



Law of Real Estate Units Ownership, Subdivision, and Management

Chapter 1

Definitions

Article 1:

Wherever used in this Law, the following words and phrases have the meanings assigned to them below, unless the context requires otherwise:

Law: Law of Real Estate Units Ownership, Subdivision, and Management.

Regulation: Implementing Regulation of the Law.

Authority: Real Estate General Authority.

Owner: A natural or moral person who owns one or more subdivided real estate units.

Land: A property allocated for the construction of one or more buildings along with their facilities and services, and for which the approved legal procedures are completed.

Subdivision: A procedure whereby a property on which a building is constructed is divided into separate units to dispose of each one separately.

Subdivided real estate unit: A specific part in a jointly-owned property, and which an owner can utilize and dispose of independently of other parts in the property. Such units may be houses, apartments, floors, shops, garages, or any parts of a jointly-owned property or a real estate complex that can be owned, utilized, or disposed of independently.



Common areas: Areas of a jointly-owned property or a real estate complex that are intended for common use, or whose nature requires joint ownership by the owners of the subdivided real estate units. Common areas include lands, entrances, corridors, parking lots, reservoirs, canals, services, swimming pools, gardens, squares, and elevators, among others.

Jointly-owned property: A property consisting of subdivided real estate units and common areas.

Real estate complex: A group of jointly-owned single-use or multiple-use properties located within a defined geographical area and connected through common areas.

Owners Association: An entity established by the owners, or their representatives, in a jointly-owned property to manage it as per the provisions of the Law and the Statute.

Statute: Statute of the Owners Association.

Budget: Annual budget of the Owners Association to manage the jointly-owned property.

General Assembly: General Assembly of the Owners Association.

Manager: Natural or moral person or people appointed to manage a jointly-owned property or a real estate complex.

Maintenance: The necessary works to preserve a jointly-owned property or a real estate complex along with their benefits.

Chapter 2

Property Subdivision

Article 2:

1- The owner of land that as a title deed that meets the legal requirements may construct a building on it, subdivide it into separate units, and issue separate title deeds for each subdivided real estate unit, as per the approved legal procedures.



2- The subdivided real estate units in a jointly-owned property are numbered serially so that no single number is used for two different subdivided real estate units in the same jointly-owned property.

Article 3:

1- It is possible to re-subdivide or change the uses of a jointly-owned property or part thereof, after approval by the General Assembly and by the mortgagee, if any. This is without prejudice to the right of the aggrieved party to resort to the competent court.

2- The plan of a jointly-owned property must be amended in line with the re-subdivision or change of use, and approved by the competent authorities.

3- If there are any changes in a jointly-owned property, the owners share the outcomes of such changes based on the shares of their units in the total area of the subdivided real estate units indicated in the document issued by the Authority to approve the subdivision. It may be agreed to take into account both the values and areas of subdivided real estate units when determining the shares of owners in the outcomes of such changes.

Article 4:

The Authority approves subdivision and re-subdivision and the Regulation specifies the required procedures for that. The Authority may delegate some of its activities in this regard to the private sector.

Chapter 3

Provisions of Ownership

Article 5:

1- When building a jointly-owned property, partners shall include in the partnership contract the holders of in-kind shares, the holders of cash shares, the description of the land prepared for construction, the title deed's number, date, and source, and the obligations and rights of the partners.



2. Partners in a jointly-owned property may divide their common shares therein, and each one may have one or more subdivided real estate units. If they do not agree on the division, the person requesting it may resort to the competent court.

Article 6:

1- An owner shall issue a disclosure statement to a potential buyer of his subdivided real estate unit including all its information, namely specifications, annexes, associated rights, and obligations, as well as an adequate description of the jointly-owned property, and its contents, management, and ownership management. A potential buyer shall be informed of any change that may occur to such information before concluding the sale contract. All this information is an integral part of the sale contract. The Regulation specifies the relevant provisions thereof.

