

# OWNERS ASSOCIATION MANAGEMENT

## Getting the Best out of Your Owner's Association

Owners Association (OA) concept has been adopted and implemented in many countries around the World and is known in Dubai as Jointly Owned Property (JOP) Law that was first developed in 2007 under Law Number 27.

The JOP Law recognizes OA roles and responsibilities, and enables owners to make decisions on financial governance and operational activities provided to the communities. The JOP Law requires every owner in a jointly owned community to become a member of the Owners Association.

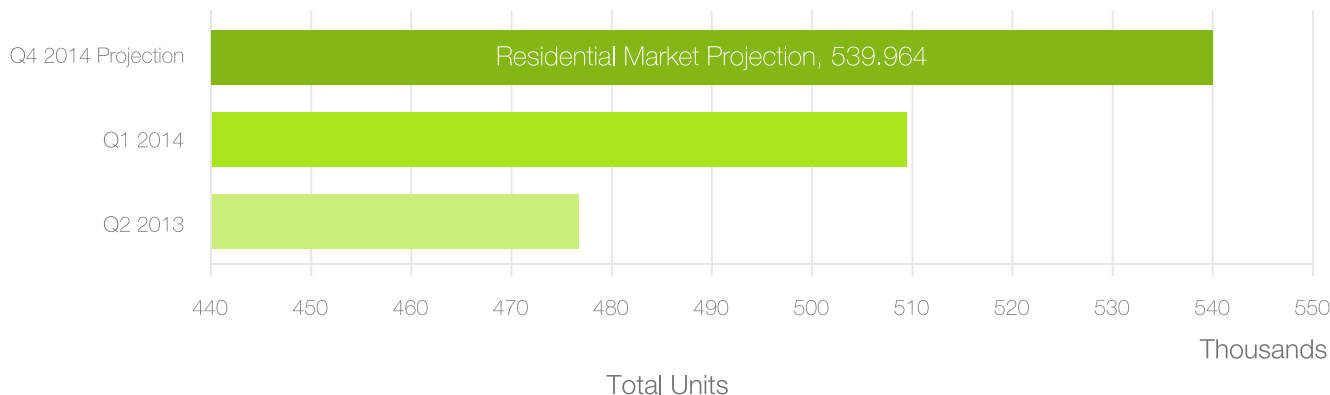
Owners Associations represented by the Board (usually 5-7 elected unit owners), although being non-profit organisations, become more and more involved in day-to-day operations, which is no doubt a very positive sign. However, having 'interim' status, OA's activities and in some cases rights are still limited. Real Estate Regulatory Agency (RERA) confirms that Dubai's real estate market is still in a transitional state in relation to OA's taking full responsibility for JOP communities and has only recently

started OA's registration process after which status 'interim' will be removed and OA's will be given a legal status as any other company in Dubai, and recognized by Dubai Economic Department (DED).

Historically, residential and commercial communities in Dubai have been managed by developers, property managers (different from OA managers) and Facility Management (FM) companies, however latest changes in property market attributed to economic downturn forced the owners to pay more attention to the quality of management services as well as quality of maintenance of the facilities in order to sustain and even increase the value of their property.

In the light of the above, and considering that Dubai's real estate market is on its fast recovery path OA's require certified management companies with the appropriate expertise providing professional services that include administrative, financial and facility management services.

Current Residential Market and Q4 2014 Projection



Dubai's Current and Projected Residential Stock 2013-2014

In Dubai current community per registered OA management company rate is about 8.3 and growing, considering that there is around 2,000 communities waiting to be handed over by developers to OA management companies. The OA market is currently dominated by a few relatively large Management Companies, however, size and number of communities in a portfolio not always equals quality.

