European Journal of Business and Management
ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)
Vol.7, No.3, 2015

Towards Ascertaining the Acceptable Margin of Error To Property Investment Valuation Stakeholders in Nigeria

C.A. Ayedun (Ph.D)

Department of Estate Management, Covenant University, Ota, Ogun State, Nigeria

E-mail: caleb.ayedun@covenantuniversity.edu.ng

S.A. Oloyede (Ph.D)

Department of Estate Management, Covenant University, Ota, Ogun State, Nigeria

E-mail: samuel.oloyede@covenantuniversity.edu.ng

A.S. Oni,

Department of Estate Management, Covenant University, Ota, Ogun State, Nigeria

R.A. Alimi

Department of Estate Management, University of Lagos, Akoka, Lagos State, Nigeria

E-mail: rasheedie@yahoo.com

Abstract

This paper investigates the allowable range of margin of error to the majority of investment valuation stakeholders in the Nigerian valuation industry. To achieve the objective of the study, the opinions of the stakeholders (represented by Estate Surveyors and Valuers, Property Development Companies/Commercial Banks and Courts) were sought using structure questionnaires in conjunction with interview guide. The data so collected were subjected to simple statistical analysis. The results of analysis showed that while Estate Surveyors and Valuers favoured a range of ±10.8%, Courts went for a range of ±10.2% while clients represented by Property Development Companies and Commercial Banks were inclined to a range of ±11.6%. Taking into consideration the result of the analysis, the study recommends the mean consensus margin of error of 11% based on the views of the three sampled stakeholders (i.e. 1/3 of 10.8 + 10.2 + 11.6) as shown above.

Keywords: Acceptable Margin of Error, Investment Valuation, Valuation Stakeholder, Nigeria

Introduction

Valuation of landed property or real estate appraisal, is a process of establishing an opinion of value for an interest in landed property. The RICS (2006) describes valuation as a professional individual's opinion of the capital or rental price or value of a property on a defined basis. It is important to note that valuation as a profession has its roots in land economics and investment appraisal. Hence, valuation entails the application of mathematical models as well as individual skill and judgement. Essentially, valuation require the use of econometric models with a view to predicting the future most likely selling price of a property and at the same time, skill and judgement are also call for because valuation are fond to be opinion rather than precise scientific determinations as the case with physical science. Ogunba (2013) opined that it is the combination of mathematical models with individual skills and judgement that makes valuation both an art and a social science as it is in the perspective of art that it requires the use of a valuer's skill, judgement and experience and in the

social science that it requires the use of scientific or mathematical modelling of the behaviour of property market participants in determining the value(s) to place on landed property. Ogunba (2013) went further to posit that such modelling involves a quantification of the understanding of the market, of local laws, physical constraints, town planning, availability of finance, demand and the general economy.

The implication of property valuation being an art is the fact that valuation might never be exactly equal to realised prices. Hence in the more advanced economy such as United Kingdom, United States and others had come up with the idea of what is described as maximum allowable range of error for any valuation estimates relative to the sale prices of such valuations. The maximum range of error in valuations relative to their realisable sale prices according to Ogunba (2004) ranges between 10% and 15%.

The issue of acceptable margin of error especially in a developing economy such as Nigeria has not been really addressed hence this kind of study with a view to ascertaining what could be regarded as acceptable margin to majority of the stakeholders in the valuation industry in the country.

Literature Review

Hager and Lord (1985) whose work in UK was among the studies that provoked much of the later works on valuation accuracy envisaged a range of ±5% either side of the 'correct' value; Baum and Crosby (1988) cited "margins of error" of ±5% to ±15%. In Nigeria, Ogunba and Ajayi (1998) employed a margin of error of ±5% taken after Hager and Lord (1985)'s study while Ogunba (2003) employed a margin of error of ±10 per cent. In Australia, Parker (1988) carried out a property valuation estimate accuracy study in which ±5% to ±10% margin of error, a mode of ±5% and arithmetic mean ±6.04% were adopted. Bretten and Wyatt (2002) conducted a study amongst the valuation stakeholders on the acceptable margin of error for mortgage loan security. The result showed that 36% of the respondents favoured a +/-5% margin of error as permissible, 40% considered a +/-10% variance while 24% of the valuers considered a +/-15% variance as an acceptable margin of error. The authors quoted one of the investors as saying that the size of bracket would depend on the nature of individual valuation and that a single percentage range cannot satisfy all cases. All papers cited above fail to establish a consensus, though a compromise margin of ±10 per cent seems to be up-and-coming. Whilst valuation inaccuracy appears to be generally expected, there are however considerable differences as to what should constitute the acceptable extent or range of such inaccuracy. While Hager and Lord (1985) anticipated a range of "about ±5%", Glover (1985) quote Michael Mallinson (then chief surveyor at the prudential) as citing a figure of ±10% was the outer limit of an acceptable margin of difference (this view or stand was equally supported by Mainly for Students 1985). Baum and Crosby (1988) suggested that "it is even common to quote an acceptable margin of error of up to ±15% in valuations".

