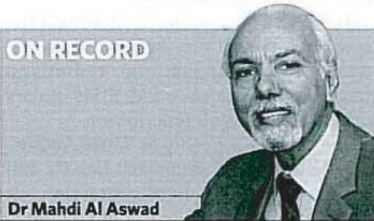




A SMALL STEP FOR LEGISLATORS, A GIANT LEAP FOR THE MARKET

ON RECORD



There is no doubt in my mind that Dubai's new Escrow law has given the property market a newfound respectability. It is also my belief that the new law benefits all members of the property chain, which is something that should be applauded. In addition, the laws also brings added regu-

latory attributes to a new market often accused of not being regulated enough. As you are probably already aware by now, an escrow account is a way of transferring or exchanging property and/or money using a neutral third-party.

When a home or property changes hands, the seller of the property transfers the property title to the escrow agent. Similarly, the buyer either transfers funds or has a bank transfer mortgage proceeds to the escrow agent.

When all conditions of the purchase agreement are met, the escrow agent assigns the property title to the purchaser and distributes the funds to the seller. It is therefore easy to see how escrow func-

tions are all set to make the sale and purchase of property easier, safer and, most importantly, less complicated for all members in the chain.

It is a way to make sure that the developers are serious, the buyers are serious and the market is serious. By holding the developers to the escrow account regulations, all the parties involved with the developing company will be safe in the knowledge that what they are promising will filter down to the buyer or the end-user.

For example, in the case of Dubai's property market the law states that the developer must apply to the trust account manager to release money from the account, and provide a certificate from a

consultant working on the property that an agreed stage of construction has been reached.

At this point the trust account manager must then inform the Land Department about the sums being released to the developer. This forces them to stick to the schedule safeguarding an investor's money from the less than scrupulous players known to be at large in the region.

Even when a project is complete the developer will still not be given access to all the payments. The Land Department will keep 10 per cent of the project value for a year after completion until all units are registered in the names of buyers and title deeds are issued in their names.

The old scenario

Before the escrow law, developers would take money from the buyer in stages and use this to finance the build. This is no longer the case.

And for this the law works well on two levels. First of all, it regulates the market by ensuring that the end-user's money is safe. Secondly, it cleanses the market of the 'cowboys'— in other words developers who have not really got enough money behind them to de-

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velop and pay for a build. As a developer, I could not be more pleased that escrow now plays a major part in this fascinating property revolution. However, it is essential that the law is executed well and organised so that it does not delay developments.

As long as it does this, the escrow law will, in my opinion, bring even greater confidence and safeguards to a market that will encourage more buyers and attract new developers.

This will keep the market ticking. It won't happen overnight. There is, and still will be, much to learn about. It might even delay some market movement to begin with, but once it has settled down will have a very positive affect.

A buyer now knows his money is safe even when a project might not be handed over on time, or in the rare situation of it not being handed over — and believe me, this has been known to happen.

But a buyer now knows his money is safe. Delays are inevitable and to know your money is safe is the key. Reinforcing public confidence in Dubai's property market is key and the law reflects the government's intention to continue to properly regulate the market and protect the interests of buyers.

Escrow functions can change the way this property market goes forward with the law significantly improving the market and adding to its global reputation as a great place to do business.

Developers have to apply and go through a stringent approval process to be allowed an escrow account — and they are now legally obliged to do so. Buyers can, therefore, be confident their money is safe and that their partner is a solid, regulated business capable of delivering on its promises.

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