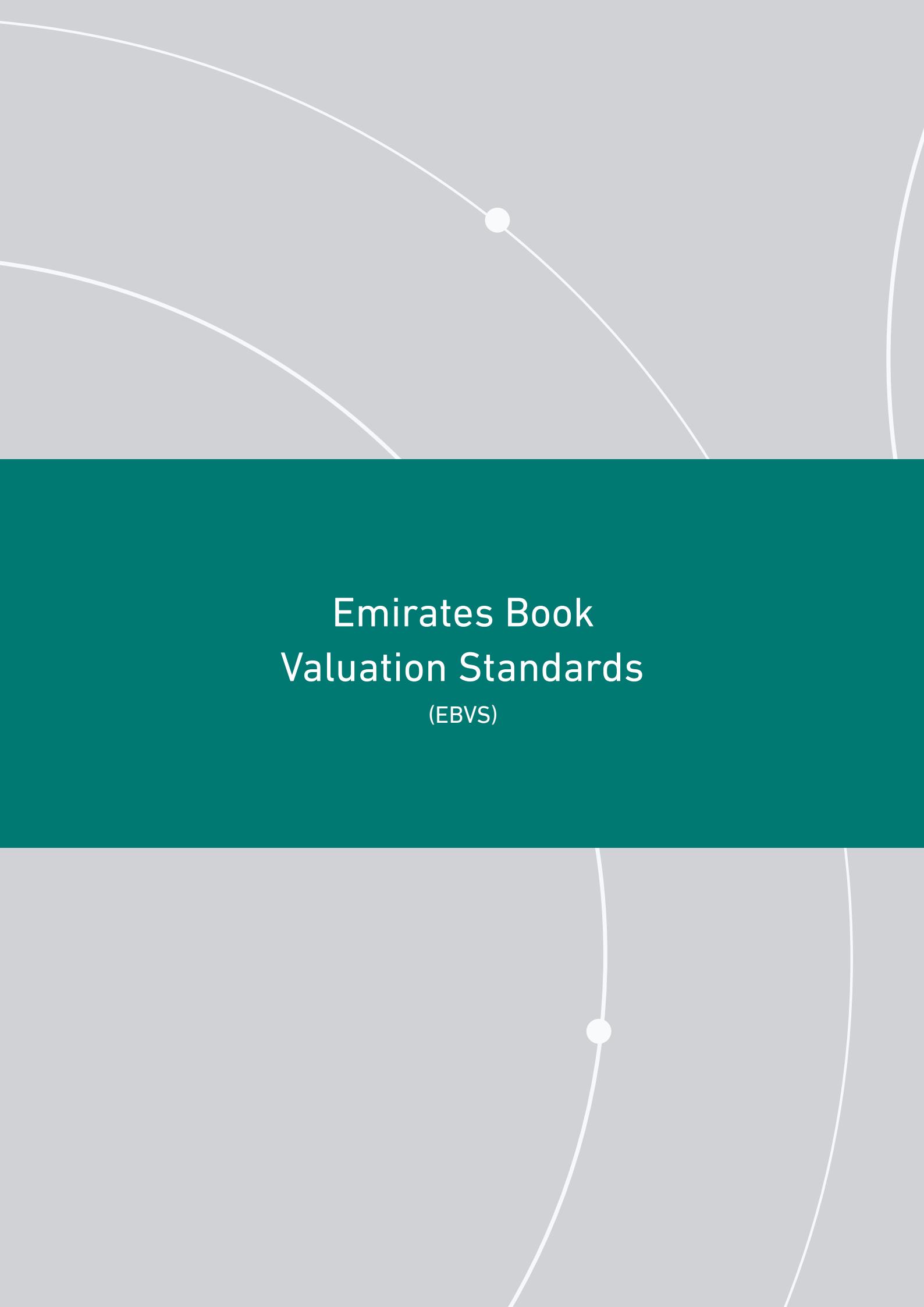


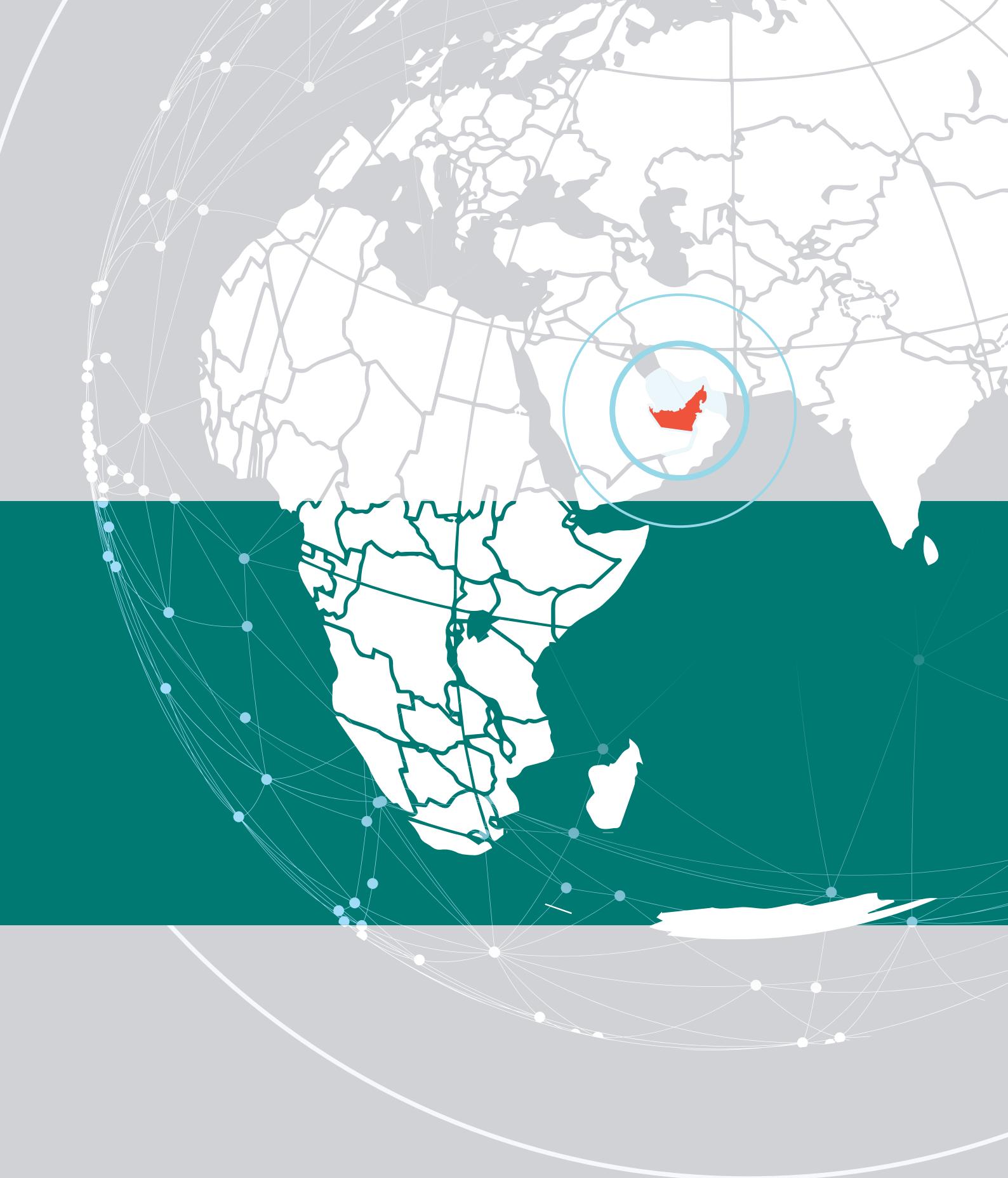


# Emirates Book Valuation Standards (EBVS)



# Emirates Book Valuation Standards

(EBVS)



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# DIRECTOR MESSAGE

## HE SULTAN BUTTI BIN MEJREN DIRECTOR GENERAL, DUBAI LAND DEPARTMENT

Real Estate appraisal is one of the most important bases of the real estate industry. It determines the real value of all real estate types and those who work in the valuation profession follow international standards and Emirates Book Valuation Standards (EBVS) to be transparent and professional.

Land Department in Dubai is a leader in real estate valuation and follows international systems of high accuracy, transparency, efficiency and professionalism which results in an outstanding performance by the department in all different services it offers for its clients. Real estate appraisal contributes hugely in supporting investment development and building trust in real estate investors by organizing and managing real estate values, supporting demand and supply

equation, and reducing speculative bubbles in real estate market.

Today, we publish Emirates Book Valuation Standards (EBVS) to be the guide and reference for workers in the real estate market since it includes the bases of real estate valuation and international valuation standards which reflects Land Department's commitment to international standards for real estate appraisal. The Real Estate Regulatory Agency - the organizational arm for Land Department - works to increase the efficiency of real estate companies to increase investor confidence and to encourage foreign direct investment by enhancing and implementing international standards and establishing unified systems and appropriate international standards as well as creating an accurate and reliable database.

## THANKS TO THE STRATEGIC PARTNERS

Land Department in Dubai thanks the strategic partners who provided support in preparing the book, and they are:

- International Valuation Standards Council
- Royal Institution of Chartered Surveyors
- The Evaluation Group of valuers Associations
- All companies that work in the real estate appraisal in Dubai





# INTRODUCTION

Emirates Book Valuation Standards (EBVS) follows International Valuation Standards (IVS) and implements them fully. It is considered a complementary addition at the regional level to these international standards.

International Valuation Standards (which can be downloaded via: [www.ivsc.org](http://www.ivsc.org)) is part and parcel of Emirates Book Valuation Standards.

