contract should there be any substantial violation committed by any of them, and that,

following the notification of either party of the correction of the violation.

Any of the following cases are, without limitation, considered as a fundamental breach by the developer:

- a. Should he reject, without any justification accepted by the Department, to deliver the final contract of sale of the real estate unit to the buyer.
  - b. Should he abstain from linking the payments to the construction completion phases.
  - c. Should he substantially change the specifications agreed-upon.
  - d. Should it be proved, following the delivery of the real estate unit, that it is unusable because of fundamental defects in construction.
  - e. Any other cases determined by the Department according to the procedures specified in the Executive Regulation.
2. The developer shall not be considered as having breached his obligations in the following cases:
- a. Should the land on which the real estate development project be expropriated for public benefit.
  - b. Should any of the governmental entities freeze the real estate development project because of re-planning.
  - c. Should there be buildings, excavations or service lines found within the site of the real estate development project.
  - d. Should the main developer have introduced amendments to the site of the real estate development project, which resulted in the change of the borders and area of the project in a manner that affects the implementation of the sub-developer's obligations.

- e. Any other cases determined by the Department.
- 3. The Developer shall notify the mortgagee creditor of the buyer's breach before rescinding the contract in order to give the mortgagee the chance to correct the violation committed by the mortgagor debtor.

## Chapter (2) - Creating the Project Escrow Account

### Article (18)

#### Opening the Project Escrow Account

1. The developer who wishes to sell off-plan real estate units of the real estate development project shall submit an application to the Department along with the supporting documents specified by the Department to open the project escrow account where all the amounts paid by the buyer of the real estate units or any other amounts are deposited according to the provisions of this Law and its Executive Regulation.
2. The developer and the account trustee shall conclude an agreement under the name of “The Escrow Account Agreement” as per the form prepared and approved by the Department to create the account in the name of the relevant real estate development project.
3. An escrow account shall be opened for each individual real estate development project, provided that the amounts deposited therein are exclusively allocated for the purposes of construction of this project as well as for the settlement of its financing payments according to the provisions of this Law and the conditions determined in the project escrow account agreement. Should the real estate development project be consisted of many projects that will be completed in different stages, the developer shall open an escrow account for each individual project.

4. The real estate development projects executed prior to the application of the provisions of this Law shall be exempt from the conditions of this Article, provided that all the approvals required for the commencement of the projects are issued and that the percentage of completion of construction is not less than (70%) of the whole project.

### Chapter (3) -Management of the Project Escrow Account

#### Article (19)

##### Disposition of the Funds Deposited in the Project Escrow Account

The terms and conditions of the agreement of the project escrow account shall be observed when disposing of any amounts thereof. In all cases, no amount may be disposed of unless the developer has completed not less than (20%) of the construction works of the relevant real estate development project, provided that the Executive Regulation determines the manner of assessment of the completion percentage.

#### Article (20)

##### Attachment of the Funds Deposited in the Project Escrow Account

The amounts deposited in the project escrow account may not be attached, without prejudice to the right of the buyer of the real estate unit sold off-plan in the real estate development project and that of the contractor and funder of such project to claim any money paid or due thereto pursuant to the construction or financing contract in any of the following cases:

- a. The real estate development project is cancelled or abandoned by the developer.

- b. The real estate development project is suspended by the developer and the Department considers such suspension as a cancellation or abandonment of the project.
- c. The registration of the developer is cancelled according to the provisions of this Law.
- d. A final judicial decision is issued.

## Article (21)

### Obligations of the Account Trustee

1. The account trustee shall provide the Department with periodic statements every three months concerning the receipts and payments of the project escrow account, an annual report prepared by an accredited auditor on the relevant account, the paid amounts and the extent to which they are consistent with the provisions of this Law and the project escrow account agreement.
2. The Department may at any time request that the account trustee provides it with the statements of receipts and payments or any other information or data it deems necessary to access thereto.
3. Should the account trustee violate any of the provisions of this Law and its Executive Regulation or the conditions of the project escrow account agreement, the Department shall notify this trustee of such violation and grant him a deadline to correct it. The account trustee shall respect the conditions of notification and implement the same within the period specified therein.

Article (22)  
Access to Data

Any person who deposits any money in the project escrow account according to the provisions of this Law may access the statements related thereto which are kept with the account trustee, and may obtain copies thereof.

Article (23)

Mortgage of the Real Estate Related to the Real Estate Development Project

The developer may not place the land of the real estate development project or any property right pertaining thereto under mortgage, unless for the exclusive purpose of obtaining a funding for the construction of this project and provided that the developer and his funder respect the following:

1. The buyer of the real estate unit shall be notified that the land of the real estate development project or the property right pertaining thereto is placed under mortgage and stipulate such matter explicitly in the sale and purchase contract.
2. The developer undertakes and the funder of the developer approves, that the mortgage of the real estate unit, for which the buyer has fully paid its price and deposited it in the project escrow account, shall be removed.
3. The bank or the funding institution shall be bound to deposit the whole amount of funding in the project escrow account and not to pay it directly to the developer.

