



شعبة الترجمة الرسمية
Official Translation Department

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

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Translation of Saudi Laws



NOTE:

The translation of Saudi laws takes the following into consideration:

- Words used in the singular form include the plural and vice versa.
- Words used in the masculine form include the feminine.
- Words used in the present tense include the present as well as the future.
- The word “person” or “persons” and their related pronouns (he, his, him, they, their, them) refer to a natural and legal person.



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

Chapter 1: Definitions

Article 1

In this Law, the following terms and phrases shall have the meanings assigned thereto, unless the context requires otherwise:

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

Regulations: The implementing regulations of this Law.

Authority: The Real Estate General Authority.

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

Land: Real estate allocated for the construction of one or more buildings, along with its facilities and utilities, and for which the approved statutory procedures have been completed.

Subdivision: A procedure whereby a real estate on which a building is constructed is divided into separate units for the disposition of each unit separately.

Subdivided Real Estate Unit: A part of a jointly-owned real estate or a real estate complex which can be owned, utilized, or disposed of separately, including houses, duplexes, apartments, shops, garages, or any other part.

Common Parts: Parts of a jointly-owned real estate or a real estate complex which are prepared for common use, or the nature of which requires joint ownership by the owners of the subdivided real estate units, including lands, entrances, corridors, parking lots, water tanks, conduits, utilities, swimming pools, gardens, yards, elevators, and the like.

Jointly-owned Real Estate: A real estate which consists of subdivided units and common parts.

Real Estate Complex: A group of single-purpose or multi-purpose jointly-owned properties located within a specific geographic area and connected through common parts.

Owners Association: An entity established by the owners of a jointly-owned real estate, or their representatives, for the management of the affairs of such property, in accordance with the provisions of this Law and the Charter.

Charter: The owners association's charter.

Budget: The owners association's annual budget for the management of the jointly-owned property.

General Assembly: The general assembly of the owners association.

Manager: Any natural or legal person appointed to manage a jointly-owned real



estate or a real estate complex.

Maintenance: The works necessary to preserve a jointly-owned real estate or a real estate complex in a manner that serves its purpose.

Chapter 2: Real Estate Subdivision

Article 2

1. An owner of a land by title deed which meets Sharia and statutory requirements may construct a building thereon, sub-divide the building into separate units, and issue separate title deeds for each subdivided real estate unit, subject to approved statutory procedures.
2. Subdivided real estate units in a jointly-owned real estate shall be serially numbered so that each subdivided unit has a distinct number.

Article 3

1. The re-subdivision or changing of the purpose of a jointly-owned real estate or part thereof may be carried out upon the approval of the general assembly and the mortgagee, if any, without prejudice to the right of an aggrieved party to legal action.
2. The plan of a jointly-owned real estate must be amended according to the changes made thereto due to the re-subdivision or change of purpose; such amendments shall be approved by the competent agencies.
3. If any changes are made to a jointly-owned real estate, the owners shall share the outcomes of such changes based on the area of their subdivided units to the total area of the subdivided real estate units as indicated in the subdivision document issued by the Authority. In sharing such outcomes, the owners may agree to take into account the value and area of each subdivided real estate unit when determining the share of each owner in such changes.

Article 4

Subdivision and re-subdivision shall be approved by the Authority, and the Regulations shall specify the necessary procedures therefor. The Authority may outsource some of the subdivision and re-subdivision activities to the private sector.

Chapter 3: Ownership Provisions

Article 5

1. Partners shall, upon building a jointly-owned real estate, include in the partnership contract the names of the holders of in-kind shares; the holders of monetary shares; the description of the land prepared for construction; the



- title deed's number, date, and source; and partners' obligations and rights.
2. Partners in a jointly-owned real estate may divide their common shares; each partner shall have one subdivided real estate unit, or more. If the partners fail to agree on the division, legal action may be taken.

