



**Bureau of Experts at the Council of Ministers  
Official Translation Department**

**Law of Selling and Leasing Off-Plan Real Estate Projects**

Royal Decree No. M/44  
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## NOTES:

1. This translation is provided for guidance. The governing text is the Arabic text.
2. 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, and who) refer to a natural and legal person.



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**For any comments or inquiries, please contact the Official Translation Department at:**

**[otd@boe.gov.sa](mailto:otd@boe.gov.sa)**



## Law of Selling and Leasing Off-Plan Real Estate Projects

### Article 1

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

**Law:** Law of Selling and Leasing Off-Plan Real Estate Projects.

**Regulations:** Implementing Regulations of the Law.

**Competent Authority:** The authority in charge of the application of the provisions of the Law, to be determined pursuant to an order by the Prime Minister.

**Official:** The senior official at the competent authority.

**Real Estate Project:** A real estate project to be developed for the purpose of selling or leasing developed lands or real estate units off-plan, either prior to its execution or during construction and development, according to the agreed design or plan.

**Escrow Account:** The bank account of the real estate project in which the amounts paid by the project's financiers, purchasers, or lessees are deposited.

**Real Estate Development:** Construction of residential, commercial, office, service, industrial, tourist, or other real estate projects.

**Developer:** A legal person licensed to engage in the activity of owning or leasing real estate for the purpose of developing such real estate and selling or leasing it, as the case may be, including a prime developer and a sub-developer.

**Sub-developer:** A legal person licensed to engage in the activity of owning or leasing real estate for the purpose of developing such real estate and selling or leasing it pursuant to an agreement with the prime developer.

**Real Estate Broker:** A natural or legal person licensed to engage in real estate brokerage or to provide real estate services in accordance with statutory provisions.

**Consulting Firm:** An engineering consulting office licensed by the relevant agency and approved by the competent authority for a real estate project.

**Certified Public Accountant:** A person licensed by the relevant agency and approved by the competent authority for a real estate project.

**Registry of Developers:** A registry for recording the names of developers qualified to develop, sell, and lease real estate projects and licensed by the competent authority to engage in the activity of real estate development in the Kingdom.

**Real Estate Unit:** The subdivided part of real estate sold or leased to a third party by a developer.

**Common Part:** The part shared among the owners of real estate units in a real estate project.



## **Article 2**

The provisions of this Law shall apply to the following:

1. The activity of selling and leasing off-plan real estate projects in which payments are made by the purchasers, lessees, or financiers of the project.
2. The activity of selling and leasing off-plan real estate projects affiliated with government agencies, in accordance with their nature and subject to the Regulations.

## **Article 3**

A real estate developer may not engage in the activity of selling and leasing off-plan real estate projects unless he is registered in the Registry of Developers; such projects may not be advertised in local or foreign media outlets, nor may exhibitions be organized and held in promotion thereof, unless the project is licensed by the competent authority, in accordance with the provisions of this Law and the Regulations.

## **Article 4**

The competent authority shall, in accordance with this Law, undertake the following:

1. Oversee real estate projects, including issuing the necessary licenses therefor, monitoring execution thereof, and supervising and inspecting the same. The Official may outsource some of such tasks to the private sector, in accordance with the provisions of this Law and the Regulations.
2. Establish a public database for real estate projects licensed in accordance with this Law. The Regulations shall specify the information that must be included in the database.
3. Establish a registry to be named the “Registry of Developers.” The Regulations shall specify the controls and procedures for registration.

## **Article 5**

The competent authority may require a developer seeking to market a real estate project through a real estate broker to provide a copy of the agreement concluded with the broker, as specified in the Regulations.

## **Article 6**

1. A developer seeking to sell or lease off-plan real estate projects shall, after being registered in the Registry of Developers, submit an application to the competent authority to obtain a license for the real estate project, and shall attach the following:
  - a) A copy of a valid commercial registration permitting the developer to engage in the activity of real estate development.
  - b) A Chamber of Commerce membership certificate.
  - c) A copy of the developer’s credit record from a company licensed by the agency in charge of credit services.



- d) A valid building license for the real estate project.
- e) A valid property registration deed for the real estate to be developed.
- f) A copy of the agreement concluded between the developer and the landowner or usufructuary, in accordance with the provisions of this Law and the Regulations.
- g) A copy of the agreement concluded between the prime developer and the sub-developer, if applicable, in accordance with the provisions of this Law and the Regulations.
- h) Architectural designs and engineering plans approved by the competent agencies.
- i) A copy of the contract concluded between the developer and the consulting firm, in accordance with the provisions of this Law and the Regulations.
- j) A copy of the contract concluded between the developer and the certified public accountant, in accordance with the provisions of this Law and the Regulations.
- k) A feasibility study for the real estate project prepared by a consulting firm which includes the project's estimated costs, essential areas of expenditure, cash flow, and anticipated timeline for execution.
- l) An undertaking by the developer to commence construction works for the real estate project within six months from the date of obtaining the license.
- m) The template of the sale contract to be concluded between the developer and the purchaser as well as the days and dates of delivery of the sold property, in accordance with the provisions of this Law and the Regulations and in a manner not inconsistent with the provisions of Sharia.
- n) An agreement for opening an escrow account concluded between the developer and a bank licensed to operate in the Kingdom, in accordance with the provisions of this Law and the Regulations.

