



CROMPTON PARTNERS

ESTATE AGENTS

A GUIDE TO SELLING YOUR PROPERTY

WWW.CPESTATEAGENTS.COM

www.facebook.com/cromptonpartnersEA / www.twitter.com/CromptonPartner
Info@cpestateagents.com / # Commercial License Number CN1487192-

This Guidance* is correct as at 1 February 2016. For the latest version please email guides@cpestateagents.com.

There are several other articles in this series (such as “How to Make the Most of Your Investment” and “A Guide to Property Finance”). Email guides@cpestateagents.com for copies of this and others in the series.

We have tried to keep this guide chronological, from when to think about selling your property, through a brief overview of the process and how to make a plan to get the most for your unit.

Please click on the relevant heading to be taken there:

- 1. Brief overview of the Sale Process**
- 2. When to Sell**
- 3. The Costs Involved**
- 4. To Tenant or Not to Tenant**
- 5. Have a Plan**
- 6. Lower Barriers to the Sale**
- 7. The Information You Should Have ready**
- 8. Engaging Brokers – General, Lead and Exclusivity**
- 9. Viewings and the State of the Property**
- 10. Tenanted Property**
- 11. Dealing with Offers**
- 12. Memorandum of Understanding (MOU) Key Clauses**
- 13. Finance, NOCs and Transfer**

* This guide is not legal advice and should not be relied upon in a legal context.

Brief Overview of The Sale Process

If you are reading this then the chances are you have already bought in Abu Dhabi in the secondary market (i.e. not direct from a developer) but if you haven't then please read this very brief synopsis.

So in short:

- i) Talk to your bank if you have finance;
- ii) You put your unit on the market;
- iii) People come and view;
- iv) Someone puts in an offer which you accept;
- v) Both parties sign a Memorandum of Understanding (**MOU**) (there is a chapter on this later) and hand over security cheques, reserving the unit;
- vi) If finance is being used the banks coordinate and a valuation of the property is made;
- vii) The seller gets an no objection certificate (**NOC**) from the developer stating that the developer is happy for the transfer to go ahead;
- viii) Both parties attend transfer and sign a new sale and purchase agreement (**SPA**) or an assignment of the old SPA;
- ix) The payments are made and the new owner is entered into the books of the developer as the owner.

This process is explained in more detail in this guide.

When to Sell

When to sell is a very personal decision as people's reasons for selling are extremely varied. We can offer you advice on when is best to sell, such as Tenancy Contract Expiry – This is discussed in more detail below but if you are marketing your unit with enough time for a buyer to give your tenant notice to quit the property then your unit will appeal to both investors (wanting a sitting tenant) and end users (wanting a vacant unit). Talk to us at Crompton Partners about your particular situation.

The Costs Involved

There are virtually no costs to the seller of a property in Abu Dhabi. The transfer fee payable to the developer (usually 1-3% of the original purchase price) and agency fee (of 2%)

are often both borne by the buyer. The parties sometimes agree to split these costs.

In other countries the seller willingly takes on these costs to lower barriers to purchase for buyers. The more objections a buyer has to overcome to say "yes" the harder it will be to make the sale. A discussion on this is held later in this Guidance but it is worth mentioning that in most of the rest of the world sellers try to reduce the mental barriers for buyers by taking on the costs themselves, but factoring them into the total sale price.

