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Rera sets payment rule



By Anjana Kumar on Wednesday, December 31, 2008

Starting from January 1, 2009, developers and banks have been ordered to stop taking payments more than 20 per cent of the cost of properties from buyers or investors until construction begins, a Real Estate Regulatory Agency (Rera) official has revealed.

"We have sent out letters to 100 developers – as well as having meetings with them and lending banks and institutions – telling them to take payments from buyers worth only up to 20 per cent of the contract value," Essa Saeed Ahmed Al Mansoori, Head of the Trust Accounts Section at Rera's Real Estate Development Trust Account Department, told **Emirates Business**.

"With properties that are already being built, developers who have collected more than 20 per cent of the contract value from buyers will immediately have to stop asking for further payments until they correlate the escrow amounts already collected to construction progress."

Rera has set up an 11-member Real Estate Development Trust Account Department that will supervise and monitor the construction process and ensure the escrow amounts are collected in accordance with the agreed schedule.

"We have all the figures in our database and are asking developers to stop collecting money from buyers," said Al Mansoori.

Rera Chief Executive Marwan bin Ghalita said developers could protect their rights by referring disputes to the Property Court where contractual agreements would be enforced. "The message we want to send out to the developers and lending banks is to consider the situation of the investor before they take action," he said. "In this time of crisis, everyone should work together and everybody's rights will be protected."

Meanwhile, Rera has announced that a revision of Law No 8 is being considered by Dubai Land Department.

"For new sales and purchase agreements the booking amount has been set at a fixed amount rather than the previous rate of five to 10 per cent of the contract value," said Al Mansoori. "In January, Rera will set up a technical audit team. The new system will enable stricter auditing of the escrow account, the developer and the trustee."

He added that Rera was introducing regulatory procedures covering Law No 13, which established the Interim Real Estate Register.

A land department spokesman said 100,000 units had already been registered.

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Comments

Anonymous said...

what about existing buyers who already bought?

What about the buyers who have already purchased and paid over 50 per cent for their property and the construction hasn't started yet? Will they continue paying every instalment written on the contract even if the construction hasn't started yet?

Posted on Sunday, January 04, 2009 at 1:15 AM (UAE Local Time)

Broken-Hearted Investor said...

What About Properties in Abu Dhabi?

Hope that this will also apply to properties in Abu Dhabi...Why should we keep on paying the developers that have not started construction for more than one year and half?

Posted on Friday, January 02, 2009 at 1:53 PM (UAE Local Time)

Farooq said...

RERA restrictions

RERA has done the right thing by protecting investors. This has helped build great confidence and it will also protect the jobs of those working in construction companies and with developers.

Posted on Thursday, January 01, 2009 at 6:04 PM (UAE Local Time)

Haris Khalid said...

Great step by RERA

It is a great step by RERA to protect the rights of both developers and investors. Due to market conditions, it is very difficult for investors to survive. So, I think this step will give some relief.

Posted on Thursday, January 01, 2009 at 2:04 PM (UAE Local Time)

jaggs said...

Especially for Rera's eyes...

What about those projects that are moving very very slowly and simultaneously the developer is demanding payments on time... even though the completion date is vague. Will the above law be effective in this case?

Posted on Wednesday, December 31, 2008 at 2:12 PM (UAE Local Time)

Peter Higgins said...

Largely irrelevant

The problem is that 90% of the market is exempt (or claims to be exempt) from RERA laws: Sama Dubai, Dubai Properties, Nakheel and Emaar. Until these guys are forced to comply with the law, the laws are largely irrelevant.

Posted on Wednesday, December 31, 2008 at 1:57 PM (UAE Local Time)

Roosevelt said...

Rera Payment

This is the best news that we have had. Similarly we need bank assistance and visa assurance for the investors.

per batter on Gaza strife

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- ☐ Yes. There are some serious bargains
- ☐ Yes. The crisis will be short lived
- ☐ No. But I would buy them if I had the cash
- ☐ No. I believe the markets are still fluctuating

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SERVICES

Posted on Wednesday, December 31, 2008 at 1:09 PM (UAE Local Time)

M Chatur said...

Regulations

A welcome benefit for all parties going forward - developers, investors and the government, assuming that the booking deposit of up to 20% will go into the escrow account, which will be monitored and funds will be used for development.

Posted on Wednesday, December 31, 2008 at 11:00 AM (UAE Local Time)

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