## Article (24)

### Amount of the Performance Bond

1. The account trustee shall retain not less than (5%) of the overall value of the real estate development project as a performance bond to repair the defects that may appear after completion of the project.
2. The amount mentioned in the previous Clause or any part thereof may be disbursed by the developer only after the lapse of one year from the date of the real estate development project completion certificate and the fulfilment of all the conditions of the performance bond during this year.
3. The Department may approve the application of the developer to withdraw the amount of the performance bond mentioned in the first Clause of this Article before the lapse of one year from the date of completion thereof in return for a bank guarantee submitted by the developer to cover the withdrawn amount.

## Article (25)

### Delay in Start or Delivery of the Real Estate Development Project

1. Should the developer fail to start the real estate development project according to his contractual obligations, and buyers owning not less than (5%) of the sold real estate units file a complaint before the Department, the latter shall conduct an investigation concerning such project. If it is found that the developer has delayed the start of the project without an acceptable excuse in violation of the provisions of this Law, its Executive Regulation or the developer's contractual obligations, the Department

may cancel the project, in which case, the amounts deposited in the project escrow account shall be distributed to the depositors according to the provisions of Article (26) of this Law.

2. The Department may impose a delay penalty on the developer to be paid in favour of the buyer of the real estate units if said developer delays the delivery of the real estate development project for more than (6) months from its expected date of delivery in accordance with the schedule to which the developer was committed before the Department, unless he proves that such delay was due to a reason beyond his control.
3. The provisions of this Article shall not be applied to the real estate development projects of which work started before the effective date of this Law and the completion percentage is not less than (50%).

#### Article (26)

##### Failure to complete the project

1. If the developer fails to complete the real estate development project, the account trustee shall, following the approval of the Department, take the measures required to preserve the rights of the depositors in order to ensure the completion of the real estate development project according to the permits granted thereto. Such measures may include the completion of the real estate development project by the funder or another developer.
2. If it becomes impossible to find a solution for the completion of the real estate development project within the period of (6) months from the date of approval of the Department according to the provisions of Clause (1)



of this Article, the account trustee shall distribute the remaining amounts deposited in the project escrow account according to the following order and under the supervision of the Department:

- a. The unpaid expenses of the account management to the account trustees and up to a maximum limit specified by the Department.
  - b. A pro rata division between the real estate development project's funders, the buyers of the real estate units in the project or their funders if the amounts available in the project escrow account are not sufficient.
  - c. A pro rata division between the project's contractors and suppliers if the amounts remaining in the project escrow account are not sufficient.
  - d. Developer.
3. The distribution abovementioned in the previous Clause shall not cause prejudice to the right of the creditors to have recourse against the developer for any shortage according to the provisions of the agreements and contracts concluded with the developer.

#### Title (5)

#### Initial Real Estate Register

#### Article (27)

#### Obligation of Registering the Dispositions

1. A Register shall be established in the Department under the name of “Initial Real Estate Register” where all the dispositions pertaining to the real estate units sold off-plan shall be recorded. These dispositions shall not be binding upon any of the parties thereto or towards others, unless they are registered in the Initial Real Estate Register according to the provisions of this Law.

2. All dispositions related to the real estate units sold off-plan and which occurred before the effective date of this Law shall be recorded in the Initial Real Estate Register within (6) months from its effective date. The Department may extend this period by virtue of a resolution issued thereby.

#### Article (28)

##### Registration Responsibility

1. The assignor of the off-plan real estate unit shall be responsible for registering the assignment, otherwise, the assignee may do whatever it takes to register such assignment in the Initial Real Estate Register at the expense of the assignor, unless the Chairman decides otherwise.
2. The Department may impose a delay penalty on the registration of any assignment existing at the time of entry into force of the provisions of this Law, which is completed after the lapse of the period specified in this Law. The Executive Regulation shall determine the amount of the penalty as well as the procedures of its implementation

#### Article (29)

##### Disposition of the Registered Real Estate units

The real estate units recorded in the Initial Real Estate Register may be offered for sale or placed under mortgage or disposed of in any other way, according to the rules specified in the Executive Regulation.

## Article (30)

### Moving the Registration to the Real Estate Register

1. The developer shall, upon completion of the real estate development project and after obtainment of the completion certificate from the Municipality, register the final recurring floor and compound plans as well as the compound or levels management regulation in the Real Estate Register and transfer the property of the real estate units sold off-plan to the buyers registered in the Initial Real Estate Register to the Real Estate Register, provided that they have settled the full price of their real estate units to the developer or in accordance with the agreement and the procedures issued by the Department.
2. The Department shall, based upon the request of the buyer or by itself, transfer the real estate units that were sold off-plan as well as any rights and obligations pertaining thereto from the Initial Real Estate Register to the Real Estate Register in the name of the buyer, provided that the latter has fulfilled his contractual obligations and that the developer has registered the final recurring floor and compound plans in the Real Estate Register.

## Article (31)

### Area of the Real Estate Unit

1. The area of the real estate unit sold off-plan shall be registered in the Initial Real Estate Register upon the deposit of the plans of the real estate development project at the Department, and the area of the real estate unit shall be calculated according to the procedures and standards specified by the Department.