The courts in the UK of recent have also constituted themselves into one of the major stakeholders in the discussion of acceptable margin of error. Courts have always adopted the "margin of error" principle as a means of establishing whether a valuer has been negligent in his duty or not. The "margin of error" or "bracket" is a theoretical bracket placed at equal distances either side of valuation deemed by the court to be "correct". The "correct" valuation figure as well as the size of the bracket is provided by expert witnesses called to assist the court with unbiased opinions on the valuation that defendants should have reasonably reached with plaintiff at the relevant date (Crosby, 2000). Norris and Joyce (1994) noted that the "acceptable margin of error" or "bracket" was first used in UK courts in the case of Singer and Fried Larder V John D.Wood & Co (1977) 243 EG 212 (a case concerning a rural residential development), in which the judge held that there can be a "permissible margin of error of 10% either side of the 'correct figure', extended to 15% in "exceptional circumstances". Norris and Joyce (1994) further noted that in the case of Trade Credits Limited V Baillieu Knight Frank (NSW) Limited (1985) Aust. Torts Reports 80-757, Court Decision No. 18, (a case concerning a rodeo property), expert evidence indicated a margin of "up to 15%". Similarly, in Private & Trust Co. Limited V S (UK) Limited (1983) EG 112 (a case concerning the redevelopment of an office property), the Judge Rice J accepted a "permissible margin of error of 15% on either side of (a) bracket of value". One of the judicial cases that did not arrive at a definite conclusion was one which focused on the valuation of an investment property involving Banque Bruxelles Lambert SA V Eagle Star Insurance Company Limited and others (1994) 31EG 68 and (1994) 32 EG 89, where the valuation of three substantial office properties produced differences from market price in the range of between 39% and 74%. Whilst the Judge, Phillips J expressed an opinion that such differences were unacceptable, he did not however express an opinion as to the extent of acceptable margin of error, though he did note that the plaintiff, Banque Bruxelles Lambert assumed that "valuations will be within ±10% of true market values"

From the foregoing discussions, one can assume that UK literature accepts that the lack of hundred per cent accuracy is a fundamental feature of valuation principles and practice, with ±5% to ±15% maximum levels of variance appearing to be generally accepted within the qualitative commentaries, and 10% to15% generally accepted within court precedent. Thus, whilst the literature indicates inaccuracy of between 5% and 15% or between 10% and 15% as noted above, it does not consider its acceptability to the user. It appears that an aggrieved user (client) of valuation estimate may not likely succeed in a claim of incompetence if the level of inaccuracy is +/-15% of the market sale figure. From the study of literature so far, the position of the user of valuation estimates has not been the subject of much research.

In the UK, the valuation accuracy (or inaccuracy) debate was triggered off by Hager and Lord (1985)'s work wherein they conducted a small sample survey of ten Surveyors who were invited to value two properties. In one case the range of valuations was +/-10.6% and in the other, it was +/-18.5% suggesting a relatively low level of valuation accuracy relative to the +/-5% benchmark adopted. This study was however, criticized by Reid (1985) who questioned the information and instructions given to the valuers and the quality of the response from the valuers to the request and the fact that the valuers were not given fees for the assignment (a reason which suggests that they may not likely carry out a thorough job). Moreover, the number of properties used for the study was considered to be too small for drawing representative conclusions.

Brown (1985) conducted a larger and much more rigorous study on a sample of 29 properties for which there were transaction prices and recent prior valuation figures. In the study, independent valuation firms were made to carry out the valuations of the subject properties. Both valuations and sale transactions took place between 1975 and 1980. In addition, both the valuations and the sale transactions were based on the RICS definition of Open Market value, which excludes special purchases, forced sales etc. The author used regression analysis to compare valuation estimates and sale prices on the 29 sampled properties. However, the number of properties sampled for the study is considered too small to be able to draw unbiased conclusions.

