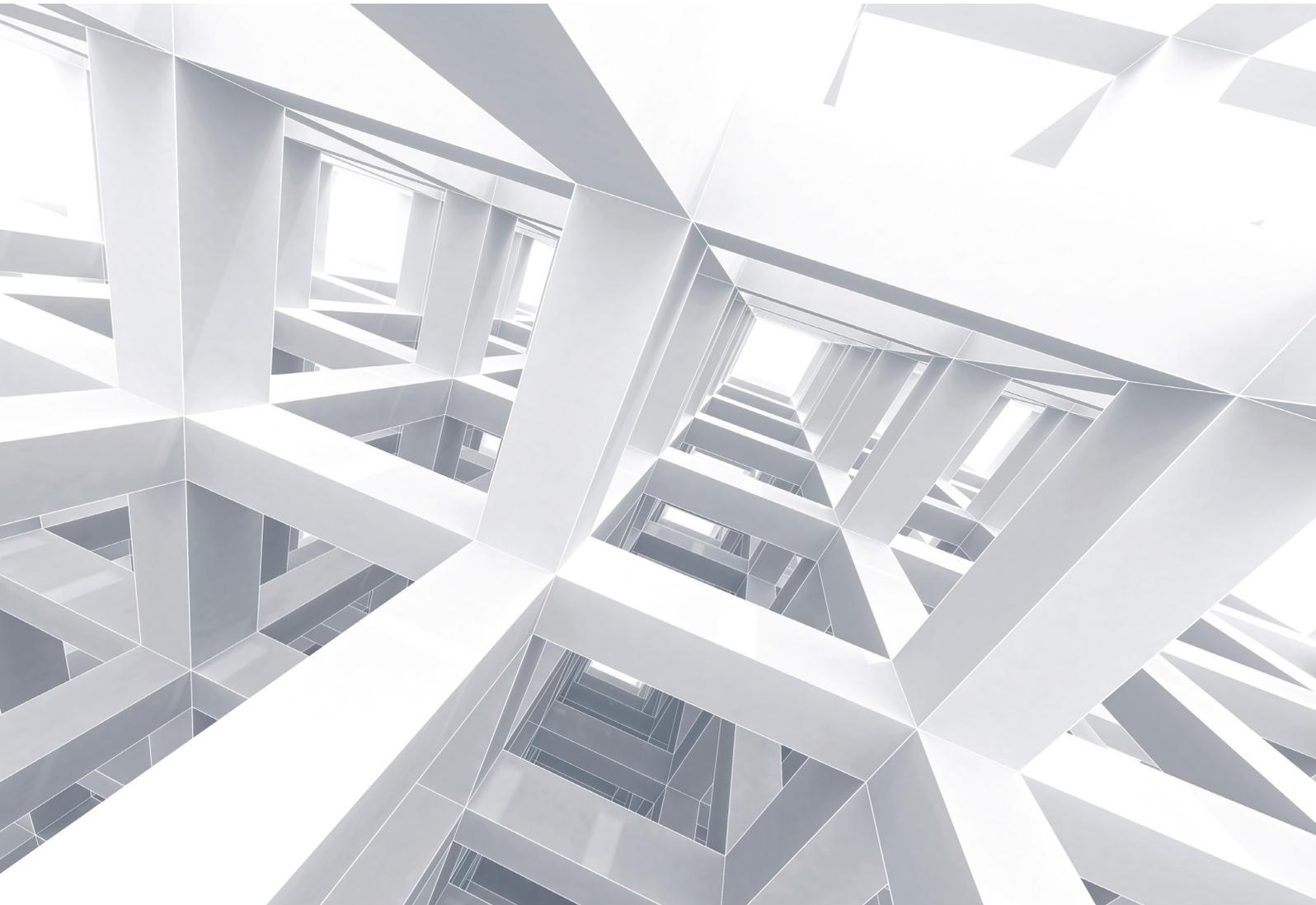




RICS professional standards and guidance, Abu Dhabi

**RICS Valuation – Global
Standards 2017 jurisdiction
guide: Abu Dhabi**

1st edition, May 2019



RICS Valuation – Global Standards 2017 jurisdiction guide: Abu Dhabi

RICS jurisdiction guide

1st edition, May 2019



Author: Paul Batho FRICS

Professional Group Lead: Ben Elder FRICS

Project manager: Ellie Scott

Editor: Jo FitzLeverson

Published by the Royal Institution of Chartered Surveyors (RICS)

