

# My Space



**KARTEEKKA TYAGGI** is a Dubai based corporate and commercial lawyer with international experience of having worked in jurisdictions around the globe. Karteekka has worked with leading law firms in India before moving to UAE, where she worked with various corporate houses. She advises clients on International business and risk strategy, claims management, cross-border investments, acquisitions, joint ventures and commercial & regulatory issues.

## Dubai Real Estate and the Draft Investor Protection Law

**T**he UAE and in particular, Dubai has always been a popular choice among real estate investors. Although, the real estate market in the UAE suffered a huge setback in 2008, it has shown some signs of recovery in recent months. In order to boost the investor confidence, which is once again on a rise, the government of Dubai recently released the draft law on the protection of the real estate investor in Dubai (also known as the Investor Protection Law), for feedback and comments from the people involved in the real estate industry.

The law which has not been implemented as yet carries certain path breaking provisions such as those which allow the property investors to cancel their contracts and seek full refunds if the real estate developer fails to deliver the unit or services within a specific timeframe.



Under Article 36, the Law gives an investor a right to terminate the contract for sale of a real estate property and recover all amounts paid under certain specific circumstances, including:

1. Failure by the developer to complete the property or failure to hand over possession to the intending investor (a prospective purchaser) within a specific time period (yet to be stipulated) after the date specified in the contract for sale;
2. If the property as built is materially different from the specification as specified under the contract for sale including a decrease of 30% or more in the net area.
3. If the developer deliberately and with the intention of defrauding the Intending Investor fails to comply with the property's specification or the specifications of the Common Areas and facilities with the result that some are missing at the time of handover.
4. If the developer alters the specifications of the property without obtaining the required permit from the competent authority as a result of which the Intending Investor is likely to suffer material loss or harm.

The draft law further goes on to provide that if Article (36) shall not apply, certain circumstances under Article 37 shall entitle an intending investor to payment of compensation, which include breach of any warranty or undertaking contained in the

contract for sale by the seller and the broker, misrepresentation by the developer or investor (registered owner of the property) or broker, specifications in violation of the contract for sale after obtaining an expert's report to that effect or delay for a period more than one month and less than one year.

Article 34 of the draft law entitles and intending investor to terminate a contract for sale if it is proven that the seller or the lessor or a broker acting on his behalf has deliberately concealed any essential information that is likely to cause harm or loss to the Intending Investor.

Article 26 is another noteworthy provision, which provides that if it is discovered by any intending investor, after the handover of the property, that there is a fundamental defect in the construction of the subject property, which is not made good within 12 months of handover, the developer shall be obliged to take back the unit and return its price or replace it with another comparable unit.

With all these provisions incorporated, the day the draft law comes into effect that will be the dawn of a new era of hope for real estate investors and will certainly prove to be a big step towards establishing Dubai and UAE as a world leader in the real estate market.