



# Factsheet for Buyers of Off-plan apartments

*Buying an apartment off-plan has many attractions for buyers. Developers often offer generous discounts on the purchase price to the initial buyers. It is also possible to agree on details of the fit-out to suit the needs of the buyer. RERA provides greater protection for off-plan buyers by setting up a system for licensing.*

Buying an apartment off the plan, before the building construction is completed? Recent changes to the Law affect you. Here's what you need to know.

## **1. RERA requires licenses for off-plan sellers before buyers sign binding contracts**

- The developer offering the unit for sale must be licensed by RERA. You can check this by looking on the RERA website at <https://www.rera.gov> where all registered developers are listed.
- The off-plan development must also be licensed by RERA so that basic protections are in place for buyers. Ask to see a copy of the development licence bearing RERA's approval. It will name the developer and the approved development. Without this the developer cannot sell units off-plan.
- If a broker or sales agent is offering the apartment for sale, he must also have a RERA licence. Ask to see the card issued by RERA or look on the website, where licensed brokers and sales agents are listed.

## **2. A Market Research License adds some flexibility for developers**

RERA encourages licensed developers to “test the waters” by applying for a market research license and advertising the development concept. If potential buyers are responsive to the concept, the developer has greater confidence in undertaking the multi-year development process. The licensed developer who does not yet have a RERA development license can advertise the apartments by using a “Letter of Interest”.

Here are the facts about Letters of Interest:

- The developer must first be licensed by RERA and must have a RERA market research license
- The developer cannot ask you to sign a binding Sales Purchase Agreement Contract at this stage. You can only sign a letter of Interest where you express an interest in the possible purchase of a unit if the developer obtains all the requisite approvals
- You can be asked to pay a deposit of up to 1000 BD
- This deposit is fully refundable if you change your mind at any time for any reason. For example, you may have difficulty in arranging finance for the purchase. It is not necessary to give your reasons to the developer.

## **3. A licensed off-plan development project buying process has two separate steps**

If the licensed developer already holds a development license, it means that the developer already has the necessary planning and municipality approvals to begin construction. The building may already be under construction. The developer selling the apartments off-plan will now follow two steps:

### **Step 1 – you sign a Reservation Agreement**

- This is for a minimum period of seven days
- you will be asked to pay a deposit of one percent of the advertised sale price



- If you decide not to go ahead, for any reason, before step 2, you will be entitled to a partial refund of the deposit. The developer can keep an administrative fee of up to 200 BD and must refund the balance
- During the period of the reservation agreement, the developer must provide you with documents to help you understand what you are buying. This is the key reason for a reservation contract, where the developer gives you at least 7 days to read information about the apartment and the joint property. This is what you should receive:
  - A copy of relevant parts of the plan illustrating the unit in the building and its area
  - A copy of the RERA-approved joint property by-law. This is an important document and you should study it carefully. It will give you information about any restrictions applying to you or your unit and the unit entitlement for your unit
  - A statement of the estimated service charges you will be required to pay in the first two years.

### **Step 2 – you sign a binding sales purchase contract**

If you have studied the documents over the seven-day period, understand your rights and obligations as a buyer and are ready to sign a binding sales purchase agreement contract, you may now proceed with step 2.

- You sign the contract and pay a deposit of 10% of the purchase price less the amount you originally deposited
- You will make progress payments as construction progresses. These will generally be 20% deposit at 20% completion, then 40%, 60% and 80%.
- Before the developer can ask you to make each payment, he must give you a copy of a RERA approval of the next payment. This means that RERA is happy that the construction is proceeding
- Under the new law, your off-plan sales purchase contract must be registered in the Survey and Land Registration Bureau's Off-Plan Sales Register. The developer should organise this on your behalf
- You can sell your unit at any stage but some developers will ask for an additional payment if you do this before the building is 50% complete – you will see this recorded in your contract. Your sale must also be registered in the SLRB register.

### **4. When the building is completed**

The municipality will issue its final approval of the building and the developer will make sure water and electricity are connected etc. The developer will obtain title deeds from SLRB and will be ready to ask for the final payment. If the area of the unit as built is more than 5% different to that in your initial contract, some compensation adjustments are permitted. Once the title deeds are issued and the owners are now recorded as official owners of the units, the developer will help to set up the owners association and will organise the first General Assembly.