Parliament Square

London

SW1P 3AD

www.rics.org

No responsibility for loss or damage caused to any person acting or refraining from action as a result of the material included in this publication can be accepted by the authors or RICS.

ISBN 978 1 78321 341 2

© Royal Institution of Chartered Surveyors (RICS) May 2019. Copyright in all or part of this publication rests with RICS. Save where and to the extent expressly permitted within this document, no part of this work may be reproduced or used in any form or by any means including graphic, electronic, or mechanical, including photocopying, recording, taping or web distribution, without the written permission of RICS or in line with the rules of an existing licence.

Contents

RICS jurisdiction guides	1
1 Background	3
2 Legislation	4
2.1 Principal laws governing real estate	4
2.2 Types of ownership	4
2.3 Registration	4
2.4 Development control	5
2.5 Commercial leases	5
2.6 Residential leases	5
2.7 Property measurement	6
3 Taxation	7
3.1 Value-added tax (VAT)	7
3.2 Property transfer tax	7
3.3 Other property taxes	7
4 Regulation and standards	8
4.1 Regulation of valuation professionals	8
4.2 Abu Dhabi valuation standards	8
4.3 International standards	8
5 Application of the RICS Valuation – Global Standards 2017 in Abu Dhabi	9
5.1 User’s perspective	9
5.2 The Red Book – implementation in Abu Dhabi	9

RICS jurisdiction guides

Since its first publication in 1976, the *RICS Valuation – Global Standards 2017*, generally known as the ‘Red Book’, has set standards for property valuation that are designed to ensure consistency, objectivity and transparency in the valuation process. The primary aim of these standards has always been to sustain public confidence and trust in a valuation undertaken by a member of RICS or a valuer working for an RICS regulated firm.

Over the past 40 years the Red Book has become global in its application, reflecting the growing internationalisation of the property market and its clients’ requirement for worldwide consistency of standards. A Red Book-compliant valuation is consistent with the International Valuation Standards (IVS) and it is augmented in a growing number of markets by national supplements, which provide guidance designed to ensure that a Red Book-compliant valuation also meets local legal requirements, regulations and practice.

The global Red Book and, where they apply, the national supplements are written primarily for valuers. By contrast, jurisdiction guides will be of use especially to property owners and professionals who are involved in the valuation process, either by commissioning a valuation or by providing advice in relation to its outcome. Owners and their advisers do not usually need to know the full detail of the valuation process and the regulations that govern it (which are set out in the Red Book), but their understanding of the outcome of the valuation is likely to benefit from a better understanding of the key factors that will influence a valuer, and thus the value of the property.

These factors include:

- legislation governing the holding and valuation of real estate
- ownership structures
- lease terms
- planning regulations and development control
- taxation affecting real estate and
- valuation regulations, standards and the application of the Red Book.

These factors will vary significantly between one country and another. Jurisdiction guides therefore aim to examine each factor in its local context and to highlight those that are likely to have a significant impact on the valuation of a property located in the country concerned.

It is important to emphasise that jurisdiction guides are designed to provide a short overview of what in many cases and countries is a complex situation. They have been prepared by RICS and based on information from a variety of sources. The content of this jurisdiction guide is for general guidance only, and the reader is advised not to act on it without consulting an appropriately qualified and experienced professional.

Document status defined

The following table shows the categories of RICS professional content and their definitions.

