Administrative Decision No. (284) of 2015
Concerning Real Estate Valuation Policy for the Municipal System

Chairman of the Department of Municipal Affairs:

Having reviewed:

- Law No. (1) of 1974 Law No. (1) of 1974 concerning the reorganization of the Governmental Body in the Emirate of Abu Dhabi and its amendments;
- Law No. (3) of 2005 concerning the regulation of the real estate registration in the Emirate of Abu Dhabi;
- Law No. (19) of 2005 concerning real estate ownership, and its amendments;
- Law No. (10) of 2006 concerning the Municipality and Municipal Council of the Western Region in the Emirate of Abu Dhabi;
- Law No. (9) of 2007 concerning the establishment of the Department Municipal Affairs;
- Law No. (10) of 2007 concerning the Municipality and Municipal Council of Abu Dhabi City in the Emirate of Abu Dhabi;
- Law No. (11) of 2007 concerning the Municipality and Municipal Council of Al-Ain in the Emirate of Abu Dhabi;
- Law No. (11) of 2013 regulating Expropriation for Public Benefit and its executive regulations.
- Law No. (3) of 2015 concerning the Regulation of the Real Estate Sector in the Emirate of Abu Dhabi;

Decided:

Article (1)
Definitions

Emirate	The Emirate of Abu Dhabi
Department	Department of Municipal Affairs
Real Estate	All kinds of real properties including lands, buildings, establishments, and real properties by allotment.
Concerned Municipality	The Municipality of Abu Dhabi City, Al Ain City, Western Region or any other Municipality which may be established in the future in the Emirate.

Real Estate Valuation/ Appraisal	A process that involves the collection of public and private data on the property to be valuated at a particular time for a specific purpose, taking into account all factors that may affect the value of the property using the valuation standards set forth in the decision as a minimum requirement.
Appraiser/Valuer	An authorized individual who possesses the necessary qualifications, ability, and experience to carry out the valuation.
Register	Real Estate Register established according to the provisions of Law No. (3) of 2005 concerning the regulation of the real estate registration in the Emirate of Abu Dhabi, and the Initial Real Estate Register established according to the provisions of Law No. (3) of 2015 concerning the Regulation of the Real Estate Sector in the Emirate of Abu Dhabi

Article (2)
Decision Objective

1. Outline clear policies and procedures for real estate valuation.
2. Establish a reliable real property price database, deemed a historical documentation to be consulted in case of needing to find out information about a specific zone.
3. Establish a legislative framework to enable the valuer to assess real properties in an accurate and approved manner.
4. Promote confidence of real estate valuers, which in turn leads to avoidance of haphazard valuation.
5. Enhance the principle of transparency in dealing with stakeholders in the market and in safeguarding their rights.
6. Help valuers provide a trustworthy valuation, and comprehensive reports containing all the necessary data and requirements, which enable the investor to take the right decision and minimize risks to the minimum level.
7. Orient all valuers in the emirate to work on scientific basis to achieve the highest possible degree of accuracy and transparency in performing their work and promote the status of the real estate market in the Emirate of Abu Dhabi.

Title (1)
Valuation Procedures
Article (3)
Subject of Applying the Decision

The valuer shall adhere to the valuation rules set forth in this decision on all real properties in the emirate, upon an assignment by the government entity or a person with an authority granted according to the law or the contract.

Article (4)
Valuation Request

In the event that the valuation is not a government procedure, the valuer must obtain the written consent of the property owner to carry out valuation procedures through the following:

1. Obtain all real property documents, and apply all standards specified in this decision as a minimum requirement.
2. The valuer shall be obliged to review the real estate register of the municipality to cross-check the information provided by the applicant with that in the real estate register.
3. Keep relevant records and data provided to him, as well as the reports he has prepared for valuation.
4. Adhere to all standard forms issued by the department and the municipality about valuation in the Emirate.