International Valuation Standards consist of mandatory requirements that must be followed for the valuation process to be complete according to International Valuation Standards. Such requirements do not impose specific aspects of standards or a particular course of action, but rather presents essential principles and perceptions that should be considered during the valuation process.

International Valuation Standards consist of general standards and assets standards. Assets standards include requirements related to

certain types of assets and should be followed with the general standards when valuing any type of asset. They also include specific background information about the properties of each type of asset that affects the value as well as additional requirements related to assets and the methods and approaches used during valuation. When conducting a real estate appraisal, Emirates Book Valuation Standards must be read first with the general standards and assets standards included in the International Valuation Standards ‘IVS400: Property Interests’ and ‘IVS410 : Real Estate Development’.

Emirates Book Valuation Standards consists of mandatory requirements which Dubai Land Department imposed, and they must be followed for the valuation process to be conducted under the laws and regulations of the department and the Real Estate Regulatory Agency as well as according to the Emirates Book Valuation Standards.



# EMIRATES BOOK VALUATION STANDARDS (EBVS) IS DIVIDED AS FOLLOWS:



## SECTION ONE

### GENERAL FRAMEWORK OF REAL ESTATE APPRAISAL

This section is an introduction for Emirates Book Valuation Standards. The framework presents the general bases for valuers who follow this book

regarding objectivity, judgement, jurisdiction and acceptable exceptions to the International Valuation Standards.



## SECTION TWO

### GENERAL STANDARDS FOR EMIRATES BOOK VALUATION STANDARDS

These standards determine Dubai's requirements for all real estate appraisal tasks, including valuation contract terms, value determination bases, methods and approaches of valuation and preparing reports. These standards are designed

to be followed with the international standards applied regarding valuation works for all types of assets and for any purpose of the valuation purposes.



## SECTION THREE

### OTHER STANDARDS IN THE EMIRATES BOOK VALUATION STANDARDS

This section shows other standards related to real estate, ownership and controlling interests. This section also discusses concepts such as

freehold, leasehold, non-freehold and real estate development concepts.



# PART ONE

## EMIRATES BOOK VALUATION STANDARDS FRAMEWORK

- دائرة الأراضي والأملاك حكومة دبي  
 *LandDepartmentDubaiGovernment*
-  *@Land\_Department*
-  *@Land\_Department*
-  [www.dubailand.gov.ae](http://www.dubailand.gov.ae)
-  *Dubai Land Department*
-  *LandDptDubai*
-  *8004488*

# 1-1 DEFINITIONS

## included in Emirates Book Valuation Standards

In addition to the definitions included in International Valuation Standards which the Emirates Book Valuation Standards follows fully, following definitions are applied:

### LAW

Dubai Government Executive Council Decision No. (37) of 2015 regulating the practice of the real estate appraisal profession in the Emirate of Dubai. It can be found on the official website of the Dubai Land Department: [www.dubailand.gov.ae](http://www.dubailand.gov.ae)

### DEPARTMENT

Land Department

### DIRECTOR

Land Department director

### REAL ESTATE APPRAISAL

It is an estimate of the market value of a specific real estate based on its location, characteristics, specifications, and other factors affecting its value at a specific date and for a specific purpose.

### PROFESSION

Real estate appraisal profession.

### OFFICE

The company or agency authorized to practice this profession in the emirate.

### VALUER

He is the natural person registered in the registry to practice the profession in the emirate through the office or a licensed bank or financial institution.

### VALUER UNDER TRAINING

The normal person who is registered and authorized to receive training sessions in the profession.

### INTERNAL VALUER

The internal valuer can be defined as a person who is working for the company that owns the asset that need to be evaluated.

### THE PERMIT

The document issued by the institution, which includes allowing the office to practice the profession in the Emirate of Dubai, after meeting the conditions and requirements stipulated in the law.

### THE REGISTRY

It is the paper document or electronic record approved by the institution and includes a list of the valuers and valuers under training, after they fulfill the requirements stipulated in the law.

## REAL ESTATE APPRAISAL REPORT

This report includes a summary of the work done by the Valuer in order to reach an opinion about the value of the real estate under valuation. This report is issued to the customer for the purpose of using it for the purposes specified by the customer.

## CERTIFICATE

It is the real estate appraisal certificate that summarizes what has been done of appraisal, and this certificate is usually part of the real estate appraisal report. According to the specific regulations of the Real Estate Regulatory Agency, this certificate may include a receipt to inform the customer that a specific value has been registered with the Real Estate Regulatory Agency in accordance with the law above.

## BUILDING CLASSIFICATION SURVEY (BCS)

It is an official survey conducted by the Survey Department and the Registration and Real Estate Services Department at the Dubai Land Department. This survey covers the state of the plot (free / built land), the number of buildings erected on the plot, and the number of floors and units. The building classification survey also includes building facilities based on a survey covering 64 points.

## BUILDING PERMITS ISSUER

The Dubai government authority responsible for issuing building permits and completion certificates as authorized by law.

## BUILDING PLANNING AUTHORITY

It is the government agency in Dubai responsible for urban planning and master planning.

## EJARI

It is an electronic system in the Dubai Land Department that is available on the Internet to register rental contracts in Dubai in accordance with Law No. 26 of 2007. For more information, please visit the following website: [www.ejari.ae](http://www.ejari.ae)

## REAL ESTATE ACTIVITIES

All material actions or legal actions related to developing, selling, buying, registering, organizing, valuing and renting real estate in the emirate, as well as other real estate activities and services that are performed or organized by the department and its supervised actors.

## THE EXTERNAL PARTY

It is the entity that the Valuer uses to perform the appraisal mission to the fullest extent, including the surveying company, real estate data providers and real estate inspectors.

# 1-2 OBJECTIVES

## of the Emirates Book Valuation Standards (EBVS).

What does the Emirates Book Valuation Standards (EBVS) aim to achieve and who is the target audience.

### 1-2-10

The objective of the Emirates Book Valuation Standards (EBVS) is to provide more details about the implementation of International Valuation Standards in the emirate, as the book provides additional details about the practical implementation of International Valuation Standards and approving them

where necessary, and this includes in accordance with International Valuation Standards “standards for carrying out appraisal tasks using generally accepted and recognized scenarios and foundations that enhance transparency and consistency during appraisal practice”.

### 1-2-20

In addition to the above objectives, the Emirates Book of Evaluation Standards aims to achieve the following goals:

- 1 . Establishing procedures and policies for real estate appraisal.
2. Building a reliable database for real estate prices to be considered as historical documents that can be referred to when necessary to find information about a specific area.
3. Developing smart, contemporary systems, and transparency and ease of use for the purpose of:
  - Providing a reliable database for Valuers on commercial transaction data by Dubai Land Department.
  - Providing Valuers with a secure system to record their appraisal reports.
  - Providing customers with a secure system to verify and follow up the valuations of their assets.
4. Providing a legislative framework that enables real estate Valuers to value real estate in an accurate and approved way.
5. Enhancing the position of the appraisal profession in the real estate professions.
6. Promoting transparency in dealing with the concerned persons in the market and ensure their rights.
7. Helping Valuers to provide reliable valuation and complete reports that contain the required data and requirements, in a manner that provides greater transparency for the investor, thus reducing this risk.



# 1-3 GENERAL BASES

## of the Emirates Book Valuation Standards (EBVS).

Contents	Sections
Compliance with standards	10
Assets and liabilities	20
Valuer	30
Objectivity and ethics	40
Specialization and efficiency	50
Exceptions	60
Dispute resolutions	70
Disciplinary action	80

### 1-3-10

#### COMPLIANCE WITH STANDARDS

##### 1-3-10-1

When making a statement stating that a valuation will take place or has been carried out in accordance with the Emirates Book Valuation Standards. This implies that

the valuation was prepared by adhering to all relevant standards issued by the emirate and the International Valuation Standards Council (IVSC).

### 1-3-20

#### ASSETS AND LIABILITIES

##### 1-3-20-1

The standards may be applied to the valuation of both assets and liabilities. To help add more clarity to these standards, the word “asset” or “assets” has been defined to include the

liabilities and assets groups, liabilities, or assets and liabilities, unless otherwise stated explicitly or unless the context explicitly excludes the liabilities from this matter.

### 1-3-30

#### VALUER

##### 1-3-30-1

The Valuer must be registered in the registry of real estate Valuers. To help make these

standards clearer, the term “Valuer” includes appraisal reviewers.

##### 1-3-30-2

It is not permissible for any company, bank or financial institution in the emirate to seek

the assistance of a person not registered in the registry to work as an Valuer.

### 1-3-30-3

An Valuer who works for a bank or financial institution is prohibited from providing real estate

appraisal services to any party other than the bank or financial institutions that he works for.

### 1-3-30-4

When submitting a request to be registered in the registry, the Valuer must comply with the following:

1. To have a relevant experience in the valuation field of at least two years if he is an Emirati citizen.
2. He must have relevant experience in the field of valuation no less than five years if he is a foreigner.
3. Enjoy full eligibility.
4. Being of good conduct and behavior and not having been convicted in the past of a felony or crime that infringes honor or trustworthiness, unless he has received a consideration or amnesty from the competent authorities.
5. He must possess academic qualifications and training certificates as determined by a decision of the director .
6. Pay the fees determined by law.
7. Fulfill any other conditions determined by the relevant decision issued by the department.

### 1-3-30-5

The validity of the registration of Valuers is valid for one year and renewed for a similar period, provided

that the renewal application is submitted within 30 days before the expiration date of the registration.

## 1-3-40

### OBJECTIVITY AND ETHICS

#### 1-3-40-1

The valuation process requires the Valuer to issue unbiased reports regarding data reliability and assumptions. To ensure that the valuation process is credible, it is important that these reports are issued in a manner that promotes

transparency and limits the impact of any subjective factors on this process. The reports used in the application should be applied objectively to avoid biased analyzes, opinions and conclusions.