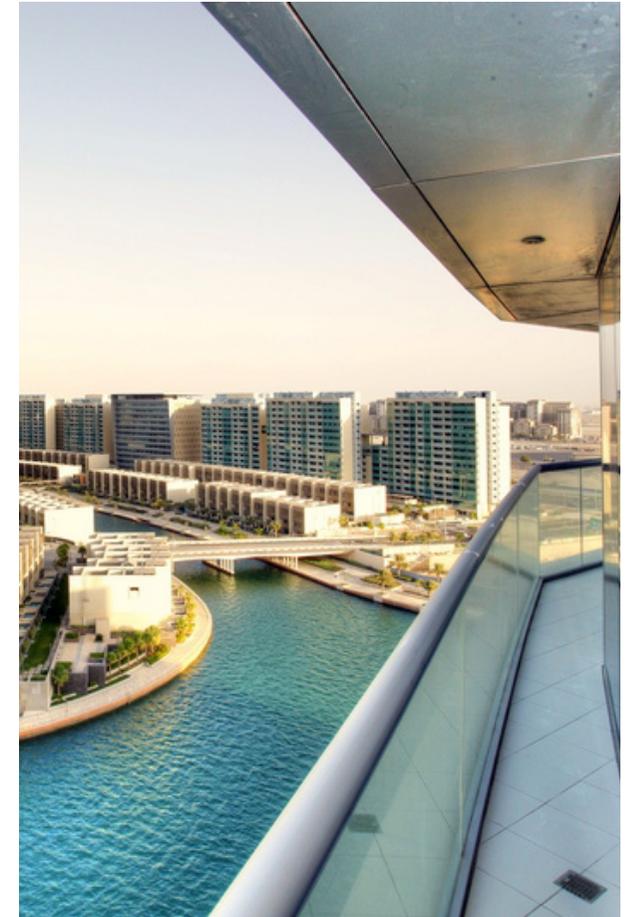
Note: If your property is financed then talk to your lender before you decide to sell. There may be early repayment fees which could affect your decision.

To Tenant or Not to Tenant

If you have an investment property you're likely to have a sitting tenant in it. Often as those tenancy contracts come up for renewal people start to think about selling, particularly if a good stable tenant has given notice and you contemplate the uncertainties of a new lessee. A Seller may tell their broker that they want to sell and re-lease the unit at the same time. Sellers beware:

Investment Grade Property – if your property is investment grade it means that it is of a type that gives a good rental return as compared with the price you are asking for, and is therefore attractive to investors looking to get a good return on their money. One and two beds tend to give the best returns but ask your broker if your unit is Investment Grade Property. These units can be sold tenanted, although if they are vacant you can also find end users to buy them and broaden your market.

End User Grade Property – Larger units such as three and four beds often (not always) give investors lower returns as the rents tend to be lower as a proportion of the sale price. These units need to be sold either vacant or close to the end of the tenancy (close enough that the buyer can give the



required two months notice to the tenant to move out). Do not re-tenant this unit if you really want to sell it, no-one will buy an End User Grade Property with 12 months left on the tenancy agreement.

If you have an End User Grade Property you are looking to sell consider giving the tenant notice and keeping it vacant, or keeping them on a month to month tenancy contract (ask your broker about these).

Have a Plan

As you can see from our discussion of whether you should keep a tenant in the property or not, selling is not as simple as it might seem. A lot of property owners feel they need to sell but don't think about a plan. They start calling round brokers putting their property on the market but not actually having a conversation with them about how best to do it.

As soon as you feel it is the right time to sell (or even if you're considering it as an option) call a broker like Crompton Partners to discuss your options. We will sit down with you and formulate a plan that is best for you and your property.

Lower Barriers to the Sale

Something that UAE sellers have been slow to realise is that you need to remove the obstacles to a buyer saying yes. Don't put up barriers for them to overcome because it will make them think twice. For example consider:

- a) Have the documentation ready (including the service charges), don't delay rooting around for it and don't make them beg for information;
- b) Make the unit easy to view;
- c) Offer to fix any maintenance in the unit that needs doing even if small, it will generate good-will;
- d) Don't make any unusual demands such as keeping all the rent from a tenanted apartment, it will make a buyer think twice;
- e) Try and lower barriers such as perhaps offering to pay their broker's fees or sweeten the deal in another way;
- f) Give a deposit cheque yourself as a show of good faith that you won't back out of the deal.

