



Dubai's new interim registration and mortgage laws curb speculation, boost end user's confidence

Author: Justin Smith

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UAE. The recent introduction of new interim registration and mortgage laws, clarifying the rights and obligations of developers, buyers and banks, will provide greater regulation within the real estate market to protect buyers and will significantly curb speculation in the market, reveals a legal consultant.

Speaking at Dubai Property Society's (DPS) monthly networking event, Lynette Brown, Partner at Al-Tamimi & Company, argued that the new laws, which were published on 31 August and fully come into effect on November 2008, would slow down speculation and stop some investors from buying a property in Dubai and flipping it to resale before completion, thus inflating market prices.

The interim registration law includes provision for the transfer of registration of off-plan sales from

developers to the Dubai Lands Department and provides a mechanism for buyers and banks to register their interests as buyer and mortgagee at the Dubai Lands Department even during the construction phase. The mortgage law includes all procedures concerning a mortgage and its legal effects on the concerned bodies, as well as execution procedures for the mortgaged property and proper conduct between the mortgagee bank and the borrower.

“This is a positive move ahead to secure the interest of all parties involved in the sale and purchase of property within Dubai. Since it is now mandatory to register the sale of all off-plan properties with the land department prior to which, they cannot be resold, this will not only help reduce speculative pressure on property prices but will also strengthen consumer and lender confidence in Dubai’s real estate sector,” said Tariq Ajaz, Senior Vice President, Corporate Services at Amlak Finance.

According to a recent survey , the mortgage market in UAE is currently worth AED 20 billion, and is likely to triple to AED 64 billion during the next three years with more than 71% of UAE investors requiring a mortgage to finance their property purchase.

“The issuing of these new property laws is a positive move and will boost both the investor’s and end-user’s confidence in the property market amid the current global economical turmoil,” Brown added.

“With these laws in place, the interests of a buyer and mortgagee bank must be registered with the Dubai Lands Department and will have priority in accordance with the date of such registration. A mortgage will not be valid unless it is registered with the Dubai Lands Department and the mortgage must specify the amount which is secured by the mortgage, the value of the property being mortgaged, to whom the money has been lent and the mortgage term.”

Brown noted that under the new mortgage law, borrowers have the right to administer mortgaged property and collect its yields and revenue until it is sold at public auction following a default under the mortgage financing.

“Upon default, the bank must give the borrower 30 days notice through the Notary Public before commencing execution proceedings. In case of the loss or damage of mortgaged property, the mortgage shall automatically attach to substitute assets so the lender can recover his claim, in order of priority.”

“Rather than waiting until issues arise from institutions lending money and failing to have the resources to cover their outstanding debts - like the recent fallout of the world's mortgage giants - the Dubai government has acted in the right time to bring a higher level of regulation and accountability to the marketplace. We are all in favour of their actions,” said Adel Lootah, the Executive Director of Dubai Property Society.

Note: Dubai Property Society (DPS) is an association of professionals involved in the fast-growing real estate market in Dubai. The group is made up of prestigious members involved in property development and management as well as real estate agents, brokers, financial institutions, media organizations and landowners. DPS recently merged with the Dubai Chamber of Commerce and Industry's (DCCI) 'Real Estate & Property Business Group' in a joint effort to further promote Dubai's booming real estate sector. The combined group operates under the DPG name and works together to represent protect and promote the interests of Dubai's real estate community.