#### 1-3-40-2

It is essential that the appropriate controls and procedures are implemented when applying these standards in order to ensure that the required level of objectivity in the valuation process is achieved in a manner that ensures that the results are

free from any bias. In addition, IVSC Code of Ethical Conduct for Professional Valuers and the 10 Ethical Principles issued by International Ethics Standards Coalition [www.iesc-coalition.org](http://www.iesc-coalition.org) provide an example of an appropriate framework for professional conduct.

**1-3-40-3**

In addition to the standards outlined succinctly above, for the purpose of complying with the requirements of Article 16 of Executive Council Resolution No. 37 of 2015 regulating the real

estate appraisal profession in the Emirate of Dubai with regard to the obligations of persons practicing the profession, any person practicing the profession must comply with the following:

- 1.** Adherence to the principles of honor and integrity and the code of ethics for the profession accredited by the Real Estate Regulatory Agency for this purpose.
- 2.** Considering the accuracy, principles and traditions of the profession when performing tasks.
- 3.** Maintaining the confidentiality of the information that the Valuer may access when practicing the real estate appraisal process.
- 4.** Include the name of the Valuer and his registration number in the statement in all correspondence, certificate and reports issued by him.
- 5.** Preparing work reports regarding all the real estate appraisal work performed and sending a summary of these reports to the Real Estate Regulatory Agency through the means approved by the institution.
- 6.** Respect of profession ethics while dealing with colleague Valuers and refrain from competing illegally/immorally or publicly criticize their works.
- 7.** Maintain an electronic record of each real estate appraisal task, which must include copies of reports, correspondence and written notes related to this task.
- 8.** Maintain records and reports of all works for a period of at least 5 years from the date of completion of the valuation or from the date of issuance of the final report. The director will determine the types of records and information that must be included in those records, reports and files.
- 9.** Adherence to the form, the main requirements and specific information of the property and the rights associated with it, which must be included in the real estate appraisal report, with that being submitted to the party requesting the real estate appraisal.
- 10.** Comply with the valuation standards and real estate appraisal procedures stipulated in the Emirates Book Valuation Standards.
- 11.** Not to use any person who is not registered in the registry to perform real estate appraisal processes.
- 12.** Practicing the profession through a licensed company, bank or financial institution.
- 13.** Refrain from working for more than one company inside the emirate at the same time (unless the approval of the Real Estate Regulatory Agency is obtained).
- 14.** The company must act as an independent third party in any valuation process, and not as an entity of any bank / financial institution or company / broker / real estate developer in order to avoid any conflict of interest.
- 15.** Fulfill any of the other obligations determined by the relevant decisions issued by the department.

### 1-3-40-4

In addition to the standards outlined succinctly above, the Emirates Book of Evaluation Standards includes the following requirements with regard to avoiding conflicts of interest:

**A ▶** The Valuer is prohibited from working for two or more parties in the same transaction without obtaining their prior written consent to do so, and this must be indicated in the report.

**B ▶** The Valuer must take all reasonable precautions to ensure that there is no conflict of interest between the parties involved, while disclosing such conflict in advance in writing as soon as possible.

**C ▶** It is not possible to provide a definitive list of situations that might involve a conflict of interest. Therefore, the following are examples of cases in which it may be necessary for the Valuer to disclose:

- 1.** Receive assignments from the buyer, who will then issue the valuation to the bank.
- 2.** Work on behalf of the buyer and seller in the same transaction.
- 3.** Work for both the borrower and the lender.
- 4.** Work for two or more parties who are competing for the same opportunity.
- 5.** Valuation of a property previously evaluated by the same valuer in favor of another customer.

**D ▶** Following options are available for the Valuer in case of conflicts of interest:

- 1.** Take the necessary measures to preserve information and prevent any leakage.
- 2.** Obtain written consent from all parties to move forward.
- 3.** Refusal to work on behalf of the customer.

### 1-3-50

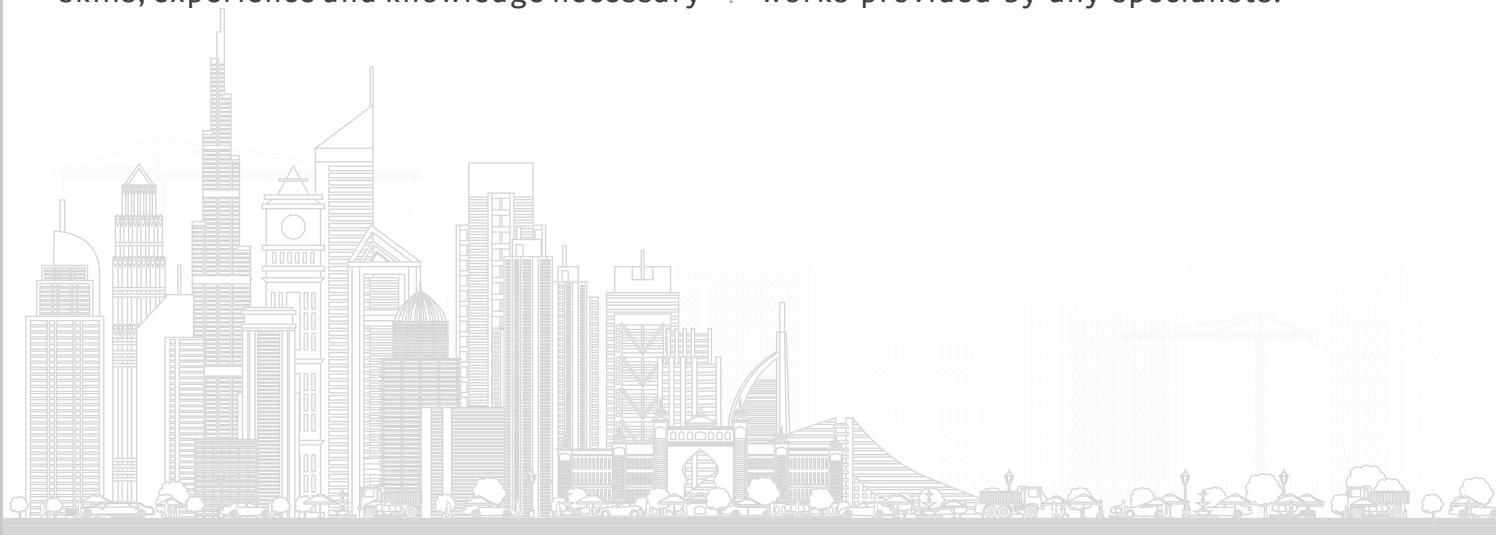
#### SPECIALIZATION AND EFFICIENCY

##### 1-3-50-1

Valuations must be prepared by an individual who is registered in the register to practice the profession and works in a licensed office authorized to practice the profession.

##### 1-3-50-2

The Valuer must possess the technical skills, experience and knowledge necessary to understand, interpret and invest the works provided by any specialists.



### 1-3-50-3

In addition to the standards outlined succinctly above, the Emirates Book of Evaluation Standards sets the following requirements in terms of Specialization and efficiency:

- A ▶ The Valuer must refuse any work if he lacks the experience or skill to accomplish the task efficiently.
- B ▶ If the Valuer requests actual assistance from an **external party**, he must ensure the adequacy of this party's expertise and skills to ensure that the work is carried out according to the correct standards. In this case, the Valuer is obligated to seek written consent from the client before contracting for the services of the external party, including this in the appraisal report. The external party must also adhere to what is stated in the Emirates Book Valuation Standards.
- C ▶ The Valuer is committed to carrying out his work professionally and on time.
- D ▶ The Valuer must deal professionally with any inappropriate behavior emanating from any other Valuer or other party. Any such behavior in relation to the appraisal profession should also be reported to the relevant authorities.
- E ▶ The Valuer must ensure understanding and familiarity with the standards according to which the client works, and which may affect the scope of work (such as: accounting, auditing, international standards for real estate measurement, securities, lending, etc.).
- F ▶ The Valuer must ensure that his employees and subordinates who provide assistance in a task comply with these standards.

### 1-3-60

#### EXCEPTIONS

##### 1-3-60-1

In the event that the Emirates Book Valuation Standards does not address an issue, then the Valuers should refer to the International Valuation Standards. If there is a contradiction between the Emirates Book Valuation Standards and the International Valuation Standards, then the requirements of the Emirates Book Valuation Standards should be followed.

##### 1-3-60-2

The preference for requirements to deviate from International Valuation Standards shall be in accordance with other legislative, regulatory or official requirements of the Emirates Book Valuation Standards over requirements of other International Valuation Standards.

##### 1-3-60-3

If the Valuer is obligated to follow an exception during his course of work according to the Emirates Book Valuation Standards, this must be clearly stated in writing in the appraisal report.

## 1-3-70

### CONFLICT RESOLUTION

#### 1-3-70-1

Conflict Resolution is a proven, time-effective and cost-effective alternative to litigation. The conflict resolution process includes a wide range of processes, which together provide alternative ways to manage and settle conflicts without the need to resort to litigation. In general, this process generally

refers to one of the various processes used to resolve conflicts between parties, which includes negotiation, mediation, arbitration, and litigation. This process is concerned with resolving conflicts or differences by fulfilling some of the needs of each party and achieving at least their interests.

#### 1-3-70-2

The alternative conflict resolution process is a process that takes place outside the jurisdiction of the judicial system such as arbitration and mediation that is used to resolve potential conflicts and disputes between individuals, commercial

entities, and government departments/agencies. In general, the alternative conflict resolution process depends on the parties agreeing to use this process, either before or after the dispute has arisen.

