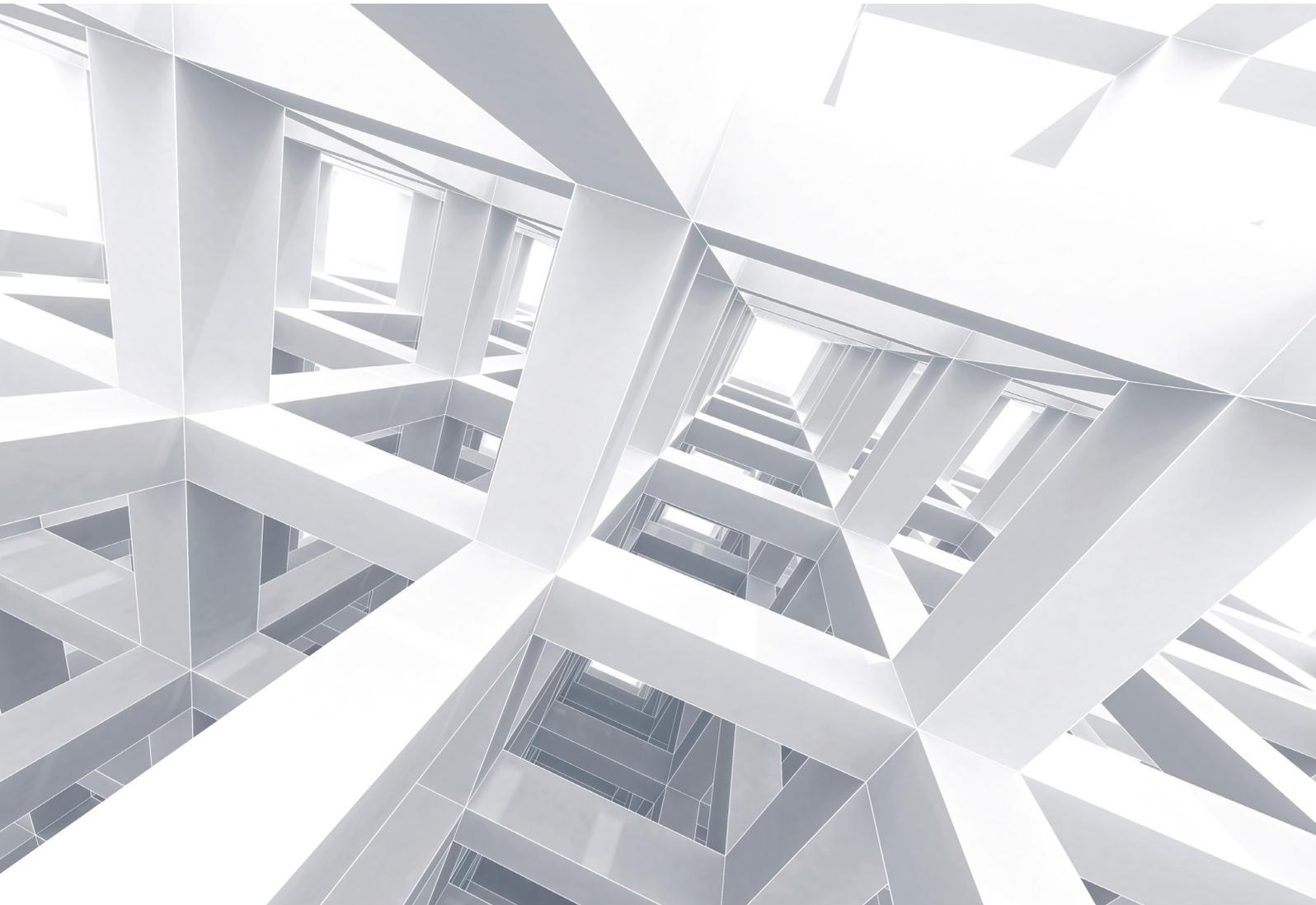




RICS professional standards and guidance, Netherlands

**RICS Valuation – Global
Standards 2017 jurisdiction
guide: The Netherlands**

1st edition, May 2019



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RICS jurisdiction guide

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Author: Paul Batho FRICS

Professional Group Lead: Ben Elder FRICS

Project manager: Ellie Scott

Editor: Jo FitzLeverson

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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 an RICS member 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

The Netherlands is a highly developed property market that has long been influenced by large domestic investment institutions. The market is mature and attracts both local and international property investment. It was ranked 12th in the MSCI Real Estate Market Size Survey 2017.