The competent authority may amend or add certain conditions.

2. The competent authority shall decide on the application within 30 days from the date of completion of the required documents. If such period expires without the issuance of a decision, the application shall be deemed approved. If the application is rejected, the rejection decision must be reasoned.

The competent authority shall set the requirements necessary for the approval of each phase of a real estate project, and such requirements shall be specified in the Regulations.

## **Article 7**

The competent authority may, in order to achieve the objectives of this Law and when necessary, register a natural person in the Registry of Developers and license him to engage in the activity of selling and leasing off-plan real estate projects, in accordance with controls to be specified in the Regulations. Such controls shall specify the ceiling for the size of the real estate project and the number of projects the developer is permitted to execute annually, in accordance with the provisions of this Law and the Regulations.



## **Article 8**

Without prejudice to the provisions of the Law of Real Estate Registration, the competent authority shall, upon issuing a license for a real estate project, request that the agency in charge of notarization makes a notation on the property registration deed of the real estate to be developed indicating that the ownership of such real estate may not be disposed of until development is completed. Such notation may not be removed from the property registration deed of the real estate except with the approval of the competent authority. The Regulations shall specify the cases where such notation may be removed. Any person aggrieved by the decision of the competent authority may file an appeal with the committee provided for in Article 21 of this Law.

## **Article 9**

A separate escrow account shall be created for each real estate project, and said account shall not be activated until the license for the real estate project is obtained and a notation is made on the property registration deed of the real estate to be developed.

## **Article 10**

1. The escrow account shall only be used for making disbursements for the licensed real estate project, and the amounts deposited therein may not be attached for the benefit of the developer's creditors.
2. The funds obtained by a developer or landowner for the purpose of financing a licensed real estate project must be deposited in the escrow account. Disposition of such funds shall be made in accordance with the provisions of this Law and the Regulations.

## **Article 11**

Disbursement from the escrow account may only be made pursuant to a payment order signed by the developer, the consulting firm, and the certified public accountant. However, disbursement may, in exigent circumstances, be made at the request of the competent authority, as specified in the Regulations.

## **Article 12**

The developer may request that disbursement from the escrow account be made for administrative and marketing expenses as well as any other non-construction-related expenses of a licensed real estate project, provided that the disbursed amounts do not exceed 20 percent of the value of a sold real estate unit. The certified public accountant must ensure that the total amount disbursed from the escrow account for non-construction-related expenses does not exceed 20 percent of the total value of sold real estate units.



### **Article 13**

A developer may, upon the competent authority's approval, withdraw any amounts in excess of the total actual cost required to complete the real estate project and its amenities, pursuant to a report from the contractor and the consulting firm, provided that the certified public accountant retains in the escrow account an amount equal to 20 percent until the completion of the project.

### **Article 14**

The certified public accountant must retain in the escrow account an amount equal to five percent of the total value of the construction cost; otherwise, the developer must provide the certified public accountant with a bank guarantee for the same percentage once the developer receives the certificate of completion. The amount retained in the escrow account may only be paid to the developer upon the lapse of a period of one year from the date of completion of the licensed real estate project, or upon the provision of an insurance policy against hidden defects in the buildings and constructions, as specified in the Regulations.

### **Article 15**

The developer shall provide the competent authority with financial statements prepared by the certified public accountant for each licensed real estate project.

### **Article 16**

The developer and the landowner may not dispose of the common part of a licensed real estate project before the real estate units are subdivided. Upon subdivision, disposition shall be made in accordance with the Law of Ownership, Subdivision, and Management of Real Estate Units.

### **Article 17**

The purchaser or lessee, or their designee, shall have the right to access the accounting records belonging thereto and to obtain copies thereof, as specified in the Regulations.

### **Article 18**

1. The competent authority may request from the certified public accountant and the consulting firm any information and data it deems necessary, and may seek the assistance of any person it deems appropriate to verify such information and data.
2. The competent authority may request a progress report on the licensed real estate project from the certified public accountant and the consulting firm, as specified in the Regulations.





## **Article 19**

1. The certified public accountant and the consulting firm shall, each in his capacity, notify the competent authority of any violation of the provisions of this Law or the Regulations that he becomes privy to in the course of his duties.
2. If the competent authority establishes that the developer, certified public accountant, or consulting firm has committed any violation of the provisions of this Law or the Regulations, it shall notify the violator in writing and specify a period for rectifying the violation, without prejudice to the imposition of the penalties provided for in this Law. The violator must notify the competent authority in writing of the rectification of the violation within the specified period.
3. If the competent authority establishes that the bank has committed any violation of the provisions of this Law or the Regulations, it shall notify the Saudi Central Bank thereof in writing.