#### 1-3-70-3

In the event that a dispute arises directly or indirectly related to the valuation, then all Valuers must have the ability to prove that they have

considered and studied the issue of using conflict resolution mechanisms before referring any matter to the judiciary.

#### 1-3-70-4

In the event of a conflict or complaint between the valuation office and the applicant for valuation, a request is submitted by the Valuer and referred to

the grievance committee regarding organizing the practice of the real estate appraisal profession to consider the complaint.

## 1-3-80

### DISCIPLINARY ACTIONS

#### 1-3-80-1

In the event that any of the acts stipulated in Table 2 in the law is proven to be committed, the

institution may take any of the following measures :

1. Stop the violator from practicing the profession for a period not exceeding six months.
2. Obliging the violator to attend a training course at the Dubai Real Estate Institute.
3. Cancellation of the violator's registration from the registry.
4. Cancellation of the permit granted to the violator.

#### 1-3-80-2

Valuers are obliged to cooperate with the Real Estate Regulatory Agency and the Dubai Land Department

regarding all reasonable and legitimate requests related to their work.



## 1-4 MEASURING SPACES

according to the Emirates Book Valuation Standards (EBVS) and International Property Measurement Standards (IPMS).

The Emirates Book Valuation Standards places great emphasis on appropriate and accurate measurement of spaces, as measuring spaces is an essential component

of ensuring high accuracy of assessment. In this context, this book recommends the use of international standards for measuring real estate by the Valuer to the maximum extent possible.

### 1-4-10

The Dubai Land Department and the Real Estate Regulatory Agency fully support international standards for real estate measurement.

### 1-4-20

Terms such as Built Up Area (BUA) and Gross Floor Area (GFA) are common terms used in Dubai, where the term Built Up Area refers to the total built area of a specific building, and this term is usually used by contractors and developers to calculate

the construction cost. The Gross Floor Area is the total area fit for use in a building, and this term is usually used by planning authorities to monitor and control the amount of space being built.

**Typically, the following approximate estimate is correct in Dubai:**

**Gross Floor Area + Covered Area = Built Up Area.**

Which means that the Built Up Area is usually larger than the Gross Floor Area.

It is expected from Valuers to use historical figures for Built Up Area or Floor Area while they carry out appraisal works.

### 1-4-30

There is no internationally recognized definition of the terms Built-Up Area and Gross Floor Area, for this reason this book imposes the use of international standards for measuring real estate

on all Valuers, in order to enhance transparency and to allow comparison of appraisals with other financial reports.

### 1-4-40

During the implementation of the valuation work and upon the coincidence of a designated area, it shall always refer this to the original standard according to which this area was calculated in addition to converting to the

formulation of the International Property Measurement Standards of related real estate, and this is called a double report and valuers must use this as reasonably as possible.

**1-4-50**

A dual report is important because it indicates to the valuer, the customer and anyone reading the report any elements that have been

included or excluded from the areas, which will have a direct impact on the value of the property.

**1-4-60**

International Property Measurement Standards should be used as a common denominator to

ensure the consistency of the standards for measuring the different area in use.

**1-4-70**

The gross floor area of a building (whether it is an administrative building, multi-story building, villa, contiguous houses/townhouse, units, or industrial buildings) represents the gross floor areas of a multi-story building, villa, townhouse, units, or industrial buildings.

The floor areas can be classified into the area of the apartments, the balcony area and the common areas. This area is included in the site plans and must be calculated using International Property Measurement Standards [www.ipmsc.org](http://www.ipmsc.org)

**1-4-80**

The following are the approved standards for measuring and calculating the floor area for valuation purposes:

**1. Apartments area (Area A) = IPMS Standard 3A - 0.5 x component B1 (exterior walls)**

**Comment** This equation is used to convert the Dubai Land Department standard used with freehold real estate into International Property Measurement Standards.

**2. The area of the balconies (Area B) = the area of the balconies + 0.5 x component B1 (exterior walls)**

**Comment** This equation is used to convert the Dubai Land Department's standard for property used with freehold real estate to International Property Measurement Standards.

**3. The area in the title deed issued by Dubai Land Department =A + B = IPMS 3A standard + balconies area.**

**Please note that these equations only apply to title deeds issued by the Dubai Land Department in respect of spaces and areas of freehold real estate in Dubai.**



# PART TWO

## GENERAL STANDARDS INCLUDED IN THE EMIRATES BOOK VALUATION STANDARDS (EBVS)

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# Standard EBVS 101

## SCOPE OF WORK

### Contract Terms

Contents	Paragraphs
Overview	10

#### **2. EBVS 101.10**

##### **OVERVIEW**

###### **2.EBVS 101.10.1**

Scope of Work EBVS 101 (sometimes referred to as contract terms) fully adopts International Valuation Standard “IVS 101 Scope of Works”, which sets out basic conditions for contracting

valuation work, such as the assets subject to valuation, the purpose of the valuation and the responsibilities of the parties participating in the valuation.

###### **2. EBVS 101.10.2**

As stipulated in the International Valuation Standard IVS 101: Scope of Work, all valuation advice and work done in preparation should be appropriate to the intended purpose. The valuer must also ensure that the intended

recipient of the valuation advice understands what will be presented to him and understands any restrictions on the use of what will be provided before its completion and prepare a report accordingly.





## 2. EBVS 101.10.3

In addition, the valuer must inform his client of the scope of work before accomplishing the task, and this includes the following:

- A ▶ Valuer identification.
- B ▶ Determine (dealers), if there is any.
- C ▶ Identify other targeted users (if there is any).
- D ▶ Valuable assets.
- E ▶ Valuation currency.
- F ▶ Purpose of the valuation.
- G ▶ The basis/foundations used to determine the value.
- H ▶ Date of valuation.
- I ▶ The nature and scope of the work of the valuer and any restrictions imposed on this work.
- Y ▶ The nature and source of the information the valuer relies on.
- K ▶ Type of report being prepared: Report format - that is, how to prepare it To Restrictions on the use, distribution and publication of the report.
- L ▶ That the report will be prepared according to the Emirates Book Valuation Standards and that the valuer will estimate the suitability of all important data.
- M ▶ Financial allowance for real estate valuation.



## 2. EBVS 101.10.4

In addition to the mandatory requirements mentioned in the International Valuation Standard IVS 101: The scope of work and additional

requirements that arise from government procedures in Dubai, the valuer must report the following:

1. The scope of the valuation (ex: Dubai Emirate).
2. The valuation standard used (ex: International Valuation Standards Council).
3. Professional liability insurance restrictions.
4. Special assumptions to be used in the valuation.
5. Exceptions to the standard and their causes.
6. Any previous dealing with the customer or about the property subject to valuation.
7. Any time limit in relation to the valuation (specifically: the validity of the valuation applies only to the day of the valuation).

## 2. EBVS 101.10.5

Companies must enter into a real estate appraisal agreement with the party requesting this appraisal.

This agreement should provide for the rights and obligations of the two parties, especially the following:

1. Determine the property to be valued.
2. Purpose of the valuation.
3. The period required to complete the valuation.
4. Valuation fees.

# Standard EBVS 102

## VERIFICATION AND COMPLIANCE

Contents	Paragraph
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Overview	10
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### **2. EBVS 102.10.1**

#### **OVERVIEW**

##### **2. EBVS 102.10.1**

This book fully adopts the International Valuation Standard (IVS 102) and conforms to the general foundations of the International Valuation Standard “IVS 102”: Verification and Compliance, which states that “to ensure compliance with International Valuation

Standards, valuation tasks (including valuation reviews) must be done in accordance with all principles set forth in International Valuation Standards that are appropriate to the purpose, terms, and provisions stipulated in the scope of work”.

##### **2. EBVS 102.10.2**

Moreover, according to what is mentioned in Section 20.5 of the International Valuation Standard IVS 102: Verification and Compliance

“When considering the credibility and reliability of the information provided, valuers should consider matters such as:

- A ▶ Purpose of the valuation.**
- B ▶ The importance of information for the valuation result.**
- C ▶ Source expertise on the subject.**
- D ▶ Whether the source is independent of the valued asset and/or the recipient of the valuation (refer to IVS International Valuation Standard: Scope of Work - Paragraph 20.3 (A)).**

##### **2. EBVS 102.10.3**

In addition to the requirements set out in the International Valuation Standard IVS 102: Verification and Compliance,

the valuer must review the property data subject to valuation according to the following procedures:

- 1. Ensure that the valuer has the permission or authority to request an appraisal of the property through the correct documentation.**
- 2. Obtaining the title deed issued by the Land Department in Dubai (or equivalent) for the property.**
- 3. Checking all the data mentioned in the title deed and comparing it with the data provided by the customer.**
- 4. Ensure that any information related to the company or activity matches the information in the contract, bond or company record.**

5. Reviewing any procedures that are imposed on the property such as mortgage as insurance, with consideration of the impact of these procedures on the valuation of the property.
6. Obtaining approved property plans from the concerned planning authority (such as Dubai Municipality).
7. Preparing a detailed description of the property through the collected data and documents. In the event that there is ambiguity or insufficient documentation, the valuer may refer to the Survey Department of the Registration and Real Estate Services Sector in the Dubai Land Department to obtain a report on the classification survey of the buildings in respect of the property that the valuer was assigned to value. This is subject to the special procedures applied by the Survey Department, which are subject to change from time to time.

## 2. EBVS 102.10.4

If the real estate appraisal process requires the valuer to enter the property, he must notify the property owner or his agent in advance, agreeing with him on the appropriate time to enter the property and inspect it.