2. The area of the real estate unit recorded in the Initial real estate register shall be considered the contracted area, and in case of any increase in the area of the real estate unit, the following provisions shall be observed:
  - a. The developer may not claim any compensation for any increase in the area of the real estate unit after the delivery of the real estate unit to the buyer.
  - b. Should there be any increase found in the area of the real estate unit by (5%) or less, no compensation or increase in the purchase price shall be calculated.
  - c. Should there be any increase found in the area of the real estate unit by more than (5%) and up to (10%), the purchase price shall be increased based on the agreed purchase price and equal to the area increase percentage.
  - d. Should there be any increase found in the area of the real estate unit by more than (10%), the buyer may have the choice to either pay the increase of the purchase price based on the agreed purchase price and equal to the increase percentage, or rescind the contract.
3. Should there be any decrease found in the area of the real estate unit before or upon delivery of such unit to the buyer, the following provisions shall be observed:
  - a. Should the decrease in the area of the real estate unit be less than (5%), the purchase price shall not be reduced.

- b. Should the decrease in the area of the real estate unit ranges between (5%) and (10%), the purchase price shall be reduced equal to the area decrease percentage based on the agreed purchase price.
- c. Should the decrease in the area of the real estate unit be more than (10%), the buyer may have the choice to either reduce the purchase price equal to the area decrease percentage, or rescind the contract.

Title (6)  
Mortgage  
Chapter (1) – General Conditions  
Article (32)  
Mortgagee

If the mortgagee creditor was a bank or a financing company or institution, they shall be licensed and duly registered with the Central Bank for the practice of real estate financing in the Country.

Article (33)  
Mortgagor and Mortgage

1. The mortgagor shall be the owner of the mortgaged property and eligible to dispose thereof.
2. The mortgagor may be the debtor himself or an in-kind surety which offers a mortgage in favour of the debtor.
3. Taking into account the provisions of Chapter (3) of this Title concerning personal mortgages, the mortgaged property shall be an existent collateral upon conclusion of the mortgage agreement.

4. Mortgages shall only be placed on properties and rights which can be dealt with according to the provisions of this law.

#### Article (34)

##### Comprehensiveness of the Mortgage

The mortgage shall include the appurtenances of the mortgaged property such as the buildings, plants and granted properties among many others as well as any constructions completed after the conclusion of the contract, unless otherwise agreed.

#### Article (35)

##### Registration of Mortgage

1. The mortgage shall be recorded in the Initial Real Estate Register or the Real Estate Register as the case may be.
2. The application for the registration of the mortgage shall be submitted to the manager of the Real Estate Registration administration at the relevant Municipality, signed by the mortgagee and mortgagor or the in-kind surety and enclosed with the documents and data specified by the Department in the Executive Regulation.
3. The manager of the Real Estate Registration administration at the Municipality shall, upon registration of the mortgage, deliver to the contracting parties, a mortgage deed to be signed by the competent employee and sealed with the Municipality's stamp. The mortgage deed may be electronic and shall be considered as having the binding force of an official document in evidence.

## Article (36)

### Consideration for Mortgage

A mortgage shall be completed in consideration for a debt that is evidenced or promised and specified upon conclusion of the mortgage agreement, or against any of the guaranteed real properties.

## Article (37)

### Enforcement of the Mortgage

The mortgage shall be completed only by recording it in the Real Estate Register or the Initial Real Estate Register, as the case may be, according to the controls developed by the Department. Any agreement to the contrary shall be considered null and void. The Mortgagor shall be bound to pay the expenses and fees of mortgage and its registration, unless otherwise agreed.

## Chapter (2) Legal Effect of a Mortgage

### Article (38)

#### Restrictions on Dispositions

The mortgagor may not dispose of the mortgaged property through sale or donation or otherwise, nor may such property be subjected to any real or personal right without the approval of the mortgagee creditor, unless otherwise agreed.

### Article (39)

#### Ownership Clause

Should the mortgage contract stipulate that the mortgaged property shall be acquired by the mortgagee in return for his debt in the event of failure of the mortgagor to settle it within the prescribed time limit, or that such mortgaged property shall be sold without taking into account the legal procedures, the mortgage shall be considered valid while this clause shall be deemed null and void.

## Article (40)

### Rights of the Mortgagor

1. The mortgagor shall have the right to use and manage his mortgaged property and receive the proceeds thereof up to the date of compulsorily removing his property right, depriving him from his property right, by offering it for sale in public auction in the event of failure to settle the debt.
2. The Court may order to seize the proceeds of the real estate from the date of registering the foreclosure lawsuit should it find that the mortgagor is delaying the settlement of his debt in prejudice to the mortgagee.

## Article (41)

### Loss of the Mortgaged Property

The mortgage shall be transferred, upon the loss or damage of the mortgaged property, to the money which replaces it such as the compensation, the amount of insurance or the consideration for expropriation for public benefit. The mortgage may in this case fulfil his right from such money as per his rank in debt priority.

## Article (42)

### Claiming the Debt

Should the mortgagor be an in-kind surety, claim of debt shall be made only from the mortgaged property and he may not have recourse against the money of the debtor before foreclosure of the mortgaged property.

