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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

<table>
<thead>
<tr>
<th>Type of document</th>
<th>Definition</th>
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<tbody>
<tr>
<td><em>RICS Rules of Conduct for Members and</em></td>
<td>These Rules set out the standards of professional conduct and practice expected of members and firms registered for regulation by RICS.</td>
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<tr>
<td><em>RICS Rules of Conduct for Firms</em></td>
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<tr>
<td>International standard</td>
<td>High-level standard developed in collaboration with other relevant bodies.</td>
</tr>
<tr>
<td>RICS professional statement (PS)</td>
<td>Mandatory requirements for RICS members and regulated firms.</td>
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<tr>
<td>RICS guidance note (GN)</td>
<td>A document that provides users with recommendations or an approach for accepted good practice as followed by competent and conscientious practitioners.</td>
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<tr>
<td>RICS code of practice (CoP)</td>
<td>A document developed in collaboration with other professional bodies and stakeholders that will have the status of a professional statement or guidance note.</td>
</tr>
<tr>
<td>RICS jurisdiction guide (JG)</td>
<td>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.</td>
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1 Background

Dubai is one of seven emirates comprising the United Arab Emirates. It has developed rapidly over the past three decades to become a major urban trading, IT and financial hub for the region. The property market has boomed in response to economic development and a fast-growing population.

Dubai is classified as ‘semi-transparent’ and ranked 40th of 100 cities in the JLL Global Real Estate Transparency Index 2018.


2 Legislation

2.1 Principal laws governing real estate

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

Each emirate has the power to pass laws that apply solely to that emirate; local laws therefore differ between emirates.

2.2 Types of ownership

The most common property interests across the UAE are:

- Freehold: whereby the owner has full rights in a property unlimited in time.
-Usufruct: the right to use property for a limited period of time.
- Mustaha: the right to use property for a limited period of time, including the right to construct buildings.
-Leasehold: a contractual right to use property for a limited period. This is subdivided into short leaseholds (maximum of 10 years) and long leaseholds.

There are restrictions on foreign ownership of real estate. In summary, foreign nationals and entities can own property rights in designated areas, but ownership is restricted to long leases for up to 99 years. Outside these areas, leases are restricted to a contractual term of 10 years. Ownership through certain locally incorporated entities or public joint stock companies can sometimes widen the scope of foreign ownership.

2.3 Registration

Property rights and long leases are registered with the Dubai Land Department (DLD), which issues title certificates and proof of ownership. Separate arrangements exist to provide security to purchasers of property bought off-plan prior to completion of construction.

Short leases are separately registered with the Real Estate Regulatory Authority (RERA).

Property registers are not publicly accessible. A registration fee is payable to the DLD. The fee is split equally between the parties unless agreed otherwise.

2.4 Development control

Most of the land in the emirate of Dubai is either owned by or under the control of the ruling family. The emir exercises significant control of land use throughout the emirate.

A major proportion of larger master-planned community development in Dubai has been undertaken by three large developers, TECOM, Emaar Properties and Nakheel, which are either publicly listed or owned directly by the government (or have close associations with it). While there are more than 1,000 other government-listed developers, most of
these are very small. Development control can therefore be largely exercised via the government’s control of the most significant development companies.

For all except Dubai’s free zones, the Dubai Municipality is the planning and zoning authority. There are no published guidelines on the process for obtaining planning permission, which is largely based on practice and custom.

Developers require an ‘affection plan’ from the Dubai Municipality before commencing development. This covers issues such as the building’s height, use, setback and parking provision. Permissions will also be required from relevant authorities such as the electricity and water authority, the civil defence and the Environment Department.

Building permits are the responsibility of the Dubai Municipality and a new building can only be occupied once a completion certificate has been issued.

2.5 Commercial leases

The relationship between landlord and tenant in Dubai is governed by Law 33 of 2008 and regulated by the Real Estate Regulatory Agency (RERA), with which all leases must be registered.