## 2. EBVS 102.10.5

Moreover, when inspecting a property by visiting the site, the valuer must - in addition to the requirements set forth in the International Valuation Standard

“IVS 102”: verification and compliance - implement the following mandatory requirements as part of the Emirates Book Valuation Standards:

1. Obtaining the owner’s consent to visit the site, including coordination with the residents as needed.
2. Inspect the property on the ground, indicate its condition, and prepare a detailed report that includes the following:
  - A ▶ The date of submitting the valuation request and visiting the site.
  - B ▶ The type of materials that make up the property, such as being constructed with stones or concrete reinforced with iron or any other materials, and the percentage of each of the materials that make up the building.
  - C ▶ The age of the building (and the year of its construction) with respect to the foundation and every part of the property.
  - D ▶ The general appearance of the building in terms of its condition compared to the surrounding real estate.
  - E ▶ Determine the geographical description of the property in terms of accessibility and other descriptions.
  - F ▶ Real estate measurement according to International Property Measurement Standards.
  - G ▶ Take notes on the interior and exterior finish level and the type of materials used.
  - H ▶ Take notes on the general condition of the property and indicate any current internal or external defects.

I ▶ Take notes on the systems that the building was provided with (air conditioning, firefighting, security systems, etc.).

J ▶ Take notes about the surrounding and nearby properties.

K ▶ Take notes on the factors that affect the property positively and negatively.

3. Attach illustrative pictures of the property from all corners.

4. Preparing the real estate file, provided that this file includes, for example, official data such as the land plan, building completion certificate, and a document showing the real estate from the inside.

5. Providing the required equipment to inspect the property, examine it on the ground, and raise the dimensions (for example: measuring devices and cameras).

## 2. EBVS 102.10.6

Moreover, in the event that the property is examined by someone other than the valuer, this must be clearly stated in the report (with names, dates, qualifications and job titles).

# Standard EBVS 103

## REPORTS PREPARATION

Contents	Paragraph
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Appraisal review reports	30

### **2. EBVS 103-10**

#### **OVERVIEW**

##### **2. EBVS 103.10.1**

The Emirates Book Valuation Standards adopts the International Valuation Standard “IVS 103 Reporting”: reporting, as stipulated in Section 20.1: General Conditions: “The purpose of the valuation process, the complexity of the asset subject to the valuation, and the requirements of

users will determine the level of the appropriate detail of the valuation report. The report is prepared in the format agreed upon with all parties as part of the scope of work (please refer to the International Valuation Standard IVS 101 Scope of Work).

##### **2. EBVS 103.20**

#### **APPRAISAL REPORTS**

##### **2. EBVS 103.10.1**

Moreover, as stipulated in Section 30: Appraisal Reports of International Valuation Standard IVS 103 states: “When the report is prepared as a

result of a task that includes a valuation of an asset or assets, the report must indicate at least the following:

- A ▶ The scope of work carried out, including the elements listed in Paragraph 20-3 of International Valuation Standard IVS 101: Scope of Work, depending on the degree to which each applies to the task.
- B ▶ Curriculum or approved curricula.
- C ▶ Approved method(s).
- D ▶ The main data used.
- E ▶ Assumptions made.
- F ▶ Value conclusions and the main reasons for any conclusions reached.
- G ▶ The report date (which may differ from the valuation date).

## 2.EBVS 103.20.2

In addition to the standards set out above, and to ensure compliance with the Emirates Book

Valuation Standards, the report should include the following:

1. The name of the party requesting the valuation.
2. Purpose of the valuation.
3. The description of the valued property is supported by a map of the land on which this property is located.
4. Basis of valuation, namely the market value of the calculated property according to the standards stipulated in the Emirates Book Valuation Standards.
5. The valuation date.
6. The relationship between the valuer and the requesting party.
7. The assumptions (if there is any) that the valuer relied on to complete his work in accordance with the standards stipulated in the Emirates Book Valuation Standards.
8. Confirmation that the report was prepared in accordance with the Emirates Book Valuation Standards.
9. The value of the property, in number and in writing.
10. Name and signature of the real estate Valuer and his registration number. This is presented on the official publications of the company, where signed reports are not accepted if you do not carry the valuer's registration number and his full name according to the Emirates Book Valuation Standards.
11. Maps and documents on which the valuation report was prepared, such as a site map issued by the relevant government agencies in Dubai, pictures of the property, certificate of completion and lease contracts (from Ejari system).
12. Any other information specified by the Real Estate Regulatory Agency/Dubai Land Department, and the valuer is notified thereof.

We urge all valuers to use the smart/online system in place, as it is considered one of the smart platforms provided by RERA to link valuers to their clients. In fact, owners or their representatives can have access to valuers that are accredited by RERA, choose the appropriate entity for their services, and request valuation for

their real estates. Real estate valuation companies can add requests on behalf of their clients, and then valuers can accept/reject such requests or even coordinate with the applicants. At the end of valuation processes, valuers have the choice to submit the valuation summary and obtain a valuation request letter.

Land Department's clients, real estate valuers, and valuation companies can download the app via Apple Store or Play Store.

## 2. EBVS 103-30

### VALUATION REVIEW REPORTS

#### 2. EBVS 103.30.1

With regard to the requirements of the aforementioned IVS valuation review reports, it must be noted that some of the aforementioned requirements might be

included explicitly in the report or enlisted by reference to other documents (engagement letters, scope of work documents, internal policies and procedures, and others).

#### 2. EBVS 103.30.2

Furthermore, apart from the requirements mentioned in the International Valuation Standard IVS 103:

Reporting, valuers shall issue a letter entitled Real Estate Valuation Letter that includes the following data:

1. Letter date of issuance.
2. Valuation Purpose.
3. Type of real estate to be valued.
4. An opinion regarding the value (for example: 2,000,000 AED).
5. The name of the company that conducted the valuation.
6. Valuer's signature and ID number.

The letter requirements shall be determined by the Valuation Licensing Department at RERA's Licensing Department, and these requirements may be subject to changes occasionally.

#### 2. EBVS 103.30.3

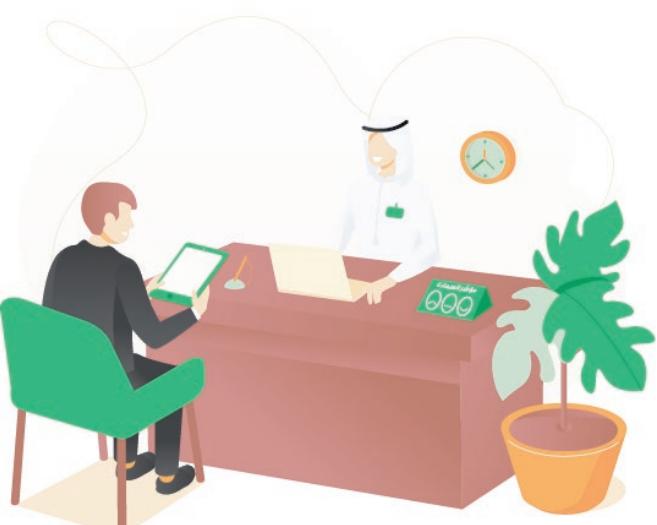
On the bases of the Executive Board's decision no. 37 for 2015, it is a requirement to prepare a work report

for each conducted property valuation assignment and submit a summary of the report to RERA.

#### 2. EBVS 103.30.4

It is unlawful for valuers, under The Emirates Book Valuation Standards, to partially or wholly release

the valuation report, any references or valued figures except for the client or their accredited representatives.



# Standard EBVS 104

## BASES OF VALUE DETERMINATION

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Bases of value as defined by EBVS – Rental Market Value	30
Bases of value as defined by IVS – Fair Value	40
Bases of value as defined by IVS – Investment Value /Price	50
Bases of value as defined by IVS – Liquidation Value	60
Other Bases of value – Fair Value (International Financial Reporting Standards)	70
Premise of Value/Assumed Usage	80

### 2. EBVS 104-10

#### OVERVIEW

##### 2. EBVS 104.10.1

EBVS adopts IVS 104 for valuation standards: Bases of Value, and compliance to this mandatory standard requires valuers to choose the appropriate basis (bases) to determine the value and follow all applicable requirements that are

related to the relevant basis of value, whether these requirements are included as a part of this standard (in terms of determining the value identified by IVS) or not (in terms of determining the value that is not identified by IVS).

##### 2. EBVS 104.10.2

According to IVS 104, “valuers shall choose a basis (or bases) to determine relevant value as per the requirements and purpose of the valuation assignment. When valuers choose the basis (or bases) for value, they shall take into consideration

the instructions and input received from the client or their representative. However, regardless of the instructions and input provided to valuers, they shall never use a basis (or bases) for value that does not match the purpose of the valuation process.”

##### 2. EBVS 104.10.3

Moreover, according to EBVS 101 standard: Scope of Work: the basis for value shall match the

purpose, and the source chosen as a basis of value shall be stated or explained.

## 2. EBVS 104-20

### BASES OF VALUE AS IDENTIFIED BY EBVS – MARKET VALUE

#### 2. EBVS 104.20.1

“Market value is the estimated value for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”. 

#### 2. EBVS 104.20.2

“EBVS recommends that valuation standards should use the market value definition mentioned in EBVS for all valuations conducted in Dubai unless there is a valid reason to use another basis for value. In such a case, this shall be in agreement with the client in advance and documented in the report”. 

#### 2. EBVS 104.20.3

“When considering any valuation report in Dubai, the market value shall be the assumed basis of value unless otherwise stated in the report”. 