## Article (43)

### Assignment of rights and Ranks

1. The mortgagee creditor may assign his right to another mortgagee creditor subject to the approval of the latter.



2. The mortgagee may assign the rank of the mortgage on the same mortgaged property to another creditor within the amount of the debt and such rank may be pleaded against such creditor by all aspects of defence that may be pleaded against the first creditor, except for what is related to the forfeiture of the right of the first creditor, should such forfeiture be subsequent to the assignment of the rank.
3. In all cases, the assignment of the mortgage or its rank shall not be executed until said assignment is registered on the deed of the original real right and in the Real Estate Register or the Initial Real Estate Register.

#### Article (44)

##### Secured Amount

The effect of the mortgage shall be limited to the amount determined in the mortgage deed and evidenced in the Real Estate Register or the Initial Real Estate Register, unless the law or the agreement stipulates otherwise.

#### Article (45)

##### Rank of the Mortgage

1. The debts of the mortgage creditors shall be paid from the price of the mortgaged property or the property which replaces it as per the rank of each of them, even if registration was completed on the same day.
2. The rank of mortgage shall be determined according to the date of registration and the serial number allocated thereto by the manager of the Real Estate Registration administration in the concerned Municipality. In the event of multiple persons applying at the same time for the registration of their mortgages against one mortgagor and one specific

property, the registration of such mortgages shall be made under one number and such creditors shall be considered at the same rank when distributing the amount received from the public auction. Should the sale price be not sufficient to settle the debt of any of the mortgagees, the mortgage may claim, in the capacity of creditor, for the remaining debt from the mortgagor debtors' properties.

#### Article (46)

##### The Right to Trace

1. The mortgagee creditor shall have the right to trace the mortgaged property in the possession of any holder thereof, in order to satisfy his debt on its due date according to his rank.
2. The holder of the relevant property shall mean whoever the ownership of the property was transferred to or any of the pertaining property rights are acquired thereby.

#### Article (47)

##### Insurance of the Mortgaged property

The mortgagor shall protect the mortgaged property with an insurance and he shall be fully responsible for its integrity until the date of the debt settlement. The mortgagee may object to any shortage in the property insurance and may take any of the legal procedures which preserve its right, provided that he claims the expenses from the mortgagor.

## Article (48)

### Termination of Mortgage

The mortgage shall be terminated by the expiry of the whole mortgage-secured debt and by all other ways of the mortgage termination stipulated in the legislations in force. Should the reason of the debt expiry exist no more, the mortgage shall be valid again as it was without prejudice to the rights of other bona fide parties who acquired such rights between the termination and return of the mortgage.

## Chapter (3) – Special Mortgages

### Article (49)

#### Musataha and Usufruct Rights

The holder of the usufruct or Musataha right, for a period of more than 10 years and without the permission of the owner, may dispose the property thereof, inter alia placing it under mortgage. However, the owner of such property may not place it under a new mortgage without the approval of the holder of the usufruct or Musataha right. In all cases, an agreement may be made otherwise.

### Article (50)

#### Long-Term Lease

The holder of the long-term lease right may place his right under mortgage for the duration of the long-term lease.

### Article (51)

#### Termination of Special Mortgages

The mortgage of the Musataha, usufruct or long-term lease right shall be terminated and all related entries shall be deleted from the Initial Real Estate Register or the Real Estate Register, as the case may be, by the expiry of the mortgage-secured debt or the expiry of the Musataha, usufruct or long-term lease period.

## Article (52)

### Mortgage of Contractual Rights

The buyer of the property right may place his contractual right to the real estate unit sold off-plan under mortgage in order to settle the sale price of the real estate unit, provided that such unit is registered in the Initial Real Estate Register and that the mortgagee creditor pays the debt amount directly in the project escrow account.

## Chapter (4) – Foreclosure Procedures

### Article (53)

#### Notifications of Violation

1. The mortgagee creditor or his designated or non-designated successors may initiate the procedures of foreclosure of the mortgaged property and offer it for sale in public auction in the event of failure to settle the debt on the fixed date, or if a clause stipulating the maturity of debt before the expiry of such date is fulfilled.
2. The mortgagee shall, prior to the initiation of the procedures of foreclosure of the mortgaged property and submission of a request before the judge of urgent matters to attach the mortgaged property and offer it for sale in public auction, send a written notification to the mortgagor and guarantor, if any, by registered mail with acknowledgment of receipt to inform the latter of the occurrence of violation and claim the settlement of the debt and other dues within a period of no less than (30) days from the date of notification.

## Article (54)

### Violation of the Mortgagor

Taking into account the provisions of Clause (2) of the previous Article of this Law, should the mortgagor or his guarantor or their designated or non-designated successors fail to settle the debt, the judge of urgent matters shall issue, at the request of the mortgagee creditor, a decision to sell the mortgaged property in public auction according to the procedures applicable at the competent court.

## Article (55)

### Postponing the Sale in Public Auction

Taking into account the provisions of the previous Article, should the mortgagor or his guarantor request from the judge of urgent matters to postpone the sale in public auction, the latter may accept such request by postponing the sale for one time only and for a period not exceeding (60) days if he finds that the mortgagor or his guarantor or their successors may be able to settle the debt within said period or that the sale of the mortgaged property may cause serious damage to the debtor.

## Article (56)

### Early Settlement and Repayment

1. The mortgagor or his guarantor may settle the mortgage-secured debt and other related charges before its maturity date.
2. The mortgage may impose early repayment fees or penalty provided that such fees or penalty reflect the real estimation of the additional expenses incurred by the mortgagee as a result of the early repayment and do not exceed the rates specified in the regulations of the Central Bank.

