

Help for homeowners

The Joint Owned Property Law in Dubai has been in existence for seven years, but owners associations are only now beginning to take off. Saeed Abdulkareem Al Fahim, CEO of owners association management company Stratum, argues that the impact could soon be very positive.

Most people reading this column will probably think that owners associations are a brand new concept. Well think again.

The Strata law, which is better known locally as the Jointly Owned Property (JOP) Law had its beginnings in Australia in 1961. Since then the concept has been adopted in various jurisdictions around the world including Dubai, which implemented its own version in April 2007 under Law Number 27.

The JOP Law effectively introduces a legally recognised democratic authority being the owners' association (OA). This enables the unit owners to decide on the financial governance and service levels to be provided to the communities' occupants to facilitate a lifestyle, which will maintain real estate values, and protect residents.

In Dubai, real estate has been traditionally administered by developers, landlords and real estate agents and maintained by a range of trades and building maintenance service



Importance Real estate is vital to Dubai's growth.

"If you can look to the future and keep building to the future, then you will always be in demand"



Promising The owners' association management industry is estimated to grow exponentially.

providers. The property downturn in recent times has forced investors to realise the necessity to maintain the built environment within sustainable budgetary parameters.

Arising from this is the necessity for specialist owners' association managers with the appropriate expertise to coordinate and manage the maintenance and administration of jointly owned properties in accordance with statutory requirements.

The owners' association management industry is estimated to grow exponentially, with estimates that there is well in excess of 2,000 potential OAs awaiting for the developer to initiate the undertaking of registration procedures and subsequent handover of management to specialist OA service providers.

This process is expected to occur when RERA enforces the long overdue existing deadlines on developers to enable the registration and independent operation of OAs to proceed to full registration and self-management.

In 2009 Stratum was established in Dubai as a joint venture between the Al Fahim family and Strata Management Services Group from Australia, a specialist management and consultancy group which manages well in excess of \$7bn in real estate assets and engages 4,500 subcontractor employees in Australia.

A unique business opportunity arose when we became aware that Dubai was in the process of enacting the JOP Law and we were approached by a mutual acquaintance of the Al Fahim family to initiate a new venture to combine the local real estate expertise of the family with the technical expertise in strata management that the company had developed over many decades.

At the time of the new venture, the global financial crisis had diminished the returns in real estate, however, the crisis did not diminish our faith in our business capacity or our role to develop and better the lives of our people and their communities. I strongly believe that we can contribute to the growth of the country and our Rulers' long-term vision to make the Middle East real estate market the best in the world.

The main drivers which culminated in the establishment of Stratum in Dubai included the size and potential growth over future decades of the market, the UAE's progressive entrepreneurial environment, a regulatory environment which legislates the responsibility to maintain JOP assets and the opportunity to work with a prominent and trusted business partner with the mutual core values and long-term vision.

As time progresses, Dubai's real estate market will exhibit signs typical of a mature market. The trends that will lead to growth and an alignment of demand and supply will largely depend on the fact that the UAE is safe and stable economy in a volatile region.

This unique trait will invariably be a major attraction for capital investment from the region, which will lead to the typical real estate cycle of demand exceeding supply with the consequent long-term growth of the market.

The value of properties can be expected to be better maintained around areas that are serviced by major infrastructure facilities, such as shopping centres and other recreational facilities that attract key segments of the market. For example families will be looking to move into areas such as Arabian Ranches whereas the younger married and single people could be

expected to move into the Dubai Marina and Downtown Areas.

Notwithstanding the attraction of these areas the level of maintenance services and health and safety available in individual developments will also have a significant bearing on both the market value and rental returns.

The government has also provided additional assistance to help promote ease and security of investing in the UAE, such as the proposal for multiple entry visa and the Investor Protection Law, to name a few.

From our ongoing discussions with our developer clients it is evident in recent months that there is some degree of optimism creeping back into the market which is expected to result in positive outcomes in the coming year.

The intention of the JOP Law effectively introduces three main objectives:

- 1)** The establishment of a real estate titling regime, which defines the difference between what is yours and what is shared which results in security of title.
- 2)** Consumer protection, by providing greater transparency through mandatory disclosure for potential real estate purchasers before a subsequent financial commitment is made, resulting in security of tenure and certainty as to what is being purchased.
- 3)** Management control, through the transfer of management rights of common areas and shared facilities from the developer to the owners association where every owner has a say in what service charges will be paid and what level of services will be provided to residents in the development.

Providing that natural market forces are at play this law should lead to



higher long-term rental yields and/or capital growth in well maintained properties.

We see ourselves as leaders in the market not because we are the biggest or most experienced but because we share the same conviction to contribute towards a better and sustainable lifestyle in the region. We develop close relationships with all of our clients by listening to their needs and delivering effective solutions that provide strong results. We believe in providing the best possible levels of service to the buildings and communities we manage.

This is the best time to be in our industry and the multiple industries, which we associate with. It becomes almost an addictive thing to come in and solve real, complicated problems that are based on bettering the lives of people who have trusted us with their most valuable asset. It is interesting to note, you can never have mastery over a target that moves in the area we are working in today. If you can look to the future and keep building to the future, then you will always be in demand.