The Information You Should Have Ready

Lots of sellers don't have the information ready that buyers require. Make sure you look for the following information and be prepared to share it with brokers and buyers alike:

- The Sale and Purchase Agreement;
- The post build Floor Plan;
- The Square footage (for residential square feet as opposed to square meters are used);
- The service charges (vital for investment property as a buyer needs to see his net return);
- Any pictures would be excellent; and
- The view is a must, what does it look out at.

Engaging Brokers – General, Lead and Exclusivity

It really does make a difference which broker you use and how you use them, so if you want to maximise your sale price read on:

General - It has been the tradition in Abu Dhabi, for various reasons, for owners to market their property to lots of brokers who then go out and bring them clients.

The upside to this is the seller can control the process and the unit can be sent to several brokers widening the net. The downsides are more work for the seller, use of unprofessional brokers, no broker concentrating on the sale, annoyed tenants (through being called by lots of different people) but most importantly the "Illusion of Supply". The Illusion of Supply is where a seller contacts ten brokers to sell his unit, they all advertise it (usually with different pictures, floorplans and prices), and potential buyers think there are ten for sale and drive the price down. Sellers beware.

Exclusivity - The method most used in other countries is the exclusive sale. By this method the unit is given exclusively to an agent to sell (usually for around two months) and the seller may or may not pay the broker fees.

The upside of this is the seller doesn't need to be involved in the sale, any tenant has one point of contact, the broker will actually take time to get pictures, floorplans and correct details and a professional job will be done. The downsides are you might choose a bad broker as your Exclusive Broker who won't do a good job and won't share your unit around the market. Also other brokers will be less inclined to bring clients as they will need to share the commission with the Exclusive Broker.

Lead Broker – Something we have found suits the local market is the Lead Broker concept. This is where the Lead Broker promotes the unit among other brokers in the market, and if one of those brokers sells the unit they will keep their 2% from the buyer (the Lead Broker will get 1% from the Seller).

The upside of this is it motivates other brokers to promote and sell the unit as they are getting their full fees (the more genuine buyers see the unit the better price you will get). It saves the seller having to publicise it, the seller and/or tenant only deals with one reputable broker, correct pictures and floorplans can be circulated and the Lead Broker is strongly motivated to get the deal done. You can get regular feedback on viewings and things like open houses become possible and the seller is also represented by the Lead Broker in the sale transaction.



Viewings and the State of the Property

Try and make your property easy to view for brokers so they are happy to take clients. If a broker has to spend a huge amount of time collecting keys for example it will be a barrier to them showing it. Give your Lead Broker keys if it is vacant or if it is tenanted try and just use one broker as the liaison between viewers and the tenant. An upset tenant can make it a real problem to view and sell property.

If you are looking to sell your property for the best price you can get, your unit should look its best. If your flat/villa is dirty, has water damage or mould issues, has outstanding maintenance that needs completing, or anything else that a buyer doesn't want to see it will lower the offer price – probably more than the cost of fixing it.

Try to make the unit as attractive as possible. Selling property is all about reducing the barriers in a buyer's mind. The buyer is parting with a lot of money and is subconsciously looking for reasons why they shouldn't do it, the fewer of these they have the easier it will be to sell.



Tenanted Property

This document has already spoken at some length about tenanted property but it is worth bring all those points under one heading as it is an extremely important and often overlooked point.

Tenants can influence your sale in many ways such as stop an end-user moving in, provide a great investment property, make viewings difficult or sell your property to potential buyers. Talk to your broker about your tenants to formulate the best plan to sell your property taking them into account. Make sure they are introduced to your broker and that they only have that one broker as the point of contact with potential buyers. Keep them happy and they can be an asset to your sale.

Dealing With Offers

Brokers in countries such as the UK and US are legally bound to bring you all offers, so don't be upset if they bring you something very low on occasion. Talk to your broker about the valuation of the property and the market, particularly if you keep getting low offers. Your broker should be able to show you reports and valuation studies to back their valuation up.