3. Except for what was provided for in Clause (2) of this Article, the mortgage may not conduct or omit an act to prevent or hinder the early repayment of the mortgage-secured debt and its charges.

#### Article (57)

#### Binding Force of Mortgage

The mortgage registered according to the provisions of this Law shall have a binding force upon others concerning what was provided for therein and shall be considered a writ of execution to be executed before the competent execution judge.

#### Title (7)

#### Levels, Apartments and Jointly Owned Parts

#### Chapter (1) – Real Estate Development Plans

#### Article (58)

#### Development Plans

1. The developer shall register the main or subsidiary development plan of the concerned real estate after obtaining the approval of the competent entities, before selling any real estate unit off the plan, and shall deposit the original copy thereof with both the Department and Municipality.
2. A subsidiary development plan of any real estate may not be registered unless such real estate is a part of a registered main development plan, and in case of any contradiction in the data of the main and subsidiary development plans, the data of the main development plan shall be adopted unless it was amended.

3. Only one main development plan or subsidiary development plan may be registered for the same real estate.
4. The development plan may not be registered unless it has fulfilled the terms and conditions and enclosed with the documents determined by the competent entities.
5. No main or subsidiary development plan may be amended unless according to the conditions specified in the Executive Regulation.

#### Article (59)

##### Division Plans

1. The developer may divide the real estate by virtue of any of the following plans:
  - a. Typical plan.
  - b. Floor plan.
  - c. Compound plan.
  - d. Volumetric plan.
  - e. Any other plan specified by the Department.
2. The real estate may be sub-divided and the plans may be amended by any methods or ways allowed by the Executive Regulation.
3. The Department may compel the developer to register the floor plan or the compound plan should it deem it more appropriate than the plan to be registered by the developer, in case it finds the common use of equipment, facilities, or services to be possible.

## Article (60)

### Division pursuant to the Compound and Floor plans

The developer may divide the real estate pursuant to the compound plan or the floor plan, and he shall enclose the compound management regulation or the levels management regulation with the compound plan or the floor plan, as the case may be. The compound management regulation or the levels management regulation shall specify the conditions and obligations related to the management and use of the real estate, subject-matter of the compound plan or the floor plan. This regulation shall be binding upon each of the owner, tenant or occupant of the real estate unit subject to the regulation, and they shall all implement its terms and conditions towards each other and towards the Owners' Union.

## Article (61)

### Division pursuant to the Volumetric Plan

1. The developer may volumetrically divide the building and land where the building is located pursuant to a volumetric plan. He shall enclose the building management regulation with the volumetric plan before dividing the volumetric spaces in such plan through the floor plan. Should the volumetric space be subject to the floor plan, the Owners' Union shall be considered as the owner of the volumetric plan for the purpose of applying and implementing the building management regulation.
2. The building management regulation aforesaid in Clause (1) of this Article shall specify the conditions and obligations related to the management of the building and land, subject-matter of the volumetric plan. This regulation shall be binding upon the owner, tenant or occupant of any volumetric space or real estate unit subject to the regulation, and they shall all commit to implement its terms and conditions.



## Article (62)

### Dividing the Rights related to the Ground and Real Estate

1. Except for the original real rights, the division plan aims at dividing the property rights pertaining only to the land subject to division, and shall grant upon its registration rights that are of lower degree than the original real right. In case of termination or expiry of these rights, the division comes to an end and the borders and ownership of the land shall return to what they were before the registration of the division plan, unless otherwise agreed with the owner of the land or the nature of disposition requires that the division remains as is.
2. Upon dividing the property rights pertaining to the real estate by the floor plan or the compound plan, property rights pertaining to the real estate units resulting from such decision may be granted to another person, provided that these rights are of lower degree than the property right that has been divided, unless otherwise agreed with the owner of the original real right.
3. The owner of the original real rights shall become, upon termination of the lower-degree rights resulting from the division of the real estate, the owner of the real estate unit. The holder of the terminated rights of lower degree shall remain responsible for any amounts due on the real estate unit to the Owners' Union upon termination of the property rights of lower degree.

## Article (63)

### Property Rights Related to the Real Estate Unit

The holder of the property right pertaining to a real estate unit shall commit to assign, upon assignment of his property right to such unit, all his rights and obligations pertaining thereto and the assignee may not introduce any change to the nature of this property right nor may he grant or cause the emergence of new property rights related thereto except for the mortgage.

## Chapter (2) – Owners' Union

### Article (64)

#### Formation of the Owners' Union

1. The owners' union shall be established following the registration of the floor plan or the compound plan with the Department, and shall assume its competencies after its registration. The owners' union shall consist of the developer until the latter assigns the ownership of one real estate unit or one property right or more in a floor plan or compound plan to another person, in which case the owners' union shall consist of the total owners including the developer with respect to unsold real estate units. The membership of the owner of the real estate unit in the owners' union shall start from the date of registering the same in his name in the Real Estate Register and forfeit upon termination of such right.
2. The owners' union is considered a non-profit institution having a legal personality which is independent of that of its members. It shall have the right to litigate and bring cases against the owners and tenants of the real estate units as well as any person occupying the real estate unit should any of them violates any provision of this Law or the Articles of Association of the owners' union.