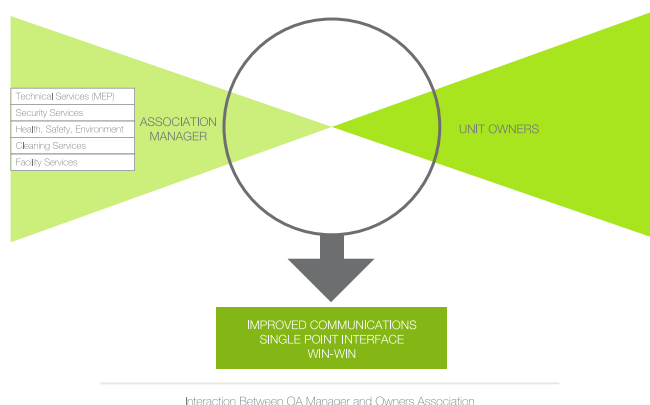
Evolution of the Dubai's real estate market and high demand for quality from the unit owners has raised the quality of OA management services to a new level. Many OA Managers offer concept of a so-called 'part

time' management when companies propose to have an Association Manager spending, for instance, only 30% of his/her time on site having managed other communities at the same time. Although this concept makes a lot of sense from the OA Management Company's perspective, it almost certainly affects the quality of services.

OA Managers, usually taking only administrative role, must start recognizing that appointed FM or Technical Services contractors often do not comply with basic community rules and regulations, health and safety standards, quality standards etc. and must not only develop and implement

Key Performance Indicators (KPI's) system, Service Level Agreement (SLA) and sets of guidelines but also be present on site and keep involved in the community life on a daily basis.

At MANSIONS we believe that desired quality of services can only be achieved having full time in-house based Association Manager that would provide a single point interface for unit owners and would have a full control of provided facility services.



Experience shows that those managers who are not deeply involved into activities of FM contractors significantly jeopardise the quality of services.

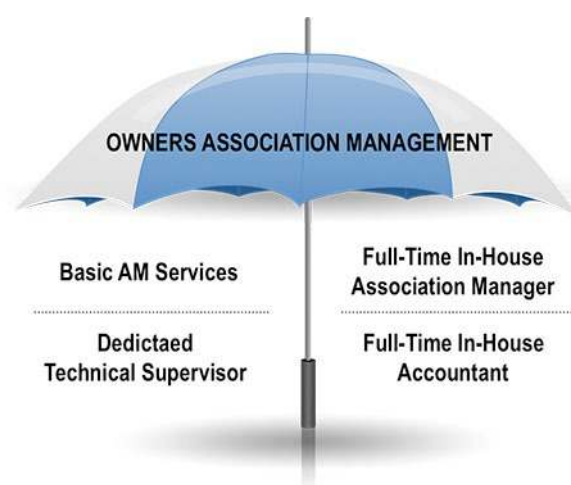
It must be noted that one of the areas of OA Manager responsibility is the community rules and regulation enforcement. Therefore, managers, spending only limited time on site have difficulties to monitor and control this process.

Another important area of OA Managers responsibility is Service Charge collection and community debt management. Service Charges are paid by unit owners to cover community costs such as utilities (DEWA), cost of equipment maintenance, security services, cleaning, landscaping, administration, etc. Part of the Service Charges paid by the owners is accumulated in Reserve Fund for future expenses such as, for example, installation of new lighting, repair of equipment in case of breakdown, community improvements, etc.

OA Managers usually offer owners to pay Service Charges by cash, bank checks or wire transfers not having convenient credit/debit card payment facilities due to current situation with OA's bank accounts. Therefore, not having an Accountant based in the community makes owners visiting OA Manager's office located elsewhere to pay the fees.

Given the nature of property owners profile in Dubai where most of them leave outside the UAE or travelling frequently outside the country, collection of Service Charges often become a challenge and, as a result, Service Charge debt grows.

Therefore, in order to improve the Service Charge collection rate to appropriate >90% level OA Managers may start thinking of having a full-time Accountant for the communities of certain size, mainly residential with >200 keys.



In conclusion, it is usually not easy finding the best OA Manager the Association can afford. The management company also must fit into OA's lifestyle and satisfy the owners' needs. Owners must also be sure they are paying appropriate rate and get desired value for money. And the Manager keeps the promises that were made during the bidding process and protects the community from surprises. And finally, OA needs to know how to handle the Management Company that is not meeting its responsibilities.

With a great OA Manager the Owners Association will prosper, with a weak one, the Owners Association will struggle. Therefore, Owners Association in Dubai must look into raising the quality standards so that the Managers follow and improve on services.

Written by Alexander Karabet, Founder and Managing Director of Mansions Owners Association Management for Property Watch Magazine!