## **Article 20**

1. The developer shall complete the real estate project by the specified completion date. In case of a delay in delivering the land or the real estate unit without a reason beyond the developer's control, the purchaser shall be entitled to a predetermined financial compensation in case of a developed plot of land, or to the rent payable for a similar property in case of a residential unit.
2. In the event of an emergency that results in non-completion of a licensed real estate project, the competent authority may, in consultation with the project's certified public accountant and consulting firm, take the measures necessary to ensure completion of the project or otherwise to liquidate the project and return the paid amounts, as specified in the Regulations.
3. In case of any violation of the provisions of this Law or the Regulations, the competent authority may take any measures necessary, including suspension of the licensed real estate project until the violation is rectified.

## **Article 21**

1. A committee, or more, formed by a decision of the Official for a renewable term of three years shall review violations of the provisions of this Law and the Regulations, except for the violations provided for in Article 24 of this Law, and shall impose fines not exceeding one million riyals. Said committee shall consist of at least three members, and its formation decision shall name its chairman, who must be a specialist in Sharia or law. The committee's decisions shall be issued by majority vote, reasoned, and approved by the Official.
2. The Regulations shall specify the committee's work rules and procedures and the remuneration of its members.
3. Committee decisions may be appealed before the Administrative Court within 60 days from the date of notification of the decision.





## **Article 22**

Without prejudice to the provision of Article 26(1) of this Law, inspectors, to be appointed by a decision of the Official, shall collectively or individually detect, record, and investigate violations of the provisions of this Law and the Regulations. The Regulations shall specify the work rules of said inspectors.

## **Article 23**

The Official shall issue a violation classification table, excluding the violations provided for in Article 24 of this Law, and shall determine the penalties within the limit stipulated in Article 21 of this Law, taking into consideration the nature and gravity of each violation as well as any aggravating or mitigating circumstances.

## **Article 24**

Without prejudice to any harsher penalty provided for in any other law, the following violations shall be subject to imprisonment for a term not exceeding five years or a fine not exceeding ten million riyals, or to both penalties:

1. Any person who engages in the activity of selling and leasing off-plan real estate projects or collects funds from purchasers or lessees for real estate in a real estate project without a license.
2. Any person who provides false documents or information when applying for a license for a real estate project.
3. Any person who knowingly offers or advertises the sale or lease of off-plan real estate properties in fictitious real estate projects.
4. Any person who embezzles, squanders, or misappropriates funds earmarked for establishing a real estate project.
5. Any person who receives funds for the purpose of reserving lands or real estate units for off-plan sale or lease, as the case may be, and fails to deposit such funds into the escrow account.
6. Any certified public accountant who intentionally submits a false audit report on the financial position of a real estate project or deliberately omits material facts from such report.
7. Any consultant who knowingly approves false documents relating to a real estate project.



## **Article 25**

1. The competent authority may strike off the name of a developer from the Registry of Developers in any of the following cases:
  - a) The developer fails to commence the construction works of a licensed real estate project after the lapse of six months from the date of obtaining the license without an acceptable excuse.
  - b) The developer repeatedly delays construction or fails to complete a number of real estate projects, or it is established that the developer has compromised the quality of construction in a manner that causes harm to purchasers or lessees.
2. The competent authority shall strike off the name of a developer from the Registry of Developers in any of the following cases:
  - a) The developer declares bankruptcy.
  - b) The developer is punished for committing a serious violation of the provisions of this Law or the laws and regulations governing real estate development activities in the Kingdom during the execution of a real estate project. The Regulations shall specify the violations that are deemed serious.

## **Article 26**

1. The Public Prosecution shall investigate the violations provided for in Article 24 of this Law and prosecute such violations before the competent court.
2. The competent court shall hear cases arising from the violations provided for in Article 24 of this Law and impose penalties on the violators.
3. The competent court may include in the penalty decision a provision to publish its summary at the violator's expense in a local newspaper published in his area of residence, or, if no newspaper is published in his area of residence, publication shall be made in a newspaper published in the area nearest to his residence, or through any other appropriate medium, according to the type, gravity, and impact of the violation, provided that publication is made after the decision becomes final.

## **Article 27**

The competent authority may charge fees for services rendered thereby pursuant to the provisions of this Law, as specified in the Regulations.

## **Article 28**

The Official shall issue the Regulations within 90 days from the date of publication of this Law in the Official Gazette, and they shall become effective on the date this Law enters into force.

## **Article 29**

This Law shall repeal any provisions conflicting therewith.



### **Article 30**

This Law shall enter into force 90 days following the date of its publication in the Official Gazette.



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