3. The Articles of Association as well as the complex or levels management regulation shall apply to the owners' union consistently with the provisions of this Law and its Executive Regulation. The Department shall lay down a form for the Articles of Association of the owners' union and may amend it from time to time. The developer or the owners' union may not amend it or change its clauses.
4. The owners' union may be a member in another owners' union of a higher rank in the same real estate development project.
5. The owners' union shall be in charge of a Board of Directors to be elected by the owners' union during the general assembly of the union, and the Executive Regulation shall determine the provisions related to the method of electing its members, the procedures of the general assembly, the right to vote and the legal quorum required for the validity of its resolutions.
6. The Board of Directors shall appoint the director of the owners' union to follow up the work and the Executive Regulation shall determine the provisions related thereto.

#### Article (65)

#### Common Parts

The floor plan or compound plan shall specify the common parts of the joint property and the Executive Regulation shall determine the provisions related thereto.

## Article (66)

### Rights and Obligations related to Common Parts

1. The owners' union shall have the right to own real estates and movables related to the floor plan and compound plan as well as stocks and shares in the service companies related to the plans which contributed to its establishment and to grant exclusive rights to common parts.
2. The ownership of the common parts shall be transferred to the owners' union which shall be in charge of managing and operating the same, including the repair and maintenance thereof. The compound plan, the floor plan, the compound management regulation, the levels management regulation, the building management regulation and the union's Articles of Association shall be considered a part of the title deed of the real estate.
3. In exception to the provisions of Articles (64 and 66) of this Law, the Chairman may, following the approval of the Executive Council, issue a resolution whereby the developer or any other party shall replace the owners' union with respect to all the rights and obligations as well as the responsibility to manage, operate, repair and maintain the common parts, public services and service facilities in the real estate development projects, provided that the owners' union is entitled to express its opinion and advice. The Executive Regulation shall determine the terms and conditions regulating the work of the developer or the other party.
4. The Department may appoint a director to control the owners' union in the event of its failure or refusal to manage the common parts as specified in the Executive Regulation.

5. The owners' union may not sell any common parts, real estates, or movables pertaining thereto, nor may it put any mortgage or debt burden it.

## Article (67)

### Contribution Percentage

1. A contribution percentage shall be specified for each real estate unit whereby the owner of such real estate unit in the owners' union shall have the following rights and obligations:
  - a. To have a common share in the assets of the owners' union without acquiring any original real rights to the land which is part of the common parts.
  - b. The right to vote in the general assembly of the owners' union while taking into account the exceptions indicated in the Executive Regulation or the unions' Articles of Association.
  - c. To pay the specific percentage of the service fees imposed by the owners' union.
  - d. To receive his share in the entitlements should the owners' union be dissolved pursuant to the provisions of this Law.
2. The Executive Regulation shall indicate how to determine and calculate the contribution percentage and other conditions related thereto in addition to the cases where such percentage may be changed.

Article (68)  
Service Fees

1. The owners' union may collect the service fees from the owners in order to finance its activities, as per the contribution percentage of each real estate unit. The owner of each real estate unit shall pay the service fees due on him to the owners' union on their due date, provided that the developer pays his share in the fees with respect to unsold units. The union's Articles of Association shall determine the type of service fees, how to collect them, and the records that are related thereto and that should be kept.
2. A preferential right for the owners' union shall automatically arise on every real estate unit upon the failure of its owner to settle the service fees or other financial obligations imposed thereon by the owners' union. This right shall remain valid with the ownership of the real estate unit without being affected by the change of owner when the liability for settling the abovementioned fees is transferred to the new owner from the date of the ownership transfer.
3. The owners' union shall, according to the resolution of its Board of Directors upon proceeding with the exercise of the abovementioned preferential right, notify the owner of the real estate unit by the registered mail with acknowledgment of receipt to settle the overdue service fees within three months from the date of notification. Should the owner of the real estate unit fail to pay them within the period specified in the notification, without expressing an acceptable excuse, the owners' union may submit an application

before the judge of urgent matters to issue an order to sell the real estate unit for the settlement of the due service fees according to the provisions of the Civil procedure Law.

4. The owners' union shall pay any service fees imposed pursuant to the provisions of this Law by an owners' union of a higher rank on or before their due date. The Department may impose the conditions and restrictions it deems appropriate concerning the service fees and issue the regulations and instructions related to this matter.

#### Article (69) Compound Fees

The Department may impose the conditions and restrictions it deems appropriate with respect to the compound fees and issue the regulations and instructions related to this matter, including:

- a. The condition of obtaining the approval of the Department before imposing any compound fees.
- b. Prohibiting the imposition of new fees or increasing the fees imposed.
- c. Determining the increase permitted.
- d. Determining the method of settlement of the payments, including the possibility to settle by instalments.
- e. The procedures which may be taken to collect the compound fees.
- f. Compelling the contributors in the owners' union to settle amounts for a credit account, to be opened with any of the banks operating in the Emirate, to cover any deficit in the collected fees.

