

Abu Dhabi Administrative Decision No. 284/2015
On the Real Estate Appraisal Policy of the Municipal System

After perusal of Abu Dhabi Law No. 1/1974 on the Reorganisation of the Government Apparatus in the Emirate of Abu Dhabi and its amendments; and

Abu Dhabi Law No. 3/2005 on the regulation of the real estate registration in the Emirate of Abu Dhabi and its implementing regulations; and

Abu Dhabi Law No. 19/2005 on real estate property, and its implementing regulations; and

Abu Dhabi Law No. 10/2006 on the Western Area Municipality and Municipal Council in the Emirate of Abu Dhabi; and

Abu Dhabi Law No. 9/2007 on the establishment of the Department of Municipal Affairs; and

Abu Dhabi Law No. 10/2007 on Abu Dhabi Municipality and Municipal Council in the Emirate of Abu Dhabi; and

Abu Dhabi Law No. 11/2007 on Al Ain Municipality and Municipal Council in the Emirate of Abu Dhabi; and

Abu Dhabi Law No. 11/2013 on the regulation of Expropriation for Public Benefit, and its implementing regulations; and

Abu Dhabi Law No. 3/2015 on the regulation of the Real Estate Sector in the Emirate of Abu Dhabi;

We have decided as follows:

Article 1 - Definitions

Emirate: Emirate of Abu Dhabi.

Department: Department of Municipal Affairs.

Property: Various types of properties, including land, buildings, facilities and real estate by destination.

Concerned Municipality: Municipality of Abu Dhabi or Al Ain Municipality and Western Region Municipality or any municipality may arise in the future in the emirate.

Real Estate Appraisal / Valuation: The process that includes the collection and analysis of public and private data of the property, subject of appraisal, at a certain time and for a certain purpose, taking into account all the factors that may affect the property value through the use of the appraisal standards set forth in this Decision at a minimum.

Appraiser: The authorized person who possesses the necessary qualifications, skills and experience to carry out the appraisal process.

Register: The Real Estate Register established in accordance with the provisions of Abu Dhabi Law No. 3/2005 on the regulation of the Real Estate Registration in the Emirate of Abu Dhabi, and the Interim Real Estate Register, pursuant to the provisions of Abu Dhabi Law No. 3/2015 on the regulation of the Real Estate Sector in the Emirate of Abu Dhabi.

Article 2 - Objective of this Decision

The present Decision aims without limitation to achieve the following objectives:

- 1- Developing clear procedures and policy for the real estate appraisal.
- 2- Establishing a reliable real estate price database as a historical documentation to be referred to when need be in order to obtain information about a particular area.
- 3- Providing a legislative framework that enables the Real Estate Appraiser to evaluate the properties in an accurate and certified way.
- 4- Enhancing the confidence of appraisers so as to avoid indiscriminate appraisals.
- 5- Promoting the principle of transparency in dealing with concerned parties in the market and guaranteeing their rights.
- 6- Helping appraisers to provide a reliable appraisal and to complete reports comprising all necessary data and requirements, so as to help the investor make the right decision while reducing the risk to the lowest level.
- 7- Instructing all appraisers in the Emirate to work under a scientific basis so as to reach the highest possible degree of accuracy and transparency in the conduct of their work which leads to the enhancing of the position of the real estate market in the Emirate of Abu Dhabi.

Book I - Appraisal Procedures

Article 3 - Scope of application of the Decision

The appraiser shall apply all the appraisal rules set forth in this Decision to all the real estate in the Emirate, under an authorisation granted by the government or a person authorised by virtue of law or a contract.

Article 4 - Application for Appraisal

Unless the appraisal is based on a government action, the appraiser shall obtain the written consent of the landlord to carry out the appraisal procedures through:

- 1- Obtaining all the documents related to the property and the application of all criteria specified in this Decision at a minimum.

2- Reviewing the Real Estate Register in the Municipality by the appraiser in order to verify the conformity of the data provided by the applicant with the Real Estate Register.

3- Keeping relevant registers and data submitted to him and the appraisal reports prepared by him.

4- Complying with all the forms issued by the Department and the Municipality on the appraisal in the Emirate.

Article 5 - Procedures of Property Data collection

The appraiser shall, with regards to the real estate appraisal, examine the data of the property, subject of the appraisal, according to the following steps:

1- Ensure that the appraisal applicant has an authority or a power over the property, according to a certified document.