Publications status

Type of document	Definition
<i>RICS Rules of Conduct for Members and RICS Rules of Conduct for Firms</i>	These Rules set out the standards of professional conduct and practice expected of members and firms registered for regulation by RICS.
International standard	High-level standard developed in collaboration with other relevant bodies.
RICS professional statement [PS]	Mandatory requirements for RICS members and regulated firms.
RICS guidance note [GN]	A document that provides users with recommendations or an approach for accepted good practice as followed by competent and conscientious practitioners.
RICS code of practice [CoP]	A document developed in collaboration with other professional bodies and stakeholders that will have the status of a professional statement or guidance note.
RICS jurisdiction guide [JG]	This provides relevant local market information associated with an RICS international standard or RICS professional statement. This will include local legislation, associations and professional bodies as well as any other useful information that will help a user understand the local requirements connected with the standard or statement. This is not guidance or best practice material, but rather information to support adoption and implementation of the standard or statement locally.

1 Background

Abu Dhabi is the largest of the seven emirates comprising the United Arab Emirates (UAE). Its economy is dominated by the oil sector, which contributed 49 per cent to its GDP in 2016.

The property market has experienced rapid expansion over the past three decades as the economy and the population have grown. Abu Dhabi is classified as 'semi-transparent' and it ranked 55th of 100 cities in the **JLL Global Real Estate Transparency Index 2018**.

2 Legislation

2.1 Principal laws governing real estate

The primary source is the Civil Transactions Law of the UAE. Part 4 deals with property rights while Part 5 covers the creation of security over all types of property, including real estate.

Specific to Abu Dhabi, Law No. 3 of 2015 (concerning the regulation of the real estate sector) covers a wide range of areas, including regulation of professionals, new land registration requirements, regulation of off-plan sales, escrow accounts and mortgage provisions.

2.2 Types of ownership

The most common property interests across the UAE are:

- Freehold: the owner has full rights to a property for an unlimited period of time.
- Usufruct: this grants the right to use a property for a limited period of time.
- Musataha: this grants the right to use a property for a limited period of time, including the right to construct buildings.
- Leasehold: this is a contractual right to use a property for a limited period. This is subdivided into short leaseholds (up to a maximum of ten years) and long leaseholds. In Abu Dhabi, a short lease amounts to a contract of hire and is not an interest in land.

Within the Abu Dhabi Global Market (ADGM) free zone, additional occupational interests are recognised.

There are restrictions on foreign ownership of real estate. In summary, foreign nationals and entities can only own property rights in one of the 11 designated investment areas, where non-UAE nationals may be granted long leases (of 25 years or more), usufruct rights (for up to 99 years) and mustaha rights (for a maximum 50-year renewable term).

2.3 Registration

Law No. 3 of 2015 extended the registration requirements with the aim of ensuring all land is registered. Title details are not publicly available.

Transfers of title must be registered. The registration fee is a percentage of the sale value and is split equally between buyer and seller. Mortgages must also be registered.

All leases in Abu Dhabi must be registered in order to be legally enforceable, with the landlord being responsible for registration and fees.

The ADGM has a separate system of registration.

2.4 Development control

Development policy in Abu Dhabi is governed by Plan Abu Dhabi 2030, which sets the framework for future urban development and infrastructure in the emirate as a whole, as well as covering certain areas in more detail.

The Abu Dhabi Urban Planning Council (UPC) drives development strategy and ensures development proposals are in line with the 2030 plan. All development proposals need to follow a four-step review process. Once this has been completed, building permits have to be obtained from the municipality prior to construction.

Approvals are also required from relevant statutory authorities such as utilities suppliers, civil defence and highway authorities.