## Article (70)

### Insurance

1. The owners' union shall insure the common parts or the joint property – as specified in the Executive Regulation – with an amount that covers its repair or reconstruction in the event of its perish or demolition for any reason whatsoever, and the owners' union shall be the beneficiary of this insurance. The union shall also commit to an insurance against the damage and bodily injury that may be sustained by the owners and occupants of the real estate units during their presence on the joint property, and shall include it in the cost of the service fees due to the owners' union.
2. Should the premium paid by the owners' union be increased as a result of the manner and nature of use of a particular real estate unit by the owner or the occupant of such unit, the union may recover any increase of the premium from the owner and such increase shall be considered as a debt for which the owner or occupant shall be liable.
3. The owner of the unit may benefit from any insurance contract concluded by the owners' union for the joint property if such insurance covers any part of its unit, and the owners' union shall do what is necessary to enable such owner to benefit from his right under such insurance.

## Chapter (3) – Rights and Obligations

### Article (71)

#### Right of Support and Public Services

1. The floor plan shall grant the right of lateral support in the case of real estate units that are horizontally adjacent and the right of subjacent support in the case of real estate units that are vertically adjacent,



- in favour of the real estate units and common parts against each other, and that, to the extent of availability of the capacity to ensure such lateral or subjacent support. The floor plan also grants rights in favour of the real estate units and common parts against each other in order to provide public services to the real estates or common parts, as the case may be.
2. The building management regulation applicable to the volumetric plan shall determine the easement rights and the rights of entrance, support, services and protection in favour of any volumetric space in the volumetric plan which shall abide by the conditions of such regulation.
  3. Without prejudice to the original real rights, the rights granted pursuant to this Article shall be terminated automatically upon the termination of the rights of lower degree resulting from the division of the real estate.

#### Article (72)

##### Modifications and Changes by the Owner

1. Except for what is authorised by the Articles of Association of the owners' union and the floor or compound management regulation, the owner, tenant or occupant of the real estate unit may not introduce any modifications or changes to the structure, the external appearance or any part of the real estate unit in such a way that fundamentally affects the real estate unit or the joint property or its external appearance.
2. The owner shall, in the event of violation of the provisions of Clause (1) of this Article, repair the damage caused at his own expense and in the manner requested by the owners' union. Should the owner of the real estate unit fail to commit to this clause, the owners' union may repair the damage and recover the repair costs from the owner.

## Article (73)

### Developers Liability for Defects

1. Without prejudice to the provisions of liability stipulated in any other law, the developer shall remain liable for the repair or correction of any defects that threaten the durability and safety of the building, with respect to the structural parts of any building or the common parts in any real estate development project or any part thereof, for ten years from the date of the final certificate of completion issued by the Municipality.
2. The developer shall remain liable for the repair or replacement of the defective installations in the building for one year from the date of receiving the final certificate of completion of the building from the Municipality.

## Article (74)

### Pre-emption

The provisions related to pre-emption shall not be applicable to common parts or the contribution percentage in the owners' union.

## Chapter (4) – Termination of the plans and Liquidation of the Owners' Union

### Article (75)

#### Termination of the Floor plan or Compound Plan

1. The floor plan or the compound plan may be terminated or cancelled by a resolution of the owners' union, issued by the majority of owners holding at least (95%) of the overall shares of contribution to the owners' union, or by a decision of the competent court upon an application submitted by the owners' union following the perish of or serious damage caused to the common parts or any building including common parts.

2. The floor plan or the compound plan shall be automatically terminated upon the termination of the rights of lower degree resulting from the division of the real estate. The Executive Regulation shall determine the procedures related to the termination of the floor plan and compound plan.

#### Article (76)

##### Liquidation of the Owners' Union

1. The owners' union shall, upon termination of the floor plan or the compound plan, continue to hold the remaining rights on the joint property, subject-matter of said plans, until the completion of the liquidation of the owners' union.
2. The owners' union shall be liquidated by a decision of the competent court following the termination of the floor plan or the compound plan. The application for liquidation shall be submitted by the union itself or the last owner of a real estate unit in the relevant building. Should the owners' union neglect or refrain from submitting the application, the Department may submit an application before the court for the liquidation of the owners' union.
3. The court decision issued according to Clause (2) of this Article shall include the following:
  - a. An order of payment of all liabilities of the owners' union.
  - b. How to sell the assets of the owners' union, including the rights pertaining to real estates and movables owned by the owners' union.
  - c. How to divide the proceeds of the sale of assets between the last owners of the real estate units after paying all liabilities of the owners' union.

Title (8)  
Penalties  
Article (77)

Practicing an Activity without a Licence

Without prejudice to any more severe penalty provided for by any other law, any person who practices any activity as a broker, brokers' employee, auctioneer, director of the owners' union, Evaluator or surveyor or who introduces himself in this capacity without being licensed or adjusting his situation according to the provisions of this Law, shall be punished by imprisonment for a period of not more than six months and/or a fine of not less than AED 50,000 (Fifty thousand) and not more than AED 200,000 (Two hundred thousand).

Article (78)

Violations of Practicing the Activity of Real Estate Development

Without prejudice to any more severe penalty provided for by any other law, a fine of not less than AED 100,000 (One hundred thousand) and not more than AED 2,000,000 (Two million) shall be imposed on whomever:

- a. Practiced the activity of real estate development without being registered or without adjusting his situation according to the provisions of this Law.
- b. Submitted incorrect documents or statements to the competent authorities in order to obtain a licence for carrying out the activity of real estate development.
- c. Offered units in fictitious real estate projects for sale with his knowledge.