Real estate market data for the Netherlands is widely accessible. The market is ranked sixth in the **JLL Global Real Estate Transparency Index 2018** and categorised as 'highly transparent'.

2 Legislation

2.1 Principal laws governing real estate

Book 5 of the Netherlands Civil Code (*Burgerlijk Wetboek*, BW) codifies in detail the law of property, covering ownership, ownership rights and duties, common ownership, easements, long leasehold, apartment rights, etc.

2.2 Types of ownership

There are seven types of property ownership in the Netherlands:

- **Full ownership (*eigendom*):** freehold equivalent.
- **Common ownership:** joint ownership of property by two or more parties in common.
- **Communal ownership:** owners of two or more properties who own a separate property to be used communally – used, for example, in the case of common areas in a multi-occupied building.
- **Ground lease (*erfpacht*):** a long leasehold arrangement allowing one party to hold and make use of a property belonging to another – terms are typically 50 or 100 years and can also be perpetual.
- **Superficies (*opstalrecht*):** arises when an owner allows buildings or structures to be constructed on the owner's land for a finite or indefinite period – a form of horizontal division between land and buildings.
- **Apartment right (*appartementsrecht*):** ownership, leasehold and superficies divided into apartment rights.
- **Usufruct:** the right to enjoy goods or property belonging to another.

2.3 Registration

All land in the Netherlands must be registered at the time of sale. The national Land Registry in the Netherlands (*Kadaster*) is responsible for keeping public records, land registration and the cadastral map. Access to information held by the Registry is available online.

2.4 Development control

A three-tier development control system applies in the Netherlands. Key strategic planning is undertaken at national government level. Regional governments prepare plans for their regions within the framework set by national-level planning.

Each municipality agrees a local zoning plan (*bestemmingsplan*) in the light of national and regional planning policy, which dictates the use and form of individual properties within the municipality. Applications for building permits, change of use, etc. are decided by the municipality in the light of local and national policy.

2.5 Commercial leases

The Council for Real Estate (*Raad voor Onroerende Zaken*) issued a standard lease template in 2015, which now forms the basis of many leases. The parties can complete blank sections and amend the template as they require; there are very few statutory restrictions. Typical commercial leases provide for the following:

- **Term:** negotiable – five years is standard; ten years is also common. Perpetual leases are possible
- **Break:** can be included if negotiated by the parties
- **Rent:** usually payable quarterly in advance for offices and monthly in advance for retail
- **Rent escalation:** annually in line with increases in CPI published by Statistics Netherlands. Market rent reviews are not usual during the term. For retail property, rent may be reviewed at the request of either the landlord or the tenant any time after the end of the first five or ten years to a figure representing the average rent for comparable shops over the previous five years.
- **Repair, maintenance and services:** the landlord is usually responsible for maintenance of the structure and common parts and for the provision of services. The tenant is responsible for internal repairs and decoration.
- **Service charge:** covers energy costs, cleaning, security, insurance, management, etc. Costs of repairs and maintenance to the structure are not usually recoverable from the tenant via the service charge.
- **Subletting:** normally permitted with the landlord's approval.
- **Renewal:** The tenant has no statutory right to renew. A right to a further term (typically five years) can be negotiated. Dutch law (art 7.230A of the BW) allows the tenant to hold over in specific circumstances.

2.6 Residential leases

The Dutch rental sector is dominated by social housing. Only about 11 per cent of the market is owned privately or by commercial investors.

Residential tenants enjoy protection security of tenure and rent control under Dutch law. Leases are commonly of indefinite term and can usually only be terminated by the court or by mutual consent, subject to statutory notice. The landlord can terminate the lease against the wishes of the tenant only under certain specified circumstances – for example, in the case of a serious breach of the lease terms, where the landlord requires the premises for his or her own purposes, or for realisation of a valid land use plan involving change of use or redevelopment. Compensation will be payable in some circumstances.

Around 93 per cent of rented housing is subject to rent regulation, which applies maximum reasonable rents and maximum permissible rent increases, calculated with reference to a points system based on the quality of the dwelling. The maximum permissible rent increase equates to the rate of inflation in the preceding year. Some relaxation of rent regulation has been introduced by the government in recent years.

Housing with rent above a certain threshold (subject to review) is exempt from rent control regulations. Security of tenure regulations remain applicable.

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.

The Dutch standards organisation, NEN, provides measurement standards for property in the Netherlands. These include detailed measurement standards for a range of building types and they are widely adopted in the Netherlands.

Floor areas are expressed in square metres.