2- Obtain the register of the property subject of the appraisal.

3- Examine all the data contained in the register and compare the same with those provided by the appraisal applicant in terms of:

a- The provision of a copy of the identity card.

b- The Property number and address, according to the register.

4- In the event the property is owned by a juristic person, the property data shall comply with the Articles or the Memorandum of Association of the entity or the commercial register.

5- The procedures taken over the property such as the mortgage insurance and effect thereof on the property appraisal whenever required.

6- Obtain the approved urban development plans in the real estate area if any.

7- Draw up a detailed description of the property pursuant to the data and documents that have been collected.

Article 6 - Procedures of Inspection of the Property

The property inspection shall be considered as a key step in the real estate appraisal process, since it provides the appraiser with a realistic picture and the necessary information he shall use in the calculation of the value of the property to be appraised. The appraiser shall inspect the property subject of the appraisal according to the following controls:

1- He shall obtain the consent of the owner on the property inspection and physical examination, and agree with him on the appropriate date to conduct them.

2- He shall inspect the property physically, describe its condition and prepare a detailed report that shall include the following:

a- The valuation method or methods he followed.

b- The date of submittal of the application for the appraisal and inspection.

c- The type of the property construction materials, i.e. iron reinforced concretes or walls, or any other materials and the percentage of each of the property's material.

d- The additions to the property, for example, the adornment columns and decoration.

e- The building age in terms of the foundation, as well as in every part of the property.

f- The overall appearance of the building in terms of its deterioration compared to surrounding properties.

g- The efficiency of the facility and plantation in the property.

h- The geographical description of the property in terms of the flow and other descriptions.

i- The full measurements of the property (in the absence of official data thereof).

j- The notes taken on the finishing level of the real estate internally and externally and the type of the material used therein.

k- The observations on the general condition of the property and a statement of any current internal and external flaws.

l- The observations on the systems provided to the property (air conditioning, fire, security systems, etc.).

m- The observations on the surrounding and nearby properties.

n- The observations on the factors affecting the property whether positively or negatively.

3- He shall attach the property illustrations from all angles.

4- He shall prepare the property file that shall contain, for example, official data such as the land plan, the buildings' completion certificate, and a document indicating the property's income.

5- He shall provide the equipment necessary for the inspection and physical examination of the property and the dimensions' measurements (measuring device, a camera).

Book II - Methods of the Real Estate Appraisal

Article 7 - The Sales Comparison Method

The appraiser shall take into account that the real estate prices vary for several reasons, and thus he shall make adjustments to the available prices in order to assess the value of the property subject of the appraisal by way of comparison, and such differences may be in the concrete specifications, the condition of the properties, the properties areas, the properties sites, the terms of the leases, and the dates comprising evidence, and in order to apply the comparison method, the appraiser shall follow a set of procedures organised as follows:

- 1- Collect appropriate information to compare the properties, subject of the appraisal, with similar properties recently sold or currently offered for sale in an open market; as well, request the concerned person to provide information on the lease, the terms of the contract and the specifications of the property.
- 2- Make sure that the information is correct and collected from transactions that reflect the market situation, so as to exclude the prices that reflect unnatural incentives to the seller and the buyer in the market, such as deals whereby the buyer pays a certain increase in the desire to acquire a certain asset, or those made through the sale transactions between parties in unusual circumstances (such as kinship or a forced sale due to a loan or debt or expropriation or other).
- 3- Compare the sale price of properties and analyse the same by using specific comparison items, such as the property type, the date of sale, the land area, the building area, the market conditions, the location, the region, the land price per square foot, and the cost of the square foot construction and then amend the same due to the differences between them and the property subject of appraisal.
- 4- Compare the sold properties to the property under sale by using the comparable elements and verify the conformity of the price of each comparable element with the property subject of the appraisal.
- 5- Unify the different value indicators obtained from the analysis of comparisons to obtain a single value representing the value of the property by way of comparison.