## 2. EBVS 104-30

### BASES OF VALUE AS DEFINED BY EBVS – RENTAL MARKET VALUE

#### 2. EBVS 104.30.1

“Market Rent” is the estimated amount for which a share in real property should be leased on the valuation date between a willing lessor and a willing lessee according to appropriate lease

stipulations in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

#### 2. EBVS 104.30.2

Market rent can be used as a basis for value when valuing a lease or a share arising from a leasing contract. In such cases, it is necessary to consider

the rent value stipulated in the contract; if it was different, then the market rent.

#### 2. EBVS 104.30.3

EBVS requires the use of Ejari system when searching for any leasing data. Any other non-Ejari leasing accounts

that are not included in EBVS shall not be considered unless otherwise approved and mentioned in the report.

## 2. EBVS 104-40

### BASES OF VALUE AS DEFINED BY INTERNATIONAL VALUATION STANDARDS – FAIR VALUE

#### 2. EBVS 104.40.1

Fair Value is the estimated price for the transfer of an asset or liability between identified knowledgeable

and willing parties that reflects the respective interests of those parties.

#### 2. EBVS 104.40.2

Fair Value requires valuing a fair price between identified parties taking into consideration gains and losses of each party in the transaction. On

the other hand, “market value” requires ignoring any gains or losses that are unavailable for market participants to be incurred in general.

## 2. EBVS 104-50

### BASES OF VALUE AS DEFINED BY EBVS – INVESTMENT EFFICIENCY/VALUE

#### 2. EBVS 104.50.1

Investment Value refers to the asset value for an identified or potential owner in terms of individual investment or operational goals.

#### 2. EBVS 104.50.2

Investment Value is the basis value allocated to an entity. Although the asset value for the owner might be the same amount of money that can be achieved by selling to another party, such a basis value reflects the gains the entity will make from keeping the asset. Consequently, this does

not include the suggested exchange. Investment value reflects the entity's financial conditions and purposes for which a valuation is conducted, and it is often used to measure the investment performance.

## 2. EBVS 104-60

### BASES OF VALUE AS DEFINED BY INTERNATIONAL VALUATION STANDARDS – LIQUIDATION VALUE

#### 2. EBVS 104.60.1

Liquidation Value is the amount that would be realized when an asset or group of assets are sold on a piecemeal basis. Liquidation Value should take into account the costs of getting

the assets into saleable condition as well as those of the disposal activity. Liquidation Value can be determined under two different premises of value:

A ▶ An orderly transaction with a typical marketing period.

B ▶ A forced transaction with a shortened marketing period.

#### 2. EBVS 104.60.2

A valuer must disclose which premise of value is assumed.

## 2. EBVS 104.70

### OTHER BASIS OF VALUE – FAIR VALUE (INTERNATIONAL FINANCIAL REPORTING STANDARDS)

#### 2. EBVS 104.70.1

IFRS 13 defines Fair Value as the price that would be received to sell an asset or paid to transfer

a liability in an orderly transaction between market participants at the measurement date.

#### 2. EBVS 104.70.2

For financial reporting purposes, over 130 countries require or permit the use of International Accounting

Standards published by the International Accounting Standards Board <https://www-ifrs-org>

## 2. EBVS 104.80

### PREMISE OF VALUE/ASSUMED USE

#### 2. EBVS 104.80.1

EBVS also adopts the following Premise of Value or Assumed Use as set forth in the International Valuation Standards. A Premise of Value or Assumed Use describes the circumstances of how an asset

or liability is used. Different bases of value may require a particular Premise of Value or allow the consideration of multiple Premises of Value. Some common Premises of Value are:

- A ▶ Highest and best use.
- B ▶ current use/existing use,
- C ▶ orderly liquidation, and
- D ▶ forced sale.





# EBVS 105

## VALUATION METHODS AND APPROACHES

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Comparable Transactions Method	20
Discounted Cash Flow Method	30
Cost Approach	40
Profit Method	50
Residual Value Method	60

### 2. EBVS 105-10

#### OVERVIEW

##### 2. EBVS 105.10.1

EBVS adopts the “Valuation Approaches and Methods outlined in IVS 105”, and according to the International Valuations Standards values, valuers shall comply with “the appropriate and adequate valuation approaches”. The three approaches

mentioned below are the main methods used in valuation, all of which depend on the economic principles of balancing prices, gains expectation, or exchange. The main valuation approaches are the following:

- A ▶ Market Approach.
- B ▶ Income Approach.
- C ▶ Cost Approach.

##### 2. EBVS 105.10.2

In addition to the valuation requirements mentioned in IVS, valuers shall comply with the following valuation approaches:

- A ▶ Comparable Transactions Method.
- B ▶ Discounted Cash Flow Method.
- C ▶ Cost Approach.
- D ▶ Profit Method.
- E ▶ Residual Value Method.



## 2. EBVS 105-20

### COMPARABLE TRANSACTIONS METHOD

#### 2. EBVS 105.20.1

A valuer shall comply with the requirements value set out in “Valuation Approaches and Methods in IVS 105”, para 20 on Market Approach, and para 30 on Market Approach Method.

#### 2. EBVS 105.20.2

The key steps in the Comparable Transactions Method, as outlined in IVS 105, para 30-6, are as follows:

- A ▶** identify the units of comparison that are used by participants in the relevant market.
- B ▶** identify the relevant comparable transactions and calculate the key valuation metrics for those transactions.
- C ▶** perform a consistent comparative analysis of qualitative and quantitative similarities and differences between the comparable assets and the subject asset.
- D ▶** make necessary adjustments, if any, to the valuation metrics to reflect differences between the subject asset and the comparable assets (see para 30.12(d)).
- E ▶** apply the adjusted valuation metrics to the subject asset.
- F ▶** if multiple valuation metrics were used, reconcile the indications of value.

#### 2. EBVS 105.20.3

A valuer should analyze and make adjustments for any material differences between the comparable transactions and the subject asset. Examples

of common differences that could warrant adjustments may include, but are not limited to:

- A ▶** material physical characteristics (age, size, specifications, etc.).
- B ▶** relevant restrictions on either the subject asset or the comparable assets.
- C ▶** geographical location (location of the asset and/or location of where the asset is likely to be transacted/used) and the related economic and regulatory environments.
- D ▶** profitability or profit-making capability of the assets.
- E ▶** historical and expected growth.
- F ▶** rates of return.
- G ▶** types of security.
- H ▶** unusual terms in the comparable transactions.
- I ▶** differences related to marketability and control characteristics of the comparable and the subject asset.
- J ▶** characteristics of the ownership (for example: legal form of ownership and the retained percentage of ownership).

## 2. EBVS 105.20.4

In order to implement the Comparable Transactions Method in Dubai, a valuer should carry out the following additional procedures:

1. Collect relevant information to compare similar assets that have recently been sold or offered in an open market. In addition, the party concerned shall provide information about the leasing contract, terms of contract, and assets specifications.
2. Ensure that the information is being validated and acquired from transactions that reflect the market condition in order for the prices to represent an unusual incentive for the seller and the buyer gets excluded, such as deals in which a buyer pays a certain increase in order to acquire a specific asset, or deals that are made through sales between parties in unusual circumstances (ex. kinship, mandatory nature due to mortgage/ dispossession, or others).
3. Perform comparative analysis of asset sales using certain comparable metrics such as property type, selling date, land area, building area, market condition, location, price per square meter, and construction cost per square meter; and then adjust the comparison metrics to reflect the difference between the subject asset and the comparable asset.
4. Perform a comparison of comparable assets in terms of subject asset marketability using comparison metrics and adjusting the price of each metric to be sold according to valuation subject asset.
5. Adjust various indicators value that are obtained through the comparative analysis that reflects the asset value and evaluate it by the comparison method.

## 2. EBVS 105-30

### DISCOUNTED CASH FLOW METHOD

#### 2. EBVS 105.30.1

A valuer shall comply with the requirements outlined in “Valuation Approaches and Methods in

IVS 105 and para 50 on Income Approach Method and Discounted Cash Flow Method.

#### 2. EBVS 105.30.2

As outlined in IVS, “Although there are many ways to implement the income approach, all methods under the income approach are effectively based on discounting future amounts of cash flow

to present value. They are all variations of the Discounted Cash Flow (DCF) method and the concepts below apply in part or in full to all income approach methods”.



## 2. EBVS 105.30.3

As outlined in IVS 105, para 50.4, the key steps in the DCF method are:

- A ▶ choose the most appropriate type of cash flow for the nature of the subject asset and the assignment (i.e. gross or net, pre-tax or post-tax, total cash flows or cash flows to equity, real or nominal, etc.).
- B ▶ determine the most appropriate explicit period, if any, over which the cash flow will be forecast.
- C ▶ prepare cash flow forecasts for that period.
- D ▶ determine whether a terminal value is appropriate for the subject asset at the end of the explicit forecast period, if any, and then determine the appropriate terminal value for the nature of the asset.
- E ▶ determine the appropriate discount rate.
- F ▶ apply the discount rate to the forecasted future cash flow, including the terminal value, if any.

## 2. EBVS 105.30.4

In order to implement the Discounted Cash Flow Method in Dubai, a valuer shall carry out the additional following procedures:

1. Collect relevant data to manage accounts such as annual income, asset utilization rate, leasing percentage, operation cost, and share percentage for a given number of years.
2. Calculate actual income by subtracting vacancy percentage (vacancy percentage equals 100% - leasing percentage) of the asset annual gross income. Such a calculation shall be repeated based on the number of years.
3. Calculate net operating income by subtracting operating cost of actual income.
4. Calculate net current value, which is end outcome of discounted cash flow through the following steps:

## 2. EBVS 105-40

### COST APPROACH

#### 2. EBVS 105.40.1

A valuer shall comply with the requirements value outlined in “Valuation Approaches and Methods in IVS 105”, para 20 on Cost Approach.