3 Taxation

3.1 Value-added tax (VAT) (belasting toegevoegde waarde, BTW)

VAT is chargeable on rent and service charges. The sale of property is generally exempt from VAT, though VAT is chargeable on sales of newly built property (less than two years' old) and land.

3.2 Property transfer tax (overdrachtsbelasting)

Transfer tax is levied on the purchaser of commercial and residential property. It is based on the higher of the fair market value and the purchase price.

3.3 Property tax

Property tax is an annual levy payable to the municipality, which sets the rate annually based on a proportion of the property's value.

4 Regulation and standards

4.1 Regulation of valuation professionals

Since 2001, valuers have been subject to regulation via their professional associations, who maintain a register of their members and set standards. A central register, the Netherlands Register for Real Estate Valuers (Nederlands Register Vastgoed Taxateurs – NRVV) was set up in 2015. This has a code of conduct and disciplinary powers and has established minimum educational requirements for members, who must abide by the terms of their professional association. All Dutch valuers are registered with NRVV which publishes valuation standards that are aligned with International Valuation Standards (IVS) and European Valuation Standards (EVS).

Dutch organisations representing professional valuers are listed in Appendix A.

RICS is recognised as a professional organisation in the Netherlands. RICS Netherlands's registered valuers are responsible for a large majority of the commercial property valuations in the country. RICS was established in 1868 in London and is now the largest international regulator of property professionals, with 125,000 members worldwide. RICS valuers must be registered and are subject to regulatory monitoring.

4.2 Netherlands national valuation standards

There is no statutory basis of valuation in the Netherlands but the growing need for a common set of standards has been met since 2015 by NRVV's adoption of IVS and EVS, which are now mandatory for Dutch valuers.

The Red Book is fully compliant with IVS. As a valuation by an RICS member or a regulated firm must be undertaken in accordance with the terms of the Red Book, the valuation will comply with the IVS.

4.3 International standards

- **International Valuation Standards (IVS)** – 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 is a member of IVSC.
- **RICS Valuation – Global Standards 2017 (the Red Book)** – the Red Book sets out global valuation standards for valuations undertaken by RICS members and regulated firms. It adopts and applies the IVS and imposes certain additional requirements with particular reference to ethics, competency, objectivity and disclosures.
- **European Valuation Standards (EVS, the Blue Book)** – published by the European Group of Valuers' Associations (TEGoVA), an umbrella organisation of European national valuers associations whose objective is to promote and harmonise European valuation standards.

5 Application of the RICS Valuation – Global Standards 2017 in the Netherlands

5.1 User's perspective

Global standards

- The Red Book is written to ensure that valuation assignments undertaken by RICS members and regulated firms (see PS 1 sections 1 and 2) are fully in accordance with International Valuation Standards (IVS).
- The Red Book complements the IVS by providing detailed guidance and specific requirements regarding the practical implementation of IVS.
- All valuations provided in writing by RICS members and regulated firms must comply with the requirements of the Red Book. Surveyors must be suitably trained and have appropriate qualifications and adequate experience for the task.
- Valuers must be independent, objective and transparent in their approach.
- Adoption of Red Book global standards 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 of the global Red Book are published by RICS in a growing number of countries to ensure compliance with local legal requirements, regulation and practice.

5.2 Red Book – implementation in the Netherlands

5.2.1 Red Book translation

A Dutch translation of the RICS Valuation – Global Standards 2017 is being prepared.

5.2.2 Red Book application in the Dutch context

The Red Book is written from an international perspective, in accordance with 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 now the commonly adopted basis of value in the Dutch market and most financial institutions will require a valuation to be provided by a certified valuer, who is a member of a recognised, independent professional association. A valuation compliant with the Red Book undertaken by a member of RICS or by a valuer working for an RICS regulated firm with the necessary experience in the market will fully meet these requirements and the report and valuation will also accord with the IVS. It should,

therefore, fully meet the requirements of almost all organisations and individuals who own property in the Netherlands.

5.2.3 Red Book national supplement for the Netherlands

This publication is currently in the planning stage.

Appendix A: Other professional organisations representing property valuers in the Netherlands

- Nederlands Register Vastgoed Taxateurs (NRVT) – Register of Real Estate Valuers in the Netherlands
- Nederlandse Vereniging van Makelaars en Taxateurs in onroerende goederen (NVM) – Dutch Association of Real Estate Brokers and Real Estate Experts
- VastgoedPRO – Association of Real Estate Agents and Valuers of the Netherlands
- VBO Makelaar – Dutch Association of Real Estate Agents and Valuers
- Waarderingskamer – The Netherlands Council for Real Estate Assessment



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

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