2. If the disclosure statement does not include information that shall be disclosed as per paragraph 1 of this Article, the buyer may terminate the sale contract within 30 days of the date he signed it or the date he became aware of such information if it is crucial and its concealment results in damage to him or renders the subdivided real estate unit unfit for utilization for the purpose for which it was purchased. The buyer shall not bear any costs arising from the termination of the contract.

Article 7:

1- The owners of subdivided real estate units in a jointly-owned property share the common areas. If a subdivided real estate unit has multiple owners, they are considered co-owners of the common areas. In all cases, the owners can agree otherwise.

2- The ownership of side barriers, walls, floors, and ceilings between two contiguous subdivided real estate units is shared by their owners unless there is a structural separation between them, and unless otherwise established. Neither owner may use the part allocated to him to the detriment of the other owner or the rest of the owners.

3- Unless otherwise agreed, common areas benefiting only specific owners are their shared property.



4- Unless otherwise agreed, each owner's share in the common indivisible areas is a common part, and it is attached to his subdivided real estate unit for all legal procedures applicable to the unit.

5- Each owner's share in the common areas is equivalent to the share of his unit in the total area of all subdivided real estate units as indicated in the document issued by the Authority to approve the subdivision, or in the construction license of the jointly-owned property in case of the off-plan sale of subdivided real estate units. It may be agreed to take into account both the values and areas of the subdivided real estate units.

Article 8:

1- All or some of the subdivided real estate units are disposed of independently of each other.

2.- Each owner may utilize his subdivided real estate unit, in a manner that does not contradict the use assigned to it.

Article 9:

1- According to the provisions of the Law, each owner shall not overuse his right to utilize his subdivided real estate unit or common areas to the extent of harming his neighbor. One may not complain about usual and unavoidable neighborhood harms but may request the removal of such harms if they exceed the usual, taking into account public morals, customs, the nature of the property, the location of each subdivided real estate unit in relation to the other, and the purpose assigned to each unit.

2- An owner shall not carry out work that would damage the building structure or affect the facades, use the common areas for uses other than their purposes, or obstruct them with obstacles that affect such use.

Article 10:

Without prejudice to the provisions of the relevant regulations, if the public interest requires the expropriation of a jointly-owned property or part thereof, each owner's compensation is equivalent to the value of his share in the property. If the expropriation



concerns a subdivided part in a jointly-owned property, the compensation goes to the owner of the expropriated part.

Article 11:

Ownership transfer procedures are completed before the authorities in charge of documenting contracts and statements and issuing related deeds, as per the approved legal procedures.

Chapter 4

Owners Association

Article 12:

1- If the owners of subdivided real estate units in a jointly-owned property are at least three, they shall establish an association to manage the property and register it with the Authority. If a subdivided real estate unit is sold off-plan, the registration of the Owners Association is from the date of delivering the second subdivided real estate unit.

2- The Owners Association enjoys independent moral personality, after its registration as per the provisions of the Law, and has an independent financial liability.

3- The Authority handles registering Owners Associations and organizing their work, and the Regulation specifies the necessary procedures for that. The Authority may delegate some of its activities in this regard to the private sector.

4- Each Owners Association shall have a Statute to ensure the good use and management of the jointly-owned property without contravening the provisions of the Law. Having a Statute is a prerequisite to register the Association. The Regulation specifies the provisions to be met, provided that they include the following:

a- Work rules for the General Assembly and manager.

b- Provisions for the use and management of common areas.



c- Rules for determining the amounts of the owners' contributions to manage the jointly-owned property and maintain the common areas.

d- The beginning and end of the fiscal year of the Owners Association, rules for spending its budget, and financial auditing methods.

d- Rules to follow upon the dissolution of the Owners Association and its liquidation procedures.

Article 13:

1- Owners of jointly-owned property located within a real estate complex may establish an association, with an independent moral personality, called the Complex Association and composed of one or more representatives of the Owners Association of each jointly-owned property located within the real estate complex, or of the owners if the jointly-owned property has no Owners Association.

2- The provisions of Owners Associations apply to Complex Associations, to the extent compatible with its nature.

Article 14:

An Owners Association represents the owners regarding acts in common areas.

