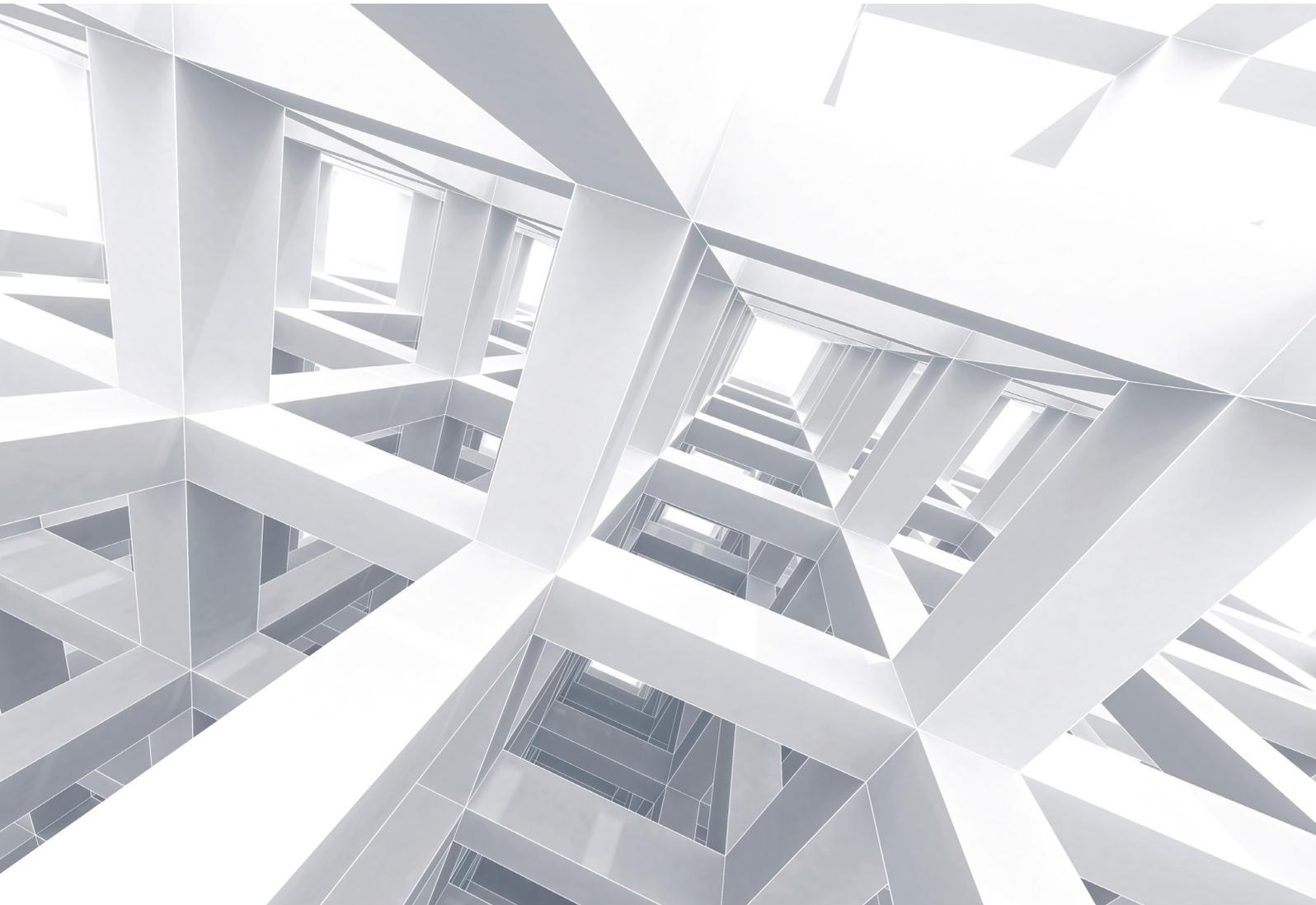




RICS professional standards and guidance, Saudi Arabia

**RICS Valuation – Global
Standards 2017 jurisdiction
guide: Saudi Arabia**

1st edition, May 2019



RICS Valuation – Global Standards 2017: Saudi Arabia

RICS jurisdiction guide

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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 economy of the Kingdom of Saudi Arabia (KSA) is dominated by hydrocarbon production. It is the largest exporter of petroleum globally and has 25 per cent of world oil reserves. The slump in oil price in 2014 had a major impact on the economy and recent government policy has economic diversification as a prime objective.

The property market has grown rapidly in response to the changing economy and a rapidly rising population. However, the market is relatively immature, with a high proportion of local ownership and it is relatively unstructured and unregulated. KSA was 54th in the **2018 JLL Global Real Estate Transparency Index** and rated as 'semi-transparent'.

2 Legislation

2.1 Principal laws governing real estate

Ownership of land is generally restricted to Saudi nationals, though companies from Gulf Cooperation Council (GCC) countries may lease or buy property for occupation by licenced businesses and their employees, subject to some restrictions and conditions.