Article 8 - The Income Method

To apply the Income Method of Appraisal, the appraiser shall adopt the following procedures:

- 1- The income method shall depend on the anticipated profit and not on the real profit.
- 2- Requesting the concerned party to provide evidence on the property's revenues and expenses as recorded in the accounting registers, usually based on the account of the past three-year period in accordance with the accounting standards, to determine the income stream, and thus the real accounts can be viewed as a guide to the expenses and revenues that can be collected.
- 3- The appraiser shall deduct the percentage of risks of vacancy and collection loss from the total revenues in order to obtain the gross income.
- 4- in order to calculate the net income The estimated percentage of operating expenses shall be deducted from the gross income, such expenses include, for example: (a) the Fixed expenses: real estate fees (direct and indirect), (b) variable expenses (maintenance costs, management costs, other), (c) reserve for replacement (such as adding a new floor, or parking...).
- 5- The appraiser shall divide the net income by the total interest rate (on the land and building).

Article 9 - The Cost Method

To apply the cost method, the appraiser shall adopt the following procedures:

- 1- The cost method depends on an economic principle: the price to be paid by a certain buyer for the property subject of the appraisal shall not exceed what someone would have to pay to build an equivalent building providing the same services.
- 2- The cost method requires the provision of:
 - a- The Construction Cost per Square Foot for similar buildings (the cost shall include, for example, the value of the land, the infrastructure costs, the design fees and the financing costs, etc.)
 - b- The total area of the building.
 - c- The buildings life span (estimated at 35 years), where the annual consumption percentage of the building shall be determined (approximatively 3% per annum).
 - d- The construction year of the current building to determine the value of the building total depreciation (around 3% per annum).
 - e- The price per square foot to know the value of the land by multiplying the land area with the square foot price.
- 3- The appraiser shall calculate the construction cost by multiplying the total built-area with the construction cost per square foot or square meter.
- 4- The appraiser shall calculate the value of the building after depreciation thereof and multiply it with the construction cost per square foot or square meter.
- 5- The appraiser shall calculate the building value after depreciation.

6- To obtain the value of the property by the cost method, the value of the land shall be added to the value of the building.

Article 10 - The Discounted Cash Flow Method

To apply the discounted cash flow method, the appraiser shall adopt the following procedures:

- 1- A number of data shall be determined to do some calculations (such as the annual income, the property use rate or the occupancy rate, the operating expenses, and the interest rate for a certain number of years).
- 2- The actual income shall be calculated by subtracting the vacancy rate (the vacancy rate shall be equivalent to the occupancy rate - 100%) of the property total annual income of and such process shall be repeated by the number of years.
- 3- The net operating income shall be calculated by subtracting the operating expenses from the actual income.
- 4- The present net value which is the final result of the Discounted Cash Flow process (DCF) shall be calculated through the following steps:
 - a- Find the current value of the AED by applying the equation of the current value of the AED.
(Present value PV AED) $h (1 + i)^{-1}$ / where: i = the interest rate, h = the number of years, for each year separately.
 - b- Multiply the net operating income with the current value of the AED per year.
 - c- Find the total property values during the assumed years.
 - d- The net current market value of the investment is equal to (the property's value at the end of the assumed duration + the current values during the assumed years)

Article 11 - The Residual Method

To apply the remaining method, the appraiser shall adopt the procedures organised as follows:

- 1- Before starting the establishment of a development project
- 2- Before starting the redevelopment of a certain area
- 3- In order to assess the value of the land space, especially large area lands.
- 4- Calculating the potential profit for the development in terms of the cost construction for the project and the costs resulting therefrom in terms of fees and profits.
- 5- The equation of the residual method is:
Residual = (total value of the development - the total cost of the development + fees + required profit).

Article 12 - The Appraisal Certificate

The appraiser shall issue a certificate called (the Property Appraisal Certificate) that includes the following data:

- 1- The date of issuance of the certificate.
- 2- The purpose of the appraisal.
- 3- The type of the Property subject of the appraisal.
- 4- The data of the Property subject of the appraisal.
- 5- The value of the appraisal.
- 6- The authentication of the Real Estate appraiser.
- 7- The certificate validity is of 30 days.

Book III - Final Provisions

Article 13 - Disclosure

The appraiser shall only disclose the appraisal report in whole or in part, or any reference or any estimated figures to the appraisal applicant.

Article 14 - Criteria of appraisal in the event of compensation

Subject to this Decision, the appraiser shall comply with the standards and appraisal methods stipulated in the applicable legislation in the emirate.

Article 15

This Decision shall be published in the Official Gazette and shall come into force three months after the date of its issuance.

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Corresponding to: 25 Safar 1437 H

Saeed Eid Al Ghafli

Chairman of the Department of Municipal Affairs

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