2.5 Commercial leases

Offices and shops:

- Term: typically one to five years. Longer leases are rare.
- Break option: breaks are becoming more common with longer leases – for example, a three-year break option in a five-year term.
- Rent: this is payable quarterly or biannually in advance.
- Rent escalation: restrictions on rent escalation were abolished in 2013. Rents are usually reviewed annually. Retail rents often include a turnover element.
- Repair, maintenance and services: the landlord is usually responsible for external and structural repairs and for maintenance of all common areas. Costs are usually recoverable from the tenant via a service charge. By law, the landlord is liable for repairs to the demised premises, but leases frequently provide for the tenant to be responsible.
- Subletting: this requires the landlord's consent.
- Termination: leases may be terminated by three months' notice from the landlord at the end of the term. Until November 2013, a landlord was prohibited by law from serving an eviction notice on expiry of the lease (except on certain legally recognised grounds) but although this has been rescinded, the current position is unclear. A tenancy can be terminated before the end of the term in certain circumstances. Examples include failure to pay rent, unauthorised subletting, rebuilding or where the landlord requires the property for its own use.
- Renewal: if the lease expires and the tenant remains in occupation with no objection from the landlord, the lease is deemed to be renewed for the lesser of the original term or one year.

Lettings in the ADGM free zone are generally not subject to the restrictions on termination and renewal.

Hotel lettings do not fall under landlord and tenant legislation.

2.6 Residential leases

The format for non-furnished residential leases is similar to that for commercial property, although residential leases are usually for one year. Two months' notice is required

to terminate the lease. There are restrictions on the maximum number of occupiers, depending on the size and accommodation offered by the property.

Furnished apartments are not subject to landlord and tenant legislation, allowing more flexible letting terms to be agreed.

2.7 Property measurement

International Property Measurement Standards (IPMS) for Office Buildings, Residential Buildings and Industrial Buildings were published in 2014, 2016 and 2018 respectively. RICS members must adopt IPMS in line with the RICS professional statement **RICS property measurement** (2nd edition). RICS members are expected to advise their client or employer on the benefits of using IPMS, unless there is a significant reason for departure. It is accepted that in some circumstances IPMS may not be suitable. If IPMS are not to be used, RICS members must document the reasons for departure.

IPMS for other asset types will be published in due course. In the interim all RICS members must follow *RICS property measurement* (2nd edition) Section 1 *Application of the professional statement*. In some instances other measurement standards can be used, such as the RICS guidance note **Code of measuring practice** (6th edition), providing the reason for departure is stated.

Historically, there has been no single agreed method for calculating floor areas in Abu Dhabi. A need for consistency has been acknowledged, and the RICS guidance note *Code of measuring practice* (6th edition) and now IPMS are increasingly being recognised.

Abu Dhabi Property Measurement Standards (ADPMS) are shortly to be adopted for valuation purposes.

Floor areas in Abu Dhabi are expressed in square metres.

3 Taxation

3.1 Value-added tax (VAT)

VAT was introduced in the UAE in January 2018. It is chargeable on the rent or sale proceeds of commercial buildings. Residential property is generally exempt; however, with shorter-term serviced rentals VAT may be applicable.

3.2 Property transfer tax

There are no property transfer taxes in Abu Dhabi.

3.3 Other property taxes

No other property taxes are payable except for the registration fees referred to above.

4 Regulation and standards

4.1 Regulation of valuation professionals

Under Abu Dhabi Law No. 3 of 2015, all developers and other key industry participants, including valuers, must be licensed by the Department of Municipal Affairs and Transport (DMAT). Licences are reviewed annually, and applicants must, if required by DMAT, undertake compulsory training courses in order to obtain or renew their licences. Penalties are imposed for working without a licence. However, there are currently no local Abu Dhabi or UAE organisations representing real estate valuers.

RICS is widely recognised for its standards and regulations, but members who undertake valuation assignments have to be separately licensed by DMAT. RICS has many members in the UAE, and it has had an office in Dubai since 2005. RICS was established in 1868 in London and is now the largest international regulator of property professionals, with 125,000 members worldwide. RICS valuers have to be registered and are subject to regulatory monitoring.

RICS in the Middle East and North Africa (MENA) has a valuation best practice working group to represent the views of members across the region.

4.2 Abu Dhabi valuation standards

The Abu Dhabi Valuation Standards 2018 (ADVS) set out mandatory requirements that will enable a valuer to state an appraisal has been performed in compliance with ADVS. They will apply in Abu Dhabi, Al Ain and Al Dhafrah and are expected to be formally adopted in mid-2019.