Hutchison et al (1995) surveyed five national valuers and five local valuers for each of 14 centres in UK, seeking valuations at no fee for a range of hypothetical retail, office and industrial buildings with particular characteristics in actual locations and with standard leases. Valuation variation (consistency) rather than accuracy (reliability) was examined. They found differences in the variance of valuation between national and local valuation firms (8.63% and 11.86% respectively for national and local firms). The authors discovered that over 80% of all the valuations produced a variation from the mean of less than 20%, which is a wider valuation variation than that suggested by Brown's (1991) earlier study. The results of the study are however open to question as the valuers were paid no fee and moreover, the properties considered were hypothetical.

Guilkey and Miles (1986) in a survey using a database of valuations and subsequent transaction prices provided by the National Council of Real Estate Fiduciaries to the researchers. The study was based on 144 transactions, which took place between January, 1974 and June, 1984. The lag period was taken into account by adjusting the valuation estimates according to inflation rate between the date of valuation and the date of sale. The results indicated that the appraisal value was on average, over 75% (inflation adjusted) different from the sale price. A range of +18% to -28% was found. The study also examined the standard deviation of the absolute percentage difference between sale prices and valuation estimates. Interestingly, they found that the standard deviation did not decrease significantly where the dates of valuations and sales of properties were closer to each other or when the dates were far from each other. Surprisingly, they found that most current appraisals exhibited nearly as great a standard deviation as the more distant appraisals. It was concluded that the overall results do not indicate a high degree of reliability (accuracy) in the individual commercial appraisal product.

A more succinct valuation accuracy study in the US involved a broad analysis of the investment characteristics of commercial property by Abrams (2004), for which a database of 84 transactions was analyzed. Their study found an average percentage difference between value and price (or premium) of 8.67%. A total of twenty eight properties (representing 31% of the transactions), were sold at prices which averaged 3.1% below their last appraisal value while 61 properties were sold at premiums averaging 14.1%. However, little information was provided on the sample size and the methodology adopted for the study, making the study difficult to appraise critically. Moreover, it is difficult to reconcile the small percentage of 8.6% margin of error arrived with the much larger margin of (+18% to -28%) by Cole et al (1986)

Parker (1998) carried out a major empirical study on valuation accuracy in Australia adopting a plus or minus ten percent (+/-10%) maximum margin of error as his test of accuracy. He made use of seven properties, each of which was independently valued by a different major national firm of valuers. Offers to purchase were received for the seven properties at close of tenders and the prices nominated by the seven potential purchasers (who were all different) remained unchanged to become the market prices at which each property was sold for a total sum of $105.2 million. Even though none of the valuations at the end of the day matched the market price exactly, he

concluded that valuations are a good proxy for price in the Australian investment property market. However, the number of properties used for the sample size is considered very small to the extent that results obtained would have to be interpreted with caution.

Ogunba (1997) undertook an empirical step at addressing the question of accuracy and variance in investment valuations in Nigeria using Lagos metropolis as the study area. In the absence of a database of property valuations and sales, he resorted to the approach of requesting thirty Lagos based practicing estate surveying and valuation firms to carry out valuations of two residential properties earlier sold located at Victoria Island and Ikoyi respectively. The valuation estimates subsequently arrived at by the valuers was subjected to a number of statistical tests such as range, inter-quartile range, mean deviation and regression/correlation analysis. The result of the statistical tests showed that valuations were not good proxy for market prices, for three reasons. First, the average variance between valuations and prices was far in excess of his adopted margin of error of +/-5%; the intercept in the regression equation was statistically distinguishable from zero and the slope statistically distinguishable from 1; and third, the range and inter-quartile ranges were unacceptably wide. Based on these observations, the results of the study must be interpreted with caution because only two (2) properties were considered (as in the Hager and Lord, 1985 study) and the sample of valuers (thirty firms) was small. In addition, the properties were never inspected nor were the valuers paid for their services.

Ogunba (2003) expanded the coverage area of accuracy studies to a consideration of property valuation estimates and sale prices in the six States of Southwestern Nigeria. The approach adopted in the study was similar to the one adopted in his earlier work. A total of 171 estate surveying and valuation firms which constituted 75% of the sample frame of estate surveying and valuation firms in Southwestern Nigeria were employed for the study. Statistical tests such as range, inter-quartile range, mean deviation, regression analysis, and analysis of variance employed by the author confirmed his earlier work that valuation estimates were not good proxy for sale prices and also that valuation estimates of one firm were not good proxy of other firms. The study also extended to an examination of the causes of valuation inaccuracy under topics such as the conduct of valuations, and the educational and practice structure of the valuation industry. Though the study improved on earlier studies in terms of sample size, study area and scope of coverage, it is still open to the criticism of sample properties not being inspected by the valuers prior to their valuation and neither were the valuers paid for their services.