Since 2000, other foreign investors have had limited rights to own KSA property, but ownership must be related to a particular project and is not a general right. A foreign investment licence from the Saudi Arabian General Investment Authority (SAGIA) is required and ownership will generally need to be via a locally registered entity. Foreign ownership of completed commercial or mixed-use property purely for investment purposes is not permitted. Developments by foreign entities are permitted subject to a licence and approval from SAGIA.

REITs were permitted under new legislation in 2016, tradeable on the KSA stock exchange. Investment in KSA REITs is open to Saudis, GCC citizens and non-resident foreign investors.

Non-Saudis are not able to own land in Medina, Mecca and certain other areas.

2.2 Types of ownership

The majority of land in KSA is desert and is government-owned but urban and cultivated agricultural land can be owned by individuals and corporate bodies. Ownership may be via:

- **Freehold equivalent:** this is the highest category of ownership, where the owner has full rights to possess and dispose of the property.
- **Leasehold:** rights to possess and use the property for a limited period of time, subject to the terms of the lease.
- **Condominium/common ownership.**

Uncultivated grazing may be owned in common by its users.

2.3 Registration

All land titles in KSA must be registered with the local Sharia court, although the current coverage of registration is not known. Recently introduced online title records are designed to improve the registration process.

2.4 Development control

Urban planning policies are at present not clearly developed in KSA. This has resulted in a lack of strategic focus in urban development.

Responsibility for planning lies with the Ministry of Housing Real Estate Division. The government is undertaking a review of planning policies with an emphasis on new master-planned developments to encourage development and to ensure infrastructure provisions can meet the demands of future major schemes.

The KSA government has adopted a wide-ranging strategic plan – **Vision 2030** – which aims to reduce the country’s reliance on oil, to boost private investment and to modernise the economy. Although Vision 2030 does not specifically address the property sector it identifies housing as a priority for investment and states that the government will aim to capitalise on its reserves of real estate by allocating land for development projects. By streamlining and centralising government decision-making processes, Vision 2030 is likely to have a future impact on strategic planning and development control.

2.5 Commercial leases

Typical terms for occupational leases are as follows:

- **Term:** two to five years.
- **Lease breaks:** unusual but may be possible by agreement.
- **Rent:** usually due annually or twice-yearly in advance.
- **Rent escalation:** no rent escalation during the lease term.
- **Statutory rent control:** there are no laws affecting commercial property lettings.
- **Maintenance and repair costs and service charges:** the tenant pays a proportional part of the landlord’s costs in maintaining and servicing the property. Such payments form part of the rent.
- **Termination:** no statutory restrictions on termination of the lease. Many leases will include a tenant’s right to renew.

2.6 Residential leases

Residential lease contracts may be either short-term (often monthly) or long-term (usually one year). Rent is frequently demanded in advance for the duration of the tenancy and will include service charges and basic utilities.

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.

There is no generally accepted system of measurement standards in KSA. Areas are usually quoted on a net basis in square metres. In Class A buildings this will usually exclude shared facilities and common areas but in other buildings these elements may be included.

3 Taxation

There are no taxes levied on property in KSA.

4 Regulation and standards

4.1 Regulation of valuation professionals

The Saudi Authority for Accredited Valuers (**Taqeem**) has been created under the terms of the Accredited Valuers Law to develop the valuation profession in KSA. Its purpose is to regulate and develop the valuation profession, accredit qualified valuers and apply International Valuation Standards to increase trust in and awareness of the valuation profession.

All qualified valuers need to be registered to practice in KSA and must be accredited via Taqeeem. The regulations specify the levels of valuation accreditation that can be achieved by non-KSA nationals. Taqeeem has introduced a training and accreditation scheme that has five main levels of membership (Provisional, Accredited, Senior, Fellow and Practitioner). Qualification is achieved by completing Taqeeem's courses and demonstrating an approved level of experience. Members are required to comply with Taqeeem's regulations, code of ethics and guidebook.

A firm wishing to offer valuation services will require a separate company to that which runs any other advisory and real estate services the firm provides. This company will be regulated by Ministry of Commerce and Industry.

4.2 National valuation standards

Valuation standards in KSA are approved and published by Taqeeem and are based on the International Valuation Standards. Accredited valuers are required to comply with these standards.

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.

5 Application of the RICS Valuation – Global Standards 2017 in Saudi Arabia

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 Saudi Arabia

5.2.1 Red Book application in the Saudi Arabian context

RICS Valuation – Global Standards 2017 is written from an international perspective, in accordance with the International Valuation Standards (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.

RICS is working with Taaqem and, because both the Red Book and KSA’s national valuation standards comply with IVS, a Red Book-compliant valuation should meet the requirements of almost all organisations and individuals who own property in Saudi Arabia. Red Book-compliant valuations are regularly requested by international organisations owning property in KSA and for stock exchange purposes although there is no requirement for such valuations to comply with anything other than Taaqem best practice.



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.

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