Article 15:

Without prejudice to the provision of Article 6 of the Law, owning a subdivided real estate unit in a jointly-owned property that has an Owners Association is deemed to be acceptance of the Statute by the owner, and the latter's compliance with the resolutions issued by the General Assembly.

Article 16:

The Owners Association shall not limit or restrict the rights of an owner to dispose of or utilize his subdivided real estate unit or common areas within the limits of their purposes and without prejudice to other owners.



Article 17:

If a subdivided real state unit has multiple owners, they must choose one of them to be their representative in the General Assembly. The resolutions of the General Assembly are binding on all partners in a subdivided real state unit, each according to his share in the ownership of the unit.

Article 18:

1- The Owners Association has a General Assembly consisting of all owners.

2- The General Assembly handles all matters of the Owners Association, in particular:

a- Review and approve the manager's report on the management of the jointly-owned property and the Owners Association and its financial status during the fiscal year, as well as the auditor's report if any.

b- Discuss and adopt the annual budget of the Owners Association.

c- Appoint a manager and an auditor and determine their remuneration.

d- Discharge the manager.

e- Amend the Statute.

3- The General Assembly elects a chairman from its members to chair its meetings and follow up on its resolutions. The chairman's term of office is three years, renewable.

4- The General Assembly is convened by the chairman, following the rules set by the Statute, at least once a year within three months after the end of the fiscal year of the Owners Association.

5- The General Assembly may be convened at any time at the request of the manager, the auditor if any, or owners representing at least half of the total number of subdivided real estate units in the jointly-owned property.



6- The resolutions of the General Assembly are valid if approved by owners representing at least three-quarters of the total area of the subdivided real estate units unless a higher ratio is indicated in the Statute. If the area of one owner's share is more than half, the number of his votes shall be reduced by half.

7- The Authority may send one or more delegates to attend the meetings of the General Assemblies to ascertain the application of the provisions of the Law.

Article 19:

1- The management of the jointly-owned property is handled by a manager from the owners or others, whose terms of appointment and work methods are determined by the Statute.

2- Subject to the terms of reference established for the General Assembly, the Statute establishes the powers of the manager to manage the jointly-owned property. The Owners Association is bound by the manager's decisions on its behalf and within the limits of its purposes.

3- The manager may, by written decision, delegate some of his powers to others to perform one or more specific tasks.

4- The owner who built the jointly-owned property may solely appoint the manager, provided that he undertakes the following:

a - Maintain ownership of at least 10% of the number of subdivided real estate units in the jointly-owned property.

b- Respect the conditions specified in the Regulation.

5- The manager is responsible for indemnifying the Owners Association or the owners for damage arising from his violation of the provisions of the Law or the Statute. If there are multiple managers, they shall all be responsible for any damage arising from a unanimous decision issued by them. Objecting managers are not liable for majority decisions provided that they expressly indicate their objection in the minutes of the meeting at which such decisions were made. Absence from such meetings is not grounds for exemption from liability unless it is



established that the absent manager was unaware of the decision or unable to object to it after learning of it.

Article 20:

1- The manager prepares a draft annual budget for the Owners Association, including the costs of managing the jointly-owned property and maintaining the common areas, for submission to the General Assembly for approval.

2- The fiscal year of the Owners Association is 12 months indicated in its Statute. Exceptionally, the first fiscal year may be no less than six months and no more than 18 months starting from the date of registration of the Association.

3-a- For each fiscal year, the manager prepares financial statements for the Owners Association and a report on its activity and financial status, within three months of the end of the fiscal year of the Association. The manager makes such documents available to the auditor, if any, at least 45 days before the date fixed for the General Assembly.

b- The manager shall provide the Authority and each owner with a copy of the documents referred to in paragraph 3-a of this Article and a copy of the auditor's report, if any, within one month from the date of their preparation.

Article 21:

Without prejudice to the relevant regulations, the manager's decisions and transactions contracts he concludes, as per the powers vested in him by the Law, concerning the jointly-owned property or real estate complex, and after their approval by the Authority, are considered an executive deed against the owners as per the provisions of the Implementation Law. The Regulation specifies the required relevant procedures.