Setting of The Study/Methodology

Lagos State covers an area of about 3,577 square kilometres, representing 0.4% of Nigeria's territorial landmass according to Esubiyi (1994). The State shares boundary in the North with Ogun State, West with the Republic of Benin, and stretches for over 180 kilometers North of the Guinea Coast of the Atlantic Ocean. Politically, Lagos State according to Ogunba (1997) had expanded as a result of rural-urban drift and had become a metropolis enclosing settlements such as Mushin, Oshodi, Ikeja, Agege, Shomolu and Bariga. The 2006 National census put the population of the State at 9,013,534.

Lagos Metropolis has been chosen as the study area because it is the most important commercial city in Nigeria thus providing a sufficiently vibrant economic base and valuation activity which the researcher hopes to provide a vigorous and robust study base. Lagos metropolis, apart from being Nigeria's former capital, is the largest metropolitan city in Africa. The metropolis is located within the coastal frontage of Lagos State and is bounded in the West, by the Republic of Benin, in the East by Ondo State and Atlantic Ocean in the South and in the North by Ogun State. The metropolis covers an approximate land area of 2,350 square kilometers spreading over four main islands of Lagos, Iddo, Ikoyi and Victoria islands. In the economic scene, Lagos metropolis has grown from a small farming and fishing settlement to become an important centre of commerce, finance and maritime in Nigeria, housing the headquarters of several banks, industries and commercial enterprises.

The study population for this study is primarily the estate surveyors and valuers in the study areas. The estate surveyors and valuers as earlier mentioned are the real property consultants professionally recognized in Nigeria to conduct valuations. In view of this, the primary focus of this study remains the estate surveyors and valuers in private practice in the study areas. The estate surveyors and valuers in the public sector have been excluded from the study (drawing from Ogunba's 1997 study), because surveyors in the public sector seldom engage in any serious valuation assignments for private clients. The Directory of the Nigerian Institution of Estate Surveyors and Valuers (2002) indicates that a total number of 228 estate surveying and valuation firms have their offices in Lagos Metropolis the study area of this research. This figure represents approximately 31% of the 439 estate surveying and valuation firms practicing in the country. While the other groups of population for the study are the clients of estate surveyors and valuers as represented by commercial banks (which employ the services of valuer for mortgage valuations), property development/investment companies (which often employ the services of the valuer for valuations for either sale or purchase purposes) as well some judges of high courts of Lagos

States are often act as arbiters in cases of disputes involving property valuation figures with a view to ascertaining their opinions on such cases. Data analysis was carried out with the aid of descriptive statistics.

Fig 1: Map of Metropolitan Lagos
Source: Lagos State Ministry of Information

Data Analysis and Discussion

The field survey for the collection of relevant data for this study was undertaken between the months of April and July, 2013 during which questionnaires were administered on the various respondents. The various responses were subsequently coded and analyzed by means of Statistical Package for Social Scientists (SPSS version 11) and Statgraphic Statistical Softwares. In an attempt to get the views of relevant stakeholders on the subject matter of the study, three different sets of questionnaires and an interview guide were prepared and administered to Estate Surveyors and Valuers in private practice, banks, property development companies and High Court Judges/Registrars. Table 1 below gives details of distribution and response rate to questionnaires administered for each of the four study groups.

Table 1: Distribution of Questionnaires to Valuation Stakeholders

Questionnaire	Organization Type	Distributed	Retrieved	%age success
1	Estate Surveyors and Valuers	127	82	65
2	Property Companies Development/Portfolio Management Companies	91	61	67
3	Banks	25	16	64
4	Court Judges/Registrar	12	4	33

A total of 127 questionnaires were administered on the Principal Partners of the 127 practicing estate surveying and valuation firms operating within Lagos metropolis. A response rate of 65% was achieved. This achievement was due largely to the good rapport existing between the researcher and most of the estate surveyors and valuers practicing within the study area for being an active member of the Lagos State Chapter of the Nigerian Institution of Estate Surveyors and Valuers (NIESV). Responses to questionnaires by estate surveyors and

valuers during State Chapter meetings were better than in their various offices because most estate surveyors and valuers were discovered to be more of field officers during working hours.