Article (5)
Procedures for Completing Property Data

In relation to real estate valuation, the valuer shall review the data of the property subject of valuation, according to the following procedures:

1. Ensure that the valuation requester has power or authority over the real estate as per a certified document.
2. Obtain the register of the real estate subject of valuation.
3. Verify all the data mentioned in the register and compare it with the data provided by the valuation requestor as regards the following:
    a) Provide a copy of the ID.
    b) Number and address of real property according to the register.
4. In the event that the property is owned by a legal person, the property data must be cross-checked with the entity's decree or deed of incorporation, or its commercial register

5. Procedures carried out on the property as an existing mortgage and its impact on the property valuation whenever applicable.
6. Obtain approved urban development plans in the property zone if present.
7. Prepare a detailed description of the reality of the property based on the data and documents gathered.

Article (6)

Procedures for Property Inspection

Property inspection is a key step for real estate valuation; it provides the valuer with a true image and with the information that is used in calculating the value of the property subject of valuation, and the valuer shall be obliged to inspect the property subject of valuation according to the following regulations:

1. Obtain the owner's approval on examination and physical inspection of the property, and to agree with the owner on the appropriate time for carrying this out.
2. To physically inspect the property, describe its condition, and prepare a detailed report that includes the following:
   a) Method (s) used in his valuation.
   b) Date of request for valuation and inspection.
   c) Type of building material used, be it of stone, iron-reinforced walls or any other material and the percentage of each material in the real property.
   d) Additions to the property such as decorative columns and decors.
   e) Expected building lifetime given its foundation and for each part of the real property.
   f) The general appearance of the property in terms of depreciation compared to surrounding properties.
   g) Efficiency of the facility and the plants erected on the property.
   h) Designate the geographic description of the property, mainly smoothness and other attributes.
   i) Take the full measurements of the property (in the absence of official data for that).
   j) Take notes of the level of interior and exterior property finishing, and the type of materials used.
   k) Take notes on the general condition of the property, stating any current defects whether from the inside or outside.
   l) Take notes on the systems with which the property is provided like (air-conditioning, fire-extinguishing, security, and other systems).
   m) Take notes on surrounding and neighboring properties.
   n) Take notes on the factors influencing the property positively or negatively.
3. Attach explanatory picture for the property from all angles.

4. Prepare a property file that includes, for instance, official data like the site plan, certificate of building completion, a document that clarifies the income of the property.
5. Provide the equipment necessary for examination and physical inspection of the property and to take measurements (measurement apparatus, camera).

Title (2)
Real Estate Valuation Approaches
Article (7)
Comparison Approach

The valuer must take into consideration that the price of properties may differ for many reasons, so he has to introduce modifications to the available prices so as to reach the real value of the property subject of valuation using the comparison approach. The points of difference may be in tangible attributes of properties, their condition, area, lease contract conditions, and dates where indicators are made available. To apply the comparison approach, the valuer must abide by the following regulatory procedures:

1. Collect the appropriate data for comparing the real properties subject of valuation with similar properties that were recently sold or currently offered for sale in an open market. It must also be requested from the stakeholder to provide information on property lease, contract conditions, and property specifications.
2. Check the validity of the information provided and ensure that they are taken from actual transactions reflecting the real status of the market, and to exclude any prices that reflect abnormal incentives for the seller and buyer in the market, like deals where the purchaser pays a specific additional amount so as to obtain a certain asset, or like a sale transaction between parties in extraordinary conditions like (kinship or forced sale due to a loan, debt, expropriation, etc..) [so as to exclude any outliers that may skew the analysis related to valuation].
3. Compare sale prices of properties and analyze them using specific attributes for comparison like type of property, sale date, total land area, total built area, market conditions, location, zone, price of square meter of land, construction cost of one square meter of building and then modify them due to the differences between them and the property to be evaluated.
4. Compare the sold properties with the property subject of sale using comparison attributes and cross check the price of each attribute subject of comparison to the property subject of valuation.
5. Harmonizing different value indicators obtained by analyzing to (be) a single value representing the property value using the comparison approach.