Article 6

1. An owner of a subdivided real estate unit must disclose in writing to a potential buyer all relevant information, including specifications, annexes, associated rights and obligations, as well as an adequate description of the jointly-owned real estate, and its contents, management, and type of ownership. Such information shall be deemed an integral part of the sale contract and the potential buyer must be notified of any change thereto prior to concluding the sale contract. The Regulations shall specify the necessary provisions therefor.
2. If the disclosure does not include information required under paragraph (1) of this Article, and such nondisclosure results in harm to the buyer or renders the subdivided real estate unit unsuitable for the purpose for which it was purchased, the buyer may terminate the sale contract within 30 days from the date he signs the contract or the date he becomes aware of the undisclosed information. The buyer shall not bear any costs arising from such termination.

Article 7

1. The common parts of a jointly-owned real estate shall be shared by the owners of subdivided real estate units. If a subdivided real estate unit has multiple owners, they shall all be deemed co-owners of the common parts, unless they agree otherwise.
2. The ownership of side barriers, walls, floors, and ceilings between two contiguous subdivided real estate units shall be shared by their owners unless there is a structure separating the two units, and unless otherwise established. In using the part allocated to him, the owner may not harm the other owner or owners.
3. Common parts the benefit of which is limited to certain owners shall be deemed jointly owned by them, unless agreed otherwise.
4. An owner's share in the common indivisible parts shall be deemed a common part, and shall be attached to his subdivided real estate unit in all legal actions applicable to the unit, unless agreed otherwise.
5. An owner's share in the common parts shall be equal to the percentage of the area of his subdivided real estate unit to the total area of the subdivided real estate units as indicated in the subdivision document issued by the Authority or in the construction permit of the jointly-owned real estate in case of off-plan sale of subdivided real estate units. In determining such shares, the owners may agree to take into account the values and areas of the subdivided real estate units.

Article 8

1. The whole or partial disposition of subdivided real estate units shall be carried out independently of each other.



2. An owner may utilize his subdivided real estate unit in a manner not conflicting with its intended purpose.

Article 9

1. In using his subdivided real estate unit or the common parts, an owner may not, pursuant to the provisions of this Law, harm his neighbors. An aggrieved neighbor shall not have a right of recourse against his neighbor if the harm is common and unavoidable; if, however, the harm is uncommon and avoidable, he may request rectification, taking into account public decency, customs, the nature of the property, the location of each subdivided real estate unit in relation to the other, and the intended purpose of each unit.
2. An owner shall not carry out any activity that could harm the structure of the building or affect its facades, or use the common parts for other than their intended purposes or affect the use thereof.

Article 10

Without prejudice to relevant laws, if public interest requires expropriation of a jointly-owned real estate or part thereof, compensation shall be equal to the value of the owner's share in the estate. If expropriation is related to a subdivided part of a jointly-owned real estate, the compensation shall be paid to the owner of the expropriated part.

Article 11

Ownership transfer procedures shall, subject to statutory procedures, be carried out by the agencies responsible for certifying contracts and declarations and issuing deeds.

Chapter 4: Owners Association

Article 12

1. If a jointly-owned subdivided real estate unit comprises three owners or more, the owners shall establish an association to manage their property and register the same with the Authority. The owners association of a subdivided real estate unit sold off-plan shall be registered as of the date of delivery of the second subdivided real estate unit.
2. The owners association shall have an independent legal personality upon registration in accordance with this Law and shall have an independent financial capacity.
3. The Authority shall be responsible for registering owners associations and regulating their activities; the Regulations shall determine relevant procedures. The Authority may outsource some of the registration and regulation activities to the private sector.
4. Each owners association shall have a charter to ensure the jointly-owned real estate is used and managed in a manner not conflicting with the provisions of this Law. An association without a charter may not be



registered. The Regulations shall determine the provisions of the charter, including the following:

- a) Work procedures of the general assembly and the manager.
- b) Provisions for the use and management of the common parts.
- c) Rules for determining the amounts paid by the owners of the jointly-owned real estate for its management and for maintenance of its common parts.
- d) Determining the beginning and end of the owners association's fiscal year, rules for budget disbursement, and methods of financial control.
- e) Owners association's dissolution rules and liquidation procedures.

