

Mixed-Use Projects in Jordan

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Jordan is becoming a major destination for real estate developers from all over the region. Over the past 10 years, real estate developers from the GCC have entered the market by either acquiring ongoing projects in Amman and Aqaba, or by establishing new projects in the Kingdom. However, the lack of legislation addressing mixed-use projects (a single project that has both residential units and commercial units) has hampered the progress of such projects.

The current legislation regulating the ownership of property in the Kingdom is the Ownership of Apartments and Floors Law No. 25 of 1968 as amended (the "Law"), which lacks the basic essential features for the proper regulation of mixed-use projects. Under the current legislation, every property owner has a vote at the owners' association, which is established pursuant to the Law. The Law provides that such an association must be established for every building that has more than 4 apartments/stories for the purpose of managing the property (an "Association"). Voting at meetings of an Association is by owners of individual units within the project, with each owner having one vote regardless of the total area he owns.

However, these voting rights defy the purpose of having one project managed by one party, essential for such types of projects. The fact that every building has a separate management Association in a mixed-use project is likely to create numerous issues for developers, including making it difficult for the developer to set out a set of unified rules applicable to the entirety of the project. The difficulties are particularly acute in relation to the enforcement of managerial decisions, including the imposition of service charges to be paid by owners, both commercial and residential.

Another major issue that may arise is the control of an Association in a project comprised of residential units, shopping malls, hotels etc. Every person whose name appears on the title deed has one vote in an Association, regardless of his share in the total area of the project. By way of example, hotels have the same voting rights as a single unit owner. This grants residential owners the controlling stake in an Association, including the right to make decisions related to sub-projects in a mixed-use project.

Jordan urgently needs to revise its real estate development legislation by adopting regulations similar to those applied in the UAE, which endorse strata and mixed-use concepts that are recognised worldwide.