- d. Refrained from paying any amounts due thereon in the project escrow account.
- e. Embezzled, illegally used, or wasted financial payments that were delivered thereto for the purposes of establishing real estate development projects.
- f. Any auditor who deliberately developed a false report on the outcome of his review of the financial position of the developer or deliberately concealed fundamental facts in his report.
- g. Any person who authenticated incorrect documents related to a real estate development project with his knowledge.
- h. Any developer who dealt with a broker without being registered in the Real Estate Development Register.

## Article (79)

### Cancellation and Suspension

1. The Department may cancel or suspend the licence in any of the following cases:
  - a. If the licensee does not fulfil any of the conditions stipulated in the provisions of this Law and its Executive Regulation as well as any regulations, resolutions or instructions issued pursuant thereto.
  - b. If the licensee violates the provisions of this Law or its Executive Regulation as well as any regulations, resolutions or instructions issued pursuant thereto, or the code of conduct imposed thereon.
  - c. If the licensed natural person was condemned of a crime involving moral turpitude or dishonesty.

- d. If the licensee is no longer of good conduct according to the Department.
  - e. If the licensee is no longer capable of assuming his work efficiently at the discretion of the department.
  - f. Insolvency or bankruptcy of licensee.
2. The Department shall, prior to taking any procedure to cancel or suspend the licence, send a written notification to the licensee where the reasons and justifications of cancellation or suspension are indicated and a period of twenty one days is granted thereto to respond to such reasons and justifications.
3. The Department may only warn the licensee instead of cancelling or suspending the licence, provided that this warning is taken into consideration upon the evaluation of the licensees' performance and renewal of his licence.
4. The licensee may file an appeal before the competent court against the resolution of the Department cancelling or suspending his licence or the warning sent thereto, within sixty days from the date of issuance of the Departments' resolution.

#### Article (80)

##### Deletion of Developer Registration

1. The Department may delete the registration of the developer from the Real Estate Development Register in any of the following cases:
- a. He was declared bankrupt or subjected to liquidation.

- b. If he failed to start the construction work of the real estate development project after the lapse of six months from the date of obtaining the approval to sell off-plan, without an acceptable excuse.
  - c. If he committed any of the violations mentioned in Clauses (b), (c), (d) and (e) of Article (78) of this Law.
  - d. If he violated the laws, regulations or resolutions concerning the regulation of the real estate sector.
2. The Department may, in addition to the deletion of the registration of the developer, impose any additional conditions on the developer in order to protect the public interest.

#### Article (81)

##### Renewal of Registration

The developer whose registration was deleted according to the provisions of this Law may not submit an application for re-registration before the lapse of 12 months from the date of deletion.

#### Article (82)

##### The Procedures of Violations

If it was proved to the Department that any of the licensees conducted or refrained from doing an act imposed by the provisions of this Law and its Executive Regulation and the regulations, resolutions and instructions issued pursuant thereto, the Department shall prepare a report on the incident and refer the matter to the public prosecution. Should this person be condemned by a final decision, the Department shall have the power to impose administrative penalties according to the provisions of this Law.

## Article (83)

### Capacity of Judicial Officer

For the purposes of this Law, the Head of the Judicial Department shall issue in agreement with the Chairman, a resolution determining the employees of the Department and concerned municipalities which have the capacity of judicial officers.

## Title (9) - Final Provisions

### Article (84)

#### Adjusting the Situation

1. The persons who start any of the activities aforesaid in Article (5) of this Law, shall adjust their situation according to the provisions thereof within (90) days from its effective date and the Department may extend this period for all categories of licensees or for a particular category as it deems appropriate.
2. The developers who have real estate development projects that are ongoing or were completed at the time of application of the provisions of this Law, shall adjust their situation in conformity with its provisions within (12) months from its effective date. The Department may extend this period to any other period(s).

### Article (85)

#### Plans Registration

1. The developer shall register with the Department the main or subsidiary development plan, as the case may be, for any real estate development project existing before the effective date of this Law.



2. The developer shall register with the Department the floor plan or compound plan for any real estate development project that was started before the effective date of this Law and that includes a real estate unit or a property jointly owned or used.

#### Article (86)

##### Fees

The Department may collect fees for the services offered thereby pursuant to the provisions of this Law. These fees shall be specified in the Executive Regulation issued by the Department in this regard following the approval of the Executive Council.

#### Article (87)

##### Issuance of Executive Regulations

The Chairman shall issue the Executive Regulations required for the implementation of the provisions of this Law following the approval of the Executive Council.

#### Article (88)

##### Issuance of Regulations and Resolutions

The Chairman shall issue the regulations and resolutions required for the implementation of this Law.

#### Article (89)

##### Contrary Provisions

Any text or provision contrary to the provisions of this Law shall be repealed.

## Article (90)

### Applicability of the Provisions of the Law

This Law shall be published in the Official Gazette and shall be effective six months following its publication.

**Khalifa bin Zayed Al Nahyan**

**Ruler of Abu Dhabi**

Issued by us in Abu Dhabi

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