Article 13

1. Owners of a jointly-owned real estate within a real estate complex may establish an association named "complex association"; such association shall have an independent legal personality and shall comprise one or more representatives of the owners association of each jointly-owned real estate located within the real estate complex, or one or more representatives from the owners if the jointly-owned real estate has no owners association.
2. The provisions of the owners association shall apply to the complex association in a manner consistent with its nature.

Article 14

The owners association shall represent the owners with regard to disposition of common parts.

Article 15

Without prejudice to the provision of Article 6 of this Law, ownership of a subdivided real estate unit in a jointly-owned real estate that has an owners association shall be deemed an acceptance of the charter and general assembly decisions.

Article 16

An owners association may not restrict an owner's right to dispose of or use his subdivided real estate unit or the common parts if such disposition or utilization is within their intended purposes and without harm to other owners.

Article 17

If a subdivided real estate unit has multiple owners, they shall choose a representative from among them to represent their interests in the general assembly. General assembly decisions shall be binding on all owners of a subdivided real estate unit, each according to his share.

Article 18

1. An owners association shall have a general assembly comprising all owners.
2. The general assembly shall address all owners association matters, particularly the following:



- a) Reviewing and approving the manager's report on the management of the jointly-owned real estate and of the owners association and its financial position during the fiscal year, as well as the auditor's report if any.
 - b) Reviewing and approving the owners association's annual budget.
 - c) Appointing a manager and auditor and determining their remuneration.
 - d) Discharging the manager from liability.
 - e) Amending the charter.
3. The general assembly shall elect a chairman from among its members to chair its meetings and follow up on its decisions. The chairman shall serve for a renewable term of three years.
 4. The general assembly shall, in accordance with the charter, convene upon a call by its chairman at least once a year within the first three months following the end of the owners association's fiscal year.
 5. The general assembly may, at any time, convene at the request of the manager, the auditor, if any, or at the request of at least half the owners of the subdivided real estate units in the jointly-owned real estate.
 6. General assembly decisions shall be deemed valid if approved by owners representing at least three-quarters of the total area of the subdivided real estate units unless the charter stipulates a higher percentage. If an owner's share is more than half of the total area, the number of his votes shall be reduced to half the votes.
 7. The Authority may delegate a representative, or more, to attend general assembly meetings to ensure application of the provisions of this Law.

Article 19

1. The manager of a jointly-owned real estate shall be from among the owners or others. The charter shall determine his appointment requirements and work procedures.
2. Subject to the powers of the general assembly, the charter shall determine the powers of the manager of a jointly-owned real estate. The owners association shall be bound by any action taken by the manager in its name and within its purposes.
3. The manager may, in writing, delegate certain powers to others to carry out one or more of his duties.
4. The owner who constructs a jointly-owned real estate may solely appoint the manager, provided that he:
 - a) maintains ownership of at least 10% of the subdivided real estate units in the jointly-owned real estate; and
 - b) complies with the rules specified in the Regulations.
5. The manager shall be liable before the owners association or the owners for any damage arising from his violation of the provisions of this Law or the charter. If there are multiple managers and such damage arises due to a unanimous decision issued thereby, they shall be jointly liable. If a decision is issued by majority vote, the objecting managers shall not be held liable, provided their objection is recorded in the minutes of the meeting in which such decision is passed. If a manager fails to attend such meeting, he shall not be exempt from liability, unless he establishes that he was unaware of the decision or was unable to object to such decision after becoming aware



thereof.

Article 20

1. The manager shall prepare a draft annual budget for the owners association which shall include the costs of managing the jointly-owned real estate and the cost of maintaining the common parts, and shall submit the same to the general assembly for approval.
2. The fiscal year of the owners association shall be 12 months and shall be indicated in its charter. As an exception, the first fiscal year may not be less than six months nor more than 18 months commencing from the date of registration of the association.
3.
 - a) For each fiscal year, the manager shall prepare the owners association's financial statements and a report on its activity and financial position within three months from the end of the association's fiscal year. The manager shall provide such documents to the auditor, if any, at least 45 days prior to the general assembly meeting.
 - 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 preparation thereof.

Article 21

Without prejudice to relevant laws and subject to the Enforcement Law, any decision or contract concerning the jointly-owned real estate or real estate complex which the manager makes or concludes in accordance with the powers vested in him by this Law and upon the approval of the Authority shall be deemed an enforcement document against the owners. The Regulations shall determine the relevant procedures.