Memorandum of Understanding (MOU) Key Clauses

Many brokers in Abu Dhabi are unsophisticated in a legal sense (even some of the biggest ones) and their MOUs are criminally poorly written and can lead to buyers walking away or for sellers being liable to pay buyers large sums of money. Crompton Partners has an in-house lawyer who drafts all of their MOUs.

The key clauses of an MOU are:

Deposit – Who pays one, how much and exactly when will it be forfeited? You the seller will want to receive the deposit if the buyer backs out or delays the transfer (this is in return for a promise by the seller not to market the property to third



parties). The deposit should however be returned to the buyer if he is using finance and the bank values the property at a lower amount.

Fault – The MOU should set out how fault for failing to transfer will be decided. If your buyer backs out you don't want his broker returning him his deposit. But you also don't want deposits being forfeited for small timescale breaches or paper-work issues.

Obligations – It should oblige the seller to sell and the buyer to buy all rights and obligations. It should also contain a “perfection clause” meaning even after transfer if anything else needs to be done (such as re-registering of the ADDC account) the parties agree to do it.

Fixtures and Fittings – Does the MOU state what is being sold with it? Appliances, furniture, any alterations that have been made?

Sold as Seen – Does the MOU state that the unit is sold as seen? Or will the buyer call you later and say he didn't realise that you had changed something and he wants some money back?

Finance, NOCs and Transfer

After the MOU has been signed then the parties go to work setting up the transfer. If there is finance on the unit or finance is being used to buy it the banks will need to be involved.

If the buyer is using finance then it is best (but not essential) if he is pre-approved before signing the MOU. His bank will then value the unit by sending a valuer to make sure it is worth the asking price. If it "values up" then the seller, if he has finance on the property, will procure a "liability letter" from his bank detailing the amount left outstanding. This is valid for 10-15 days and needs to be addressed to exactly the right person at the buyer's bank (banks are strict about this). The original of this needs to be delivered to the buyer's bank who will then pay off the seller's mortgage. Once paid off the seller's bank will issue a No Objection Letter (**NOC**) and release the original Sale and Purchase Agreement (**SPA**) (this usually takes about a week after payment).

If the seller owes more to the bank than he is getting from the buyer then he will have to add to the payment to his bank. Also if what is owed is greater than what the buyer is borrowing then the buyer will need to contribute as well as his own bank.

If the buyer is buying cash then they will have to pay off the mortgage/finance themselves prior to transfer. They will get a receipt. Buyers shouldn't be worried about this as if the transfer doesn't occur they will be reimbursed by the bank and the seller will still owe the original amount.

The seller's broker will contact the developer (such as Aldar or TDIC) and get the requirements for them to issue their own NOC. This will usually entail the seller paying off the outstanding service charges and utility bills.



The parties will attend transfer with the developer where the buyer's bank will bring a "guarantee/comfort letter" (or less likely a cheque) for the seller for the amount to be borrowed and a "Conditional Assignment letter".

The parties will sign the SPA which the developer will keep and sign later (usually within a few days), and the buyer will pay the unfinanced/cash amount to the seller. Once the developer has signed the SPA they will send one copy to the buyer's bank who will then tell the seller to come and collect his cheque. The buyer's bank will keep the original SPA as security for their loan, the buyer will get a copy.

If you have any questions on this Guide please email guides@cpestateagents.com. If you are interested in buying another investment property or selling any of your current portfolio please email sales@cpestateagents.com. Crompton Partners manages a large portfolio of properties, email propertymanagement@cpestateagents.com to maximise your investment. You can always call us from 8.30am to 6.00pm on 800 CPEA (2732).

Ben Crompton is an ex-lawyer and the Managing Partner of Crompton Partners Estate Agents LLC which has branches in Abu Dhabi and Dubai. Follow him on Twitter [@bencrompton](https://twitter.com/bencrompton)