ADVS fully adopt and implement the International Valuation Standards (IVS) and are designed to act as a regional supplement to IVS. The requirements regarding scope of work, investigations and compliance, reporting, bases of value, valuation approaches and methods are similar to those in the IVS and Red Book.

4.3 International standards

The two recognised global standards for valuation are:

- **International Valuation Standards (IVS):** these are published by the International Valuation Standards Council (IVSC), which comprises about 100 member organisations dedicated to setting generic global standards for valuation practice and valuation professionals.
- **RICS Valuation – Global Standards 2017 (the Red Book):** this sets out global standards for valuations undertaken by RICS members and RICS regulated firms. It adopts and applies the IVS and imposes certain additional requirements, with particular reference to ethics, competency, objectivity and disclosures.

The IVS and the Red Book are recognised standards for valuations undertaken in Abu Dhabi.

5 Application of the RICS Valuation – Global Standards 2017 in Abu Dhabi

5.1 User’s perspective

Global standards:

- The Red Book is written to ensure that valuation assignments undertaken by RICS members and RICS regulated firms (see PS1 sections 1 and 2) are fully in accordance with the IVS.
- The Red Book complements the IVS by providing detailed guidance and specific requirements regarding the practical implementation of the IVS.
- All valuations provided in writing by RICS members and RICS regulated firms must comply with the requirements of the Red Book. Valuers must be suitably trained and have appropriate qualifications and adequate experience for the task.
- Valuers must be independent, objective and transparent in their approach.
- The adoption of the Red Book ensures consistency of approach and aids understanding of the valuation process and the value reported.
- A Red Book-compliant valuation must provide clarity regarding terms of engagement, basis of value (including any assumptions or material considerations taken into account) and reporting.

National supplements:

National supplements (also known as national chapters) of the Red Book are published by RICS in a growing number of countries to ensure compliance with local legal requirements, regulations and practice.

5.2 The Red Book – implementation in Abu Dhabi

5.2.1 Red Book translation

An Arabic translation of the *RICS Valuation – Global Standards 2017* is planned.

5.2.2 Red Book application in the context of legislation in Abu Dhabi

The Red Book is written from an international perspective, in accordance with the IVS. It expressly recognises (in PS 1 section 4) that in individual jurisdictions, compliance with specific statutory, regulatory or other authoritative requirements is necessary, and doing so does not preclude a valuation from being declared as performed in accordance with the Red Book.

Market value is the commonly adopted basis of value in the Abu Dhabi market, and most financial institutions will require a valuation to be provided by a certified valuer who is a member of a recognised professional association. A valuation undertaken in accordance with Red Book standards by a member of RICS or by a valuer working for an RICS regulated firm will fully meet these requirements, and the report and valuation will also accord with the IVS.

A Red Book-compliant valuation should therefore fully meet the requirements of almost all organisations and individuals who own property in Abu Dhabi. Although it is not formally required in Abu Dhabi, a Red Book-compliant valuation will always be provided by RICS regulated firms to comply with their global requirements.



Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the valuation, development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to markets and effecting positive change in the built and natural environments.

Americas

Latin America

ricsamericalatina@rics.org

North America

ricsamericas@rics.org

Asia Pacific

Australasia

australasia@rics.org

Greater China (Hong Kong)

ricshk@rics.org

Greater China (Shanghai)

ricschina@rics.org

Japan

ricsjapan@rics.org

South Asia

ricsindia@rics.org

Southeast Asia

sea@rics.org

EMEA

Africa

ricsafrica@rics.org

Europe

ricseurope@rics.org

Ireland

ricsireland@rics.org

Middle East

ricsmiddleeast@rics.org

United Kingdom RICS HQ

contactrics@rics.org

Chartered Surveyor™ is a trade mark of the Royal Institution of Chartered Surveyors.

rics.org

MAY2019/ABUDHABI