Article 22

1. The owners association shall, in cases specified in the Regulations, appoint an auditor licensed to operate in the Kingdom.
2. The auditor may, at any time, review the owners association's books, records, and other documents, and may request any data and information he deems necessary. If the auditor encounters any difficulties in this regard, he shall state the same in a report submitted to the general assembly.
3. The auditor shall prepare an annual report in accordance with recognized auditing standards and shall submit the same 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 for any breach of rights and obligations relating to the subdivided real estate unit and the common parts, unless agreed otherwise with the lessee.
2. The lessees of a solely-owned real estate whose lease contracts exceed five years may agree with the owner to establish an owners association in



accordance with the provisions of this Chapter and to manage and maintain the real estate in accordance with the provisions of Chapter 5 of this Law.

Article 24

1. The owners association's resources shall consist of the following:
 - a) Fees paid by owners.
 - b) Donations, gifts, bequests, and endowments.
 - c) Returns on investments of the owners association's funds and the common parts.

The Regulations shall specify the provisions governing paragraphs 1(b) and 1(c) of this Article.

2. The owners association's funds shall be used for the management of the jointly-owned real estate and the maintenance of the common parts.
3. Each owner shall pay the fees that cover the costs of management of the jointly-owned real estate and maintenance of the common parts. An owner may not relinquish his share of the common parts to avoid payment of the fees.

Article 25

An owner association shall dissolve if the number of owners falls below the number required for the establishment of the association, unless the remaining owners wish to maintain the association in accordance with this Law. The dissolution of the association shall not affect its liability for any debts and obligations incurred prior to the date of its dissolution.

Chapter 5: Management and Maintenance

Article 26

1. The costs of the maintenance and management of the common parts shall be shared by each owner according to the percentage of his subdivided real estate unit to the total area of the subdivided parts in the jointly-owned real estate. The value of the owner's share in such costs may, if the subdivided real estate unit is within a multi-use jointly-owned real estate, vary according to the type of use of the real estate.
2. An owner may, upon approval of the owners association and at his expense, improve the common parts or part thereof without changing their type of use or causing harm to others.

Article 27

1. An owner shall carry out necessary maintenance for his subdivided real estate unit even if he does not benefit from such unit to prevent any damage to the jointly-owned real estate, and shall not carry out any action that may cause harm to the jointly-owned real estate.
2. If it is necessary to carry out works inside a subdivided real estate unit to



maintain the integrity of the jointly-owned real estate or to improve or to maintain the common parts, the owner of said unit shall not object to such works, and the unit shall be restored to its original condition immediately after the completion of the necessary works, and its owner shall not incur any costs arising therefrom. The Regulations shall specify the relevant provisions.

Article 28

The owners association shall manage the jointly-owned real estate according to standards set by the Regulations.

Article 29

1. If the jointly-owned real estate is partially damaged, the owners must repair such damage as decided by the general assembly, unless agreed otherwise.
2. If the jointly-owned real estate collapses, the general assembly shall take any action it deems necessary. In case of disagreement, the matter shall be referred to the competent court.

Article 30

1. No modification may be made to the exterior of the jointly-owned real estate without the approval of the general assembly.
2. The approval of the general assembly must be obtained prior to carrying out any work that may increase the value of the entire jointly-owned real estate or part thereof; such work shall be carried out at the expense of the requesting owners, subject to the conditions set by the association as well as compensations and other obligations it imposes for the benefit of the owners.

Chapter 6: Concluding Provisions

Article 31

The Authority's board of directors shall propose the Regulations. Such Regulations shall be issued pursuant to a decision by the Minister of Municipal, Rural Affairs and Housing within 180 days from the date of issuance of this Law.

Article 32

This Law shall supersede the Law of Ownership and Subdivision of Real Estate Units issued pursuant to Royal Decree No. (M/5), dated 11/2/1423H, and shall repeal any provisions conflicting therewith.

Article 33

This Law shall enter into force 180 days from the date of its publication in the Official Gazette.