#### 2. EBVS 105.40.2

As outlined in IVS, “The Cost Approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience,

risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence”.



## 2.EBVS 105.40.3

The key steps in the Cost Approach, as outlined in IVS 105, paras 70-2 to 70-7, are as follows:

- A ▶ calculate all of the costs that would be incurred by a typical market participant seeking to create or obtain an asset providing equivalent utility or be an exact replica of the subject asset.
- B ▶ determine whether there is any depreciation related to physical, functional and external obsolescence associated with the subject asset, and
- C ▶ deduct total depreciation from the total costs to arrive at a value for the subject asset”.

## 2.EBVS 105.40.4

In order to implement the Cost Approach in Dubai, a valuer should carry out the following procedures:

1. Calculate the construction cost per square meter of similar buildings (cost includes, for example, land value, infrastructure cost, design fees, financing cost, etc.).
2. Calculate the building's total area using the International Property Measurement Standards. Determine the life expectancy of the buildings (recommended: 35 years) in conjunction with determining the depreciation percentage (approx. 3% per year).
3. Determine the construction year of the building in order to identify the gross depreciation (approx. 3% per year).
4. Determine the land price per square meter in order to know the land value through multiplying the total land area by the price per square meter.
5. Conclude the building construction value through multiplying the total land area by the construction cost per square meter.
6. Conclude the building value after depreciation, and then it is multiplied by the construction cost per square meter.
7. Conclude the building value after depreciation.
8. In order to find the asset value though the Cost Approach, the land value is added to the building value.



## 2. EBVS 105-50 PROFIT METHOD

### EBVS 105.50.1

As outlined in the “IVS 105 Valuation Approaches and Methods”, para 50.6: “For some real property shares, the income-generating ability of the property is closely tied to a particular use or business/trading activity (for example, hotels, golf courses, etc.). Where a building is suitable

for only a particular type of trading activity, the income is often related to the actual or potential cash flows that would accrue to the owner of that building from the trading activity. The use of a property’s trading potential to indicate its value is often referred to as the “profits method”.



### 2. EBVS 105.50.2

It should be mentioned that, “When the income used in the income approach represents cash flow from a business/trading activity (rather than cash flow related to rent, maintenance and other real property-specific costs), the valuer should also comply as appropriate with the requirements

of IVS 200 Business and Business Interests and, where applicable, IVS 210 Intangible Assets. A valuer should comply with the requirements of “Valuation Approaches and Methods of IVS 105” and para 50 on Income Approach Methods. (“IVS 105, Valuation Approaches and Methods, 50.7).

### 2. EBVS 105.50.3

In order to implement the Profit Method in Dubai, a valuer should carry out the following additional procedures:

1. Consider the expected profit rather than the actual profit.
2. Seek guidance from the relevant body in terms of asset income and expense registered in the accounting records. Usually, the last three years of the relevant accounting standards are taken into consideration, such as the International Financial Reporting Standards in order to determine the income trend. Therefore, actual calculations should be considered as a directional guide in terms of expense and return that can be attained.
3. Subtract vacancy and return collection risks as a percentage of total revenue in order to calculate gross income.
4. Subtract operating expenses, which include the following for example:
  - A ▶ Fixed expenses, real property fees (direct or indirect).
  - B ▶ Variable expenses, maintenance and administrative cost etc.
  - C ▶ Savings or replacement cost (for example add another story for the car park), which can be estimated as percentage of the total revenue in order to calculate gross income.
5. Divide the gross income by the percentage of total share (on land or building).



## 2. EBVS 105-60

### RESIDUAL VALUE METHOD

#### 2. EBVS 105.60.1

A value shall comply with the requirements outlined in "IVS 105 Valuation Approaches and Methods", IVS 400 Real Property Shares, and IVS

410 Development Property (para 90) when using the Residual Value Method.

#### 2. EBVS 105.60.2

As outlined in IVS 410, para 90.1, "The residual method is so called because the current value of the development property is indicated by the residual amount after deducting all known or anticipated costs required to complete the development

from the anticipated value following completion after taking relevant risks into consideration. The residual value, which is calculated through the residual value method, may equal the development property market value in its current state or not.

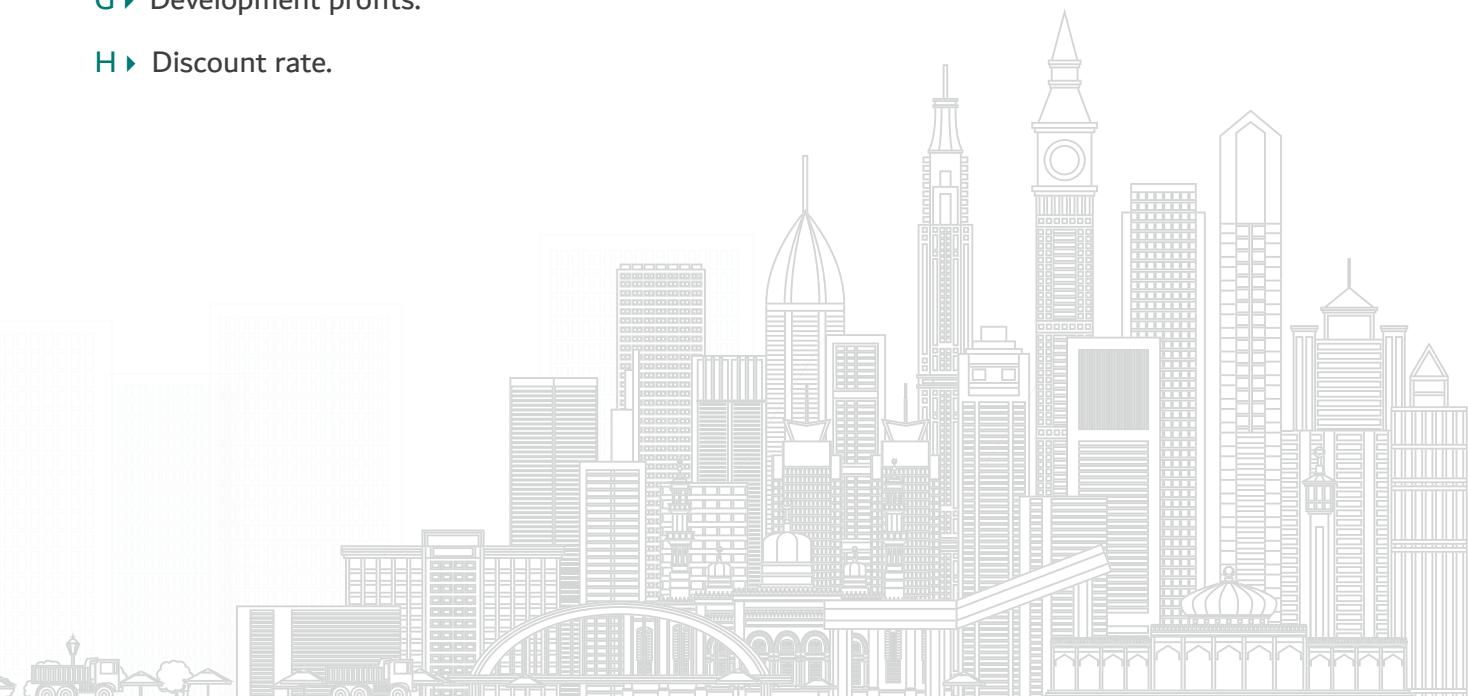


#### 2. EBVS 105.60.3

The following key metrics shall be considered when implementing the Residual Value Method to estimate the market value of a development

property. In case of any other bases are required, they might be other necessary alternative inputs.

- A ▶ Expenses for completing project.
- B ▶ Building cost.
- C ▶ Consultants fees.
- D ▶ Marketing cost.
- E ▶ Timeline.
- F ▶ Financing cost.
- G ▶ Development profits.
- H ▶ Discount rate.



# PART THREE

## OTHER STANDARDS INCLUDED IN EMIRATES BOOK VALUATION STANDARDS (EBVS)

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# EBVS 400

## REAL PROPERTY SHARES

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Rental Value	60

### **3. EBVS 400-10**

#### **OVERVIEW**

##### **3. EBVS 400.10.1**

The principles outlined in IVS and EBVS general standards are applicable to real property shares'

valuation. This standard includes additional requirements for real property shares' valuation.

##### **3. EBVS 400-20**

#### **REAL PROPERTY RIGHTS**

##### **3. EBVS 400.20.1**

Real Property rights were exclusively mentioned in the law, individuals may not establish rights in rem other than those provided for by law. These

rights are divided into two sections: Original real rights and accessory real rights.



## A ▶ ORIGINAL REAL RIGHTS

They are stand-alone rights that are not associated to personal rights.

According to para (1), article (110) of the Federal Civil Transaction Act (5) and its amendment for 1985, original real rights are:

### 1. OWNERSHIP

Ownership is one of the most important original real rights. It is also the most expansive right in rem, as it authorizes the holder to absolute power over the asset in terms of possession, control, and use. Furthermore, the owner is solely entitled to withhold his/her own asset.

### 2. USUFRUCT

Article 1333 of the Civil Code defines Usufruct right as “a property right in favor of the usufructuary to use property of another and to exploit it provided that it remains in its original condition”.

### 3. THE RIGHT OF USE AND DWELLING

According to Article 1349 of the Civil Transactions Law, the right of use and the right of dwelling (usufruct may apply to the right of use or to the right of dwelling or to both together).

### 4. THE RIGHT OF SERVITUDE

Article 1362 of the Federal Civil Transactions Law defined servitude as: (Servitude is a right which limits the enjoyment of a property for the benefit of another property belonging to another owner).

Examples of servitude rights (the rights of way, water easement, irrigation easement, the acquire Ductus Easement).