Article 22:

1- In the cases specified in the Regulation, the Owners Association shall appoint an auditor authorized to work in the Kingdom.

2- The auditor may access the books, records, and other documents of the Owners Association at any time, and request the data and clarifications he deems necessary. If the



auditor faces any difficulties in this regard, he shall state that in a report and submit it to the General Assembly.

3- The auditor prepares an annual report according to the generally-accepted auditing standards and submits it to the General Assembly.

Article 23:

1- If a subdivided real estate unit is leased, the owner shall remain liable before the Owners Association and others regarding the rights and duties related to the subdivided real estate unit and common areas, unless otherwise agreed with the tenant.

2- Tenants in a property owned by a single owner, and whose leases exceeded five years, may agree with the owner to establish an Owners Association according to the provisions of this chapter, and manage and maintain it as per the provisions of Chapter 5 of the Law.

Article 24:

1- The resources of the Owners Association consist of the following:

a- Contributions of the owners.

b- Donations, gifts, wills, and endowments.

c- Returns on the investment of the funds of the Owners Association and its investable common areas.

The Regulation determines the provisions governing paragraphs 1-b and 1-c of this Article.

2- The funds of the Owners Association are spent on the management of the jointly-owned property and the maintenance of the common areas.

3- Each owner shall pay the amount of his contribution to the costs of managing the jointly-owned property and maintaining the common areas. No owner shall relinquish his share of the common areas to be exempted from contributing to the costs of their preservation or maintenance.



Article 25:

The Owners Association dissolves if the number of owners falls below the required necessary for its establishment unless the remaining owners wish for the Association to continue as per the provisions of the Regulation. The dissolution of the Association does not affect its liability for its debts and obligations before its dissolution date.

Chapter 5

Management and Maintenance

Article 26:

1- Each owner contributes to the costs of maintaining and managing the common areas based on the share of his subdivided real estate unit in the total area of the subdivided parts in the jointly-owned property. The amount of an owner's contribution to such costs may vary depending on the use of the subdivided real estate unit if it is located in a multi-use jointly-owned property.

2- After the approval of the Owners Association, any owner may, at his expense, make better use of the common areas or part thereof without changing the type of use thereof or harming others.

Article 27:

1- An owner shall carry out the necessary maintenance for his subdivided real estate unit, even if he does not utilize it, to prevent damage to the jointly-owned property. He also undertakes not to carry out in his subdivided real estate unit works that may damage the jointly-owned property.

2- If it is necessary to conduct works inside any subdivided real estate unit to preserve the safety of the jointly-owned property or to better utilize common areas or maintain them, the owner of that unit shall not object to such works, provided that the unit is restored to its original state immediately after the completion of the necessary works, and that its owner does not bear any costs arising therefrom. The Regulation specifies the relevant provisions thereof.



Article 28:

The Owners Association undertakes to manage the jointly-owned property according to the standards set by the Regulation.

Article 29:

1- If the jointly-owned property is partially damaged, the owners shall repair it as decided by the General Assembly, unless otherwise agreed.

2- If the jointly-owned property is destroyed, the General Assembly decides what it deems appropriate. In case of disagreement, the matter is referred to the competent court.

Article 30:

1- No modification shall be made to the external appearance of the jointly-owned property without the approval of the General Assembly.

2- The approval of the General Assembly is required before conducting any work that will increase in the value of all or part of the jointly-owned property, at the expense of the owners who request such work, and as per the conditions of the Association and other compensation and obligations it imposes for the benefit of the owners.

Chapter 6

Final Provisions

Article 31:

The Board of Directors of the Authority proposes the Regulation, which is issued with a decision by the Minister of Housing within 180 days from the date of issuance of the Law.

Article 32:



The Law replaces the Law of Real Estate Units Ownership and Subdivision issued by Royal Decree

No. M/5 and dated 11/02/1423 AH, and cancels all provisions that contradict it.

Article 33:

The Law becomes effective 180 days after the date of its publication in the Official Gazette.