

inBrief



Unified Real Estate Contracts

By Shahram Safai | May 2014

The Dubai Land Department (“DLD”) recently announced the introduction of mandatory unified real estate contracts (the “Contracts”) to be used in property sale and purchase transactions. The Contracts become effective from May 1, 2014.

The Contracts have been introduced to facilitate the sale and purchase process and are intended to protect the three main parties to any sale and purchase contract, namely the buyer, the seller and the broker.

The Contracts

There are currently three models of Contract: (i) a contract between seller and buyer, (ii) a contract between seller and broker and (iii) a contract between buyer and broker. The Contracts are available on the DLD's smart property website EMART:

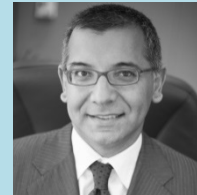
www.emart.gov.ae/UploadedFiles/Downloads/Docs/English/All_contracts.pdf.

The Contracts enable the parties to quickly populate the main terms of the sale and purchase transaction such as the parties, the property, the price and the completion date. It is intended that the Contracts will become valid when completed and documented at the DLD.

Is a Separate MOU Required?

Whilst the Contracts document the main terms of the sale and purchase transaction, they do not go into any greater detail. Moreover, contractual agreement on material issues such as warranties and representations, apportionments, deposits, dispute resolution, confidentiality and jurisdiction (which are ordinarily expected in any sale and purchase contract) is lacking. Given the absence of these material clauses which are intended to protect the parties to any sale and purchase agreement, the Contracts should be augmented (using a schedule, an attachment or incorporation by reference) by continuing the current practice of the parties entering into a separate sale and purchase contract (“SPA”) or Memorandum of Understanding (“MOU”).

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Conclusion

Given the mandatory requirement for the Contracts, parties to a real estate transaction should ensure that the Contracts are properly completed and validated at the DLD. The introduction of the Contracts should not, however, displace the need for the further protection that is offered in the form of an SPA or MOU. The Contracts and the form of SPA or MOU should be linked together to enable the parties to the transaction to not only comply with the requirements of the DLD but also to ensure the contractual protection and certainty that an SPA or MOU affords. ■

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