### 5. THE RIGHT TO USE THE LAND OF OTHERS (AL MUSSATAHA)

Article 1353 of the Federal Civil Transactions Law defined flatness as: (The mussataha is a right in rem giving its owner the right to erect a construction or to plant on a land owned by another).

### 6. THE RIGHT OF ENDOWMENT

The Endowment is the imprisonment of the property owned, and the allocation of its benefits to righteousness, even if it is money, and what is so according to the law Long term rent for (99 years).

## B ▶ ACCESSORY REAL RIGHTS

They are the rights that are decided by law to guarantee personal rights, and therefore the law considered them accessory and not original.

According to Paragraph (2) of the same Article, the accessory real rights are: Mortgage, pledge, privileged rights.

### 1. MORTGAGE

Mortgage is a contract by which a creditor acquires, over an immovable property allocated for the payment of his debt, a real right by which he obtains preference over ordinary creditors and creditors following him in rank, for the repayment of his claim out of the price of such property, no matter into whose hands it has passed.

## 2. PLEDGE

Pledge is a contract constituting a right to retain a property in the hands of the creditor, or a third-party holder, as security of a right that can be recovered from it, in full or in part, in preference to all other creditors.

## 3. THE RIGHT TO CONCESSION

A privilege is a real accessory right of preference granted by law to the creditor enabling him to collect his right by reason of its description. (see Articles 1526 - 1527-1528 of the Federal Civil Transactions Law, Real Estate Seller, Contractors and Engineers, common real estate partners).

### 3. EBVS 400.20.1

#### REAL ESTATE PROPERTY IN DUBAI

The law guarantees the right to own real estate and real estate rights that are returned to it in Dubai to persons (natural and legal) who are citizens of the United Arab Emirates and citizens of the Gulf Cooperation Council Arab States.

As an exception to this general principle, the law permits persons who are not citizens to own some real estate rights in areas specified by His Highness the Ruler of the Emirate. Article (4) of the law states that: "The right to own real estate in the Emirate is

limited to citizens of the state, citizens of the Gulf Cooperation Council states, companies that are owned wholly by them, as well as public shareholding companies. that are wholly owned by them, as well as the public shareholding companies, may, with the approval of the ruler, in areas specified in the emirate, grant non-citizens persons the following rights: With the consent of the ruler, in areas specified in the emirate, non-citizens may be granted the following rights:

**A ▶ The right to own the property with absolute ownership, without time limit, or**

**B ▶ The right to use the property or the right to rent it for a period not exceeding 99 years.**

As for the types of real estate rights that the two groups may possess or benefit from, they are generally the original real rights and the accessory real rights.

The right to property (free property) is considered one of the most important real rights, as it is one of the broadest in scope, because it gives its owner full authority over the property, as he can dispose

of the property in kind, benefit, and exploitation.

The legislator added to these rights, another right, which is the right of long-term rent for a period not exceeding (99) years, and long-term rent known in English law, and this right enables the tenant to use the property for a period not exceeding (99) years but does not give him the right to own the property Or the land on it.

### 3. EBVS 400.20.2

The Emirates Book Valuation Standards adopts the "International Valuation Standard No. 400, real estate shares," and according to the definition

of international valuation standards, "the real estate share is a right to own, control, use, or occupy land and buildings.

### 3. EBVS 400.30

#### EJARI

According to the law, property must be registered with the Dubai Land Department, and any property or transaction not registered with the Dubai Land Department is deemed null and void. Land titles to land and property are usually issued.

As for lease contracts, they must be registered in the Ejari system for them to be valid. This is similar to the notary's circle of public justice in other countries. Ejari system is operated by the Dubai Land Department.



### 3. EBVS 400-40

#### REGISTRATION

##### 3. EBVS 400.40.1

The valuer must take the necessary care to ensure that the lands or leases that are subject

to valuation have been registered with the Dubai Land Department.

##### 3. EBVS 400.40.2

In the case of short-term lease contracts, the valuer must take the necessary care to ensure that the land or lease contracts, which are subject

to valuation, are registered with the Real Estate Regulatory Agency.

### 3. EBVS 400-50

#### FOUNDATIONS OF VALUE

##### 3. EBVS 400.50.1

According to the value bases stipulated in EBVS104, the valuer must determine the appropriate value basis (s) when valuing real estate ownership shares. According to most value foundations, the valuer must consider the highest and best use of the property,

which may differ from its current use (see EBVS104 Value Foundations, Paragraph 30-30). This valuation is particularly important for real estate ownership shares that can be changed from one use to another or have potential for development.

### 3. EBVS 400-60

#### RENTAL VALUE (RENT)

##### 3. EBVS 400.60.1

The market rental value (rent) is considered as a basis for value in International Valuation Standards and EBVS104 Value Foundations.

##### 3. EBVS 400.60.2

As for the valuation of the higher share that is subject to the lease contract or the shares resulting from the lease, and in cases where the

rent is different, the valuer must consider the rental value (rent) for the contract and the market rental value (rent).

##### 3. EBVS 400.60.3

as stipulated in International Standard Assessment No. 499 Real Estate Shares “The rental value (fare) of the contract is the fare due according to the terms of the actual lease contract. It may be fixed throughout the term of the lease or variable. The number of

times and the basis for calculating the rent adjustments will be determined in the lease contract and it must be defined and known in order to determine the total shares that will be assigned to the lessor and the responsibility of the tenant “

# EBVS 410

## PROPERTY DEVELOPMENT

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Rental value (fee)	60

### **3.EBVS410.10**

#### **OVERVIEW**

##### **3. EBVS 410.10.1**

The principles laid down in the general standards set out in International Valuation Standards and the Emirates Book Valuation Standards EBVS 101 to 105 apply to the valuation of property development. This standard includes only modifications, additional requirements, or specific

examples of how the general standards apply to valuations to which this standard applies. Real estate development valuations must also adhere to International Valuation Standards and Emirates Book Valuation Standards EBVS 400 real estate ownership shares.

### **3.EBVS410.20**

#### **REAL ESTATE DEVELOPMENT**

##### **3.EBVS410.20.1**

In the context of this Emirates Book Valuation Standards, development property is defined as shares required to be redeveloped to achieve the highest and best use, or for which improvements

are being considered or have already been made to them at the date of the valuation and includes the following:

- A ▶ Building construction,
- B ▶ Land not previously developed and where infrastructure is provided,
- C ▶ Redevelopment of previously developed lands,
- D ▶ Improving or changing existing buildings or structures,
- E ▶ Land designated for development under an organizational chart, and
- F ▶ Land designated for uses of higher value or higher concentration by planning authority (such as Dubai Municipality, Dubai Development Authority, etc.).

### 3. EBVS 410.20.2

The valuer must ensure that all necessary development permits are obtained for development

before commencing the development valuation, and these permits include the following:

1. Earth map from the Planning Department.
2. Approval or no objection certificate from Dubai Electricity and Water Authority.
3. Approval or no objection certificate from the Roads and Transport Authority.
4. Approval or no objection certificate from the Civil Defense.
5. Approval or no objection certificate from Dubai Municipality (environmental / coastal / architectural heritage).
6. Building permit (architectural / engineering) from Dubai Municipality, Dubai Land Department, licenses, Dubai South etc.

### 3. EBVS 410.20.3

In the case of completion of the development, the valuer must ensure that a certificate of completion is issued by the competent authority in order to be

able to value the development on the assumption that it is occupied.

## 3. EBVS 410-30

### FOUNDATIONS OF VALUE

#### 3. EBVS 410.30.1

According to the value principles stated in the International Valuation Standards and the Emirates Book Valuation Standards

EBVS104, the valuer must determine the appropriate value basis (s) when valuing the development property.

#### 3. EBVS 410.30.2

Valuation of development property often includes a large number of assumptions and specific assumptions related to project conditions or its state upon completion. For example, special assumptions may be assumed that express that the development has been completed or the property is fully leased. As required by the scope of work outlined in the International Valuation

Standards and the Emirates Book Valuation Standards EBVS101, all parties involved in the valuation must be informed of the large number of assumptions and specific assumptions used in the valuation, and they must be approved and confirmed within the scope of work. Special attention may also be required if there are third parties that depend on the valuation results.

### 3. EBVS 410-40

## VALUATION METHODS AND APPROACHES

### 3. EBVS 410.40.1

The three main valuation approaches described in the International Valuation Standards and the Emirates Book Valuation Standards EBVS 105 may

be all valuation methods and approaches applied to the valuation of the share in real property

### 3. EBVS 410.40.2

There are two main approaches in valuing development property. They are:

**A** ▶ Market approach, International Valuation Standard 105 Valuation Methods and Approaches Section 30F.

**B** ▶ The residual value method, which is a mix between the market approach, the income approach, and the cost approach. This method is based on the completed “total value of the development” and deduction of the development costs and the return that the developer earns to find the residual value of the development property.

### 3. EBVS 410.40.3

When choosing the approach and method, in addition to the requirements of this standard, the valuer must adhere to the requirements of the

valuation methods mentioned in the International Valuation Standards and the Emirates Book Valuation Standards EBVS 105.

### 3. EBVS 410-50

## RESIDUAL VALUE METHOD

### 3. EBVS 410.50.1

When using the residual value method, the valuer must adhere to the valuation approaches mentioned in the International Valuation Standards and the

Emirates Book Valuation Standards EBVS 105, and the valuer in the UAE is advised to use the residual value method in the following cases:

1. Before starting construction for the development project.
2. Before starting the redevelopment.
3. When valuing lands for development purposes.
4. When calculating the potential profits of the development by looking at the construction of the project and the costs resulting from it and judging by fees and profits.



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