



RERA BULLETIN 3

OWNERS OF APARTMENTS MUST ESTABLISH OWNERS ASSOCIATION

1. Introduction

In Law 27 of 2017, the government of Bahrain consolidated laws relating to jointly owned properties such as apartment buildings. These developments are increasing in popularity among buyers and investors. It is essential that the significant investment in purchasing the apartment is supported by a proper maintenance process, so that the building is maintained to a high standard and apartment values are maintained.

2. Apartment owners are members of an owners' association

Under the new law, an owners' association is automatically created when the first sale by the developer is registered on the title deed by the Survey and Land Registration Bureau. The owners' association has a legal status and represents the owners of the apartments. Every buyer of an apartment is automatically a member of the owners' association. Owners cannot opt out of this obligation.

RERA has created Articles of Association for every owners' association. These automatically apply to every owners' association and provide a clear process for calling and conducting meetings, appointing a board, setting a budget and collecting service charges.

3. All apartment owners must pay service charges

Under the law and the resolution, owners must contribute to the costs of maintaining the building. Service charges cover regular expenses such as cleaning and repair of the common areas. Maintenance inside the apartments continues to be the responsibility of each owner. The owners' association is empowered to:

- set an annual service charge;
- invoice each owner;
- charge interest on overdue amounts;
- recover the unpaid amounts and interest via the execution court.

4. Developers must hand over control to the owners' association

The law permits the developer a two-year period of maintenance of the units and in this time, the developer can collect service charges and an administrative fee. However, the developer is required to hand control to the owners' association. This may occur at the time of the first general assembly.

Owners may:



- choose to run the owners' association themselves. A Board of 3-9 members is created, with a Chairman, Secretary and Treasurer. Day-to-day management can be delegated to the Board;
- appoint a licensed owners association manager to run the day-to-day activities for two-year periods;
- re-appoint the developer or developer's manager as the owners' association manager.

5. If owners fail to take over the management function

Where the developer follows the handover procedures in the Law but owners fail to take over the management responsibility, the developer may be at liberty to serve notice in RERA that despite best efforts, the owners are not taking the management role. RERA will accept that, in such circumstances, the developer's management obligations have ended (apart from ongoing responsibility for defects).

RERA urges owners to get involved in meetings called by developers and to support the establishment of the owners' association in its role of keeping the building and its facilities in good condition. However, owners who leave it to others to make decisions at owners' association meetings will find that they are bound by decisions made at a properly-convened meeting.

6. Consequences of failure to undertake the management responsibilities

Failing to undertake the owners' association responsibility will expose owners to significant risks:

- **Failure to insure the building** – if the building is not insured by the owners' association and is destroyed by fire, owners will potentially lose their investment.
- **Personal injury** – a poorly maintained building increases the risk of death or injury to an owner, visitor or member of the public. In a court action for damages, owners will be jointly liable for the damages awarded by the court.
- **The building quality may fall** – a poorly maintained building will become unattractive for buyers and tenants and owners may suffer a fall in value. In times of market softness, the decline could be significant.
- **The potential for dispute is increased** – a properly-functioning owners association can set rules for the building to ensure harmony among owners. Without this, potential disputes may remain unresolved and harmony will be lost.

7. Resources

RERA provides resources to help owners to set up and operate the owners' associations:

- Owners association enquiries: oa@rera.gov.bh



- Phone enquiries- +973 1756 6777
- Guide to owners associations and joint properties available on www.rera.gov.bh

For any enquiries relating to this Bulletin or owners' association issues, please contact oa@rera.gov.bh