Article (8)
Income Approach

To apply the income approach, the valuer must abide by the following regulatory procedures:

1. The income approach relies on calculating the assumed profit and not the real profit.
2. Request the stakeholder to provide a guide as regards the revenues and expenditures of the property as registered in the accounting records. It is customary to only use the accounting records the three previous years as per the accounting standards, so as to identify the income trend. The real accounts may be considered as a guide for expenditures and revenues that may be collected.
3. The valuer shall deduct the risk of lease inability and collection risk as a percentage of the total revenues to be collected on the gross income.
4. 4- Operation costs shall be deducted, including for instance: a- fixed costs: real estate costs (both direct and indirect), b- variable costs (maintenance costs, management costs, etc..), c- Saving amounts for replacement (like adding a new floor, parking lot, etc.….) which may be estimated as a percentage of the gross income to be collected on the net income.
5. 5-The valuer shall divide the net income on the total interest rate (on the land and building).

Article (9)
Cost Approach

To apply the cost approach, the valuer must abide by the following regulatory procedures:

1. The cost approach is based on an economic principle: the price a certain buyer can pay for the property subject of valuation will not exceed the price of purchasing or building a similar property performing the same services.
2. The cost approach requires the provision of the following:
   a) The cost of one square meter of similar buildings (the cost includes the value of land, cost of infrastructure, design fees, and financing costs, etc).
   b) The total building/ construction area.
   c) Identify the lifetime of buildings (estimated at 35 years), and the annual depreciation percentage for the building is estimated at (3% annually)
   d) Identify the year built [construction year] of the current building to set the total depreciation value of the building (3% annually).
   e) Identify the price of one square meter of land to know the value of land by multiplying the total land area by the price of one square foot.

f) The valuer calculates the building value after applying depreciation, which value is then multiplied by the building construction cost for one square foot or square meter.
g) The valuer calculates the building value after depreciation.
h) To get the property value using the cost approach, the land value and the building value are calculated together.

Article (10)

Deducted Cash Flow Approach

To apply the deducted cash flow approach, the valuer must abide by the following regulatory procedures:

1. Some information must be available to carry out the calculations such as (annual income, property usage rate or occupancy rate, interest rate over a certain number of years).
2. The actual income is calculated by subtracting the unoccupied (vacant)percentage (which is equal to occupancy rate – 100%) from the annual gross income of the property, and the process is repeated as per the number of years.
3. The net operational revenues are calculated by subtracting operational costs from the actual income.
4. The present net value, considered to be the final result of the Deducted Cash Flow (DCF) operation, is calculated using the following steps:
   a) Finding the current value of one dirham by applying the dirham present value formula Present value PV AED)^{h} (1+i)/1) , where i= interest rate and h=number of years, and this is applied for each individual year.
   b) Multiplying the net operational revenues by the present value of the dirham for each year.
   c) Finding the total property values for the assumed years.
   d) The current net market value for investment equals (property value at the end of the assumed period + present values during the assumed years).

Article (11)

Residual (Value) Approach

To apply the residual value approach, the valuer must abide by the following regulatory procedures:

1. Before starting to build a development project.
2. Before starting to re-develop a certain zone.
3. To assess the value of a vacant land, especially of a spacious area.
4. To calculate the projected potential profits for development as regards the cost of project construction, and the subsequent costs as regards fees and profits) .

5. The formula of residual approach is as follows:

Residue = (total value of development- total cost of development + fees+ required profits).

Article (12)

Valuation Certificate

The valuer shall be obliged to issue a certificate (real property valuation certificate) that includes the following information:

1. Certificate issuance date.
2. 2-Purpose of valuation.
3. Kind of property subject of valuation.
4. Information on the property subject of valuation.
5. Valuation amount
6. 6-Approval of the real estate valuer
7. The certificate is valid for 30 days.

Title 3

Final Provisions

Article (13)

Disclosure

The valuer is prohibited from partial or total disclosure of the valuation report and from disclosing any reference or estimated numbers except to the valuation requester.

Article (14)

Valuation Standards in case of Compensation

Subject to what was mentioned in this decision, the valuer shall abide by the standards and valuation approaches set forth in the legislations in force in the emirate.

Article (15)

This decision shall be published in the Official Gazette and shall become effective three months following its publication date.

Saeed Eid Al Ghafli
Chairman of the Department of Municipal Affairs

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