The Dubai lease registration system includes a standard lease template that forms the basis of many lease contracts. It may be supplemented with additional terms, subject to the parties’ agreement and compliance with the law. Typical lease terms are as follows:

- **Term**: commonly one to five years.
- **Break**: a lease may include tenant’s lease break options, subject to negotiation.
- **Rent**: usually paid in advance either annually or half yearly.
- **Rent escalation**: rents can be subject to review annually. By law, rent revisions during the term and on renewal must be in accordance with general economic conditions and market rents for similar properties. A Rental Index is set by RERA and updated quarterly. This indicates acceptable rental level changes though the landlord and tenant are free to agree alternative terms for rent review.
- **Repair, management, 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 this can be varied by agreement.
- **Use restrictions**: all uses must comply with the property’s ‘affection plan’. Landlords can also impose certain use restrictions within the lease – for example, uses may be required to comply with the fundamentals of shariah law.
- **Subletting**: this requires landlord’s consent.
- **Termination**: leases may be terminated by notice from the landlord at the end of the term. The tenant has no legal right to renew. A tenancy can be terminated before the end of the term in certain circumstances identified in Law No 26 of 2007.
- **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 and one year.

Hotel operating agreements do not usually create a landlord and tenant relationship.
2.6 Residential leases

Residential leases are also governed by Law 33 of 2008 and regulated by RERA. Lease terms and conditions for commercial property are also generally applicable to residential lettings. Principal exceptions are:

- residential tenants have a right to renew their lease except in defined circumstances, e.g. the landlord wishes to demolish or sell, or in the event of major works to the property
- restrictions limit the number of permitted occupiers to prevent overcrowding, depending on the size of the premises and
- residential leases tend to be for maximum of 12 months and rent is usually paid annually in advance.

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 of calculating floor areas in Dubai. A need for consistency has been acknowledged and the *RICS code of measuring practice* and IPMS are increasingly being recognised.

Floor areas are usually expressed in square feet.
3 Taxation

3.1 Value-added tax (VAT)

VAT was introduced in UAE in January 2018. It is chargeable on rent or sale proceeds of commercial buildings. Residential property is generally exempt with the exception of serviced apartments let on a short-term basis to non-residents. New residential developments are zero-rated for the first three years to enable VAT on development costs to be recovered.

3.2 Property transfer tax

There are no property transfer taxes in Dubai.

3.3 Other property taxes

No other property taxes are payable except in the case of property used as holiday or short-term lettings, where a tax per head per night is charged.
4 Regulation and standards

Following the 2009 market recession in Dubai, the Dubai Land Department (DLD) and RERA jointly established the Dubai Real Estate Appraisal Centre to regulate valuation in the emirate. Significant progress has been made towards improved regulation of valuation professionals and the adoption of internationally recognised valuation standards.

4.1 Regulation of valuation professionals

The Dubai Land Department sets requirements for valuer registration, which include:

- **Experience**: UAE nationals are required to have at least two years’ valuation experience. Non-UAE nationals must have five years’ experience. A minimum of six months’ experience should be in UAE.

- **Documentation of experience**: three sample valuation reports per year must be provided.

- Valuers are required to pass the Dubai Real Estate Institutes’ Valuer Orientation Course.

RICS is acknowledged by the Dubai Land Department but does not have reciprocal arrangements so valuers must also register with the Dubai Land Department. RICS’ MENA headquarters has been based 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 must be registered and are subject to regulatory monitoring.

RICS in MENA has a valuation best practise working group to represent the views of members across the region.

4.2 Dubai valuation standards

The Emirates Book Valuation Standards (EBVS) is in the course of being prepared and is expected to apply in Dubai from the second half of 2019.

EBVS fully adopts and implements the International Valuation Standards (IVS). It requires valuers to be qualified, experienced and registered. Banks and financial institutions in the Emirate are required to engage registered valuers. Valuers must be competent, objective and behave ethically. EBVS requirements regarding scope of work, investigations, reporting, bases of value and valuation methods are similar to those in IVS and Red Book. EBVS also includes further standards specific to Dubai.

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 Dubai

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 Dubai

5.2.1 Red Book application in the Dubai context

RICS Valuation – Global Standards 2017 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 Dubai 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 Red Book-compliant valuation by a valuer with the necessary experience in the Dubai market should therefore fully meet the requirements of almost all organisations and individuals who own property in Dubai.
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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