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**INVESTMENT APPRAISALS FOR  
REAL ESTATE IN THE U.A.E.**

[www.mattsiddell.com](http://www.mattsiddell.com)



## GUIDE TO INVESTMENT APPRAISALS FOR REAL ESTATE IN THE UAE

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*Most investors in Dubai are shown glossy brochures and “headline numbers” — not proper appraisals.*

*If you don’t analyse and understand the numbers correctly, how can you be sure you’re making the right investment?*

**This guide explains how to appraise property investments in Dubai the way professionals do: structured, clear, and realistic.**

### **Why Appraisals Matter**

- Prevents costly mistakes (e.g., buying a unit that doesn’t cover its finance).
- Cuts through marketing hype (returns promised vs actual net returns).
- Enables you to analyse and compare different opportunities.
- Enables you to identify the right investments and ultimately realise your goals.

# THE CORE COMPONENTS OF AN INVESTMENT APPRAISAL

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## 1 **Purchase & Transaction Costs**

- Property price.
- Dubai Land Department (DLD) fees.
- Registration, broker, and legal fees.

## 2 **Finance Structure**

- Loan-to-Value (LTV) ratio.
- Interest rate and repayment type (capital repayment only in UAE).
- Monthly instalments.

## 3 **Rental Income**

- Gross rent projections.
- Occupancy assumptions.
- Comparable rental data (avoid relying on developer claims).

## 4 **Operating Expenses**

- Service charges.
- Insurance, maintenance, and property management fees.
- Contingency allowance for void periods.

## 5 **Tax Considerations**

- No tax in the UAE but implications for overseas investors (UK income tax, inheritance planning, etc.).

## 6 **Exit Assumptions**

- Capital appreciation estimates (conservative vs optimistic).
- Selling costs.
- Holding period (5, 10, 15 years).

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## Key Ratios Every Investor Should Know

- **Gross Yield** =  $\text{Rent} \div \text{Purchase Price}$ .
- **Net Yield** =  $(\text{Rent} - \text{Costs}) \div \text{Purchase Price}$ .
- **Cash-on-Cash Return** =  $\text{Net Cashflow} \div \text{Equity Invested}$ .
- **Return on Investment (ROI)** =  $\text{Total Profits} \div \text{Equity Invested}$ .
- **Internal Rate of Return (IRR)** = The professional standard for comparing projects over time.

## Worked Example - Simple

Investor buys a property for AED 2m, finances 50%, expects 6% gross yield.  
Purchase costs: AED 2m + 4% DLD = AED 2.08m total.

- Mortgage: AED 1m at 5% interest = approx. AED 70k annual repayments.
- Rental income: AED 120k per year (6% yield).
- Expenses: AED 20k service charges, AED 5k insurance/maintenance.
- Net income: AED 95k.
- Cash invested: AED 1.08m (equity + costs).
- Cash-on-cash return: 8.8% BEFORE payments to the bank.

Now compare with an over-optimistic brochure claiming “10% yields” without including service charges or realistic occupancy. The difference is clear.

See the next page for the spreadsheet view.

**Worked Example continued**

This is how the numbers would be presented in a spreadsheet:

	Rate	Cash - AED	AED	AED
Purchase Price			2,000,000	
Mortgage	50%		1,000,000	
Equity		1,000,000		
DLD	4.0%	80,000		
<b>Total Cash</b>		<b>1,080,000</b>		
Rent	<b>6.0%</b>	120,000	120,000	
Mortgage interest			(50,000)	
Mortgage repayments				(20,000)
Service Charges		(20,000)	(20,000)	
Insurance / Maintenance		(5,000)	(5,000)	
<b>Net Income</b>	<b>4.8%</b>	<b>95,000</b>	<b>45,000</b>	
<b>Cash on Cash</b>	<b>8.8%</b>	Before any payments to the bank		
<b>Cash on Cash</b>	<b>4.2%</b>	After interest payment to the bank Note this still does not include void periods		

**The gross yield is 6%, the net yield is 4.8% and cash-on-cash return is 4.2%**

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Note that “simple” is not good enough because this calculation does not include occupancy, or annual fees for the entity that is used to hold the asset, and there may also be some domestic tax to include in the calculation.

**OFF PLAN INVESTMENT APPRAISAL**

Comparable Market Analysis		Price AED	BUA sqft	AED / psf	Plot sqft	AED / psf	Pre-Handover Investment	
1	Outlier 1	12,000,000	3,000	4,000	3,500	3,429	Off Plan Purchase Price	8,250,000
2	Outlier 2	11,700,000	3,000	3,900	3,500	3,343	DLD	0%
Some standard - obviously NOT better!							Deposit	10%
3	Comp 1	10,500,000					Construction	50%
4	Comp 2	10,500,000						
5	Comp 3	10,500,000						
6	Comp 4	10,250,000						
7	Comp 5	9,900,000						
8	Comp 6	10,000,000						
Comparable Average Values		10,275,000						

When we appraise investments for our clients, we go the whole distance and leave no stone unturned, so that our clients have complete confidence that they have bought the right property, in the right location and that it will generate the returns that they expect.

Off Plan "Present Day" Value	
Bank based on the BUA	10,370,310
Value based on the Plot	9,375,315
Value (based on the averages)	9,872,713

Off Plan Purchase Price	
Discount on Comp	2,025,000
Discount (%)	20%

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Gas

ROI (PROFIT BEFORE TAX)	8.92%	8,916.67	107,000.00	From which must pay debt and tax
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MORTGAGE		AED
Term (yrs)		25
Rate (%)		3.75%
LTV		70%
Purchase price		4,000,000
Mortgage		2,800,000
Down payment		1,200,000
Interest pm		8,750.00
Capital pm		3,589
Total pm		12,339
Interest PA		105,000.00
Capital PA		43,068
Total PA		148,068

Our appraisals are comprehensive and dependent upon whether the property is a straight acquisition, an investment property or an off plan investment.

PERFORMANCE		Rate
Gross Yield		6.00%
Net Yield		2.68%
Down Payment		
Transaction Costs		
Total Cash Required		
ROI (profit before tax)		8.92%
Capital repayments to bank		
CASHFLOW (before tax)		

INCOME TAX		
	Rate	Base Value
Cashflow before tax		
Income Tax on ROI	45%	107,000.00
BALANCE		

## Common Mistakes in Appraisals

- Ignoring service charges.
- Using gross yields instead of net yields.
- Overestimating appreciation.
- Forgetting overseas tax exposure.

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## Matt's Guidance

I've appraised hundreds of properties and the most common mistake I see investors make, is adopting agents' returns because they don't know how to calculate returns themselves.

The worst example of this relates to off plan investing. It's important that investors receive a discount to the value of today's market in order to justify buying a property off plan versus buying an existing property that will produce rental income.

In order to correctly appraise an opportunity and identify a genuine off plan discount to today's market, correct comparables must be adopted and used.

## Investor's Checklist

- Did you include all costs (DLD, service charges, broker, insurance)?
- Are the assumptions based on real comparables, not brochures?
- Have you accounted for void periods?
- Do you know the net yield and cash-on-cash return?
- Do you have a clear exit plan?

## Closing

Numbers do not lie. If you run a proper appraisal, the right opportunities stand out and the wrong ones eliminate themselves.

If you'd like me to build a tailored appraisal for your next investment — with all assumptions laid out clearly — reach out and let's talk.