A response rate of 67% was achieved on questionnaires administered to 91 members of staff of property development companies' staff. The researcher was able to achieve this feat as a result of contacts earlier established with professionals in the property development companies while working with one of the foremost Estate Surveying and Valuation firms in the country- Messrs J.A. Oluwatudimu and Company between 1992 and 2002.

Questionnaires were distributed to all the 25 mega banks operating in the metropolitan Lagos but only 16 of them were retrieved with the support and assistance of a colleague working at Nigeria Deposit Insurance Corporation (NDIC) one of the commercial banks regulatory body.

A similar method was employed in contacting the only Court Registrar in charge of Lagos State High Courts and twelve (12) Judges respectively. The Researcher was able to interview the Court Registrar and four (33%) of the Judges with the assistance of a close friend working at the court registry that facilitated my accessibility to the Court Registrar who in turn linked me up with the other judges. The response rate of 33 from Judges is not unexpected in view of the judges tight schedules and the sensitive nature of their assignments.

Preview of the Respondent of Estate Surveyors and Valuers

Response Rate According to Location

Lagos metropolis was categorized into five main business districts as earlier discussed in Chapter One. The districts are Ikoyi/Victoria Island, Apapa/Ijora, Yaba/Ebute Metta, Ikeja and Lagos Island. A total number of 127 questionnaires were administered which represented approximately 56% of 228 estate surveying and valuation firms operating in Lagos Metropolis. Out of 127 questionnaires administered, a total number of 82 questionnaires were retrieved and found useful for analysis. Questionnaire distribution and response rates by locations are as contained in Table 2 below:

Table 2: Questionnaire Distribution to Valuers by Location

Location	No. of firms/ Location	Administered	Retrieved	Percentage
Ikeja	42	29	20	69
Ebute Metta/Yaba	23	16	8	50
Victoria Island/ Ikoyi	40	28	19	69
Apapa/Ijora	20	14	11	79
Lagos Island	50	35	24	69
Total	175	122	82	67

The above table showed that majority (50) of estate surveying and valuation firms within Lagos metropolis had their offices at Lagos Island while Ikeja and Victoria Island/Ikoyi districts followed with 42 and 40 firms respectively. Apapa/Ijora district with 20 firms had the lowest number of firms. As noted above, majority of estate surveying and valuation firms were discovered having their offices within Lagos Island. This might be due to the fact that most banks, insurance companies and other such conglomerates which are potential employer and user of services of estate surveyors and valuers have either their head offices or corporate head offices within the district. Ikeja with 42 numbers of estate surveying and valuation firms came second. Ikeja happens to be the administrative headquarters of Lagos State with concentration of both government and private establishments which are potential employers of services of estate surveyors and valuers which are serving as pull factors. Moreover, the state Secretariat housing the Land Use and Allocation Bureau as well as Lands Registry where perfection of all real estate transactions within the State can only be perfected is located at Alausa in Ikeja district. This could also be responsible for concentration of estate surveying and valuation firms that are often involved in perfections of such transactions as Governors' Consent, Certificate of Occupancy (C. of. O) and such related matters. Victoria Island/Ikoyi area with 40 estate surveying and valuation firms came next after Ikeja. This is probably due to the fact that the highest property values in Nigeria can be found within the district which

serves as impetus for estate surveyors and valuers to locate their offices there so as to share out of the benefits the district possess. Ebute Metta/Yaba had 23 firms while Apapa had 20 firms within their domains. These could be due to the fact that there are no major private or government establishment presence within both district except seaport within Apapa where there is no major work for estate surveying and valuation firms.

With regard to the percentage of response rate Table 5.2 above indicated that Apapa/Ijora district with the least concentration of estate surveying and valuation firms recorded the highest (79%) response rate. This could be due to interest shown by the district in the activities of Lagos Chapter of Nigerian Institution of Estate Surveyors and Valuers (NIESV) since the questionnaires were administered in one of the meetings of the chapter. Also, the success rate recorded in Ikeja, Victoria Island/Ikoyi and Lagos Island where 69% respectively were recorded as a result of active involvement of members of the districts in the activities of Lagos State Chapter of Nigerian Institution of Estate Surveyors and Valuers (NIESV) wherein the questionnaires were administered.

Details of data so obtained from respondent estate surveyors and valuers with respect to the sex, age, academic qualification, experience and number of conferences/seminars/workshops attended between 2005 and 2012 are as contained in Tables 3 below.

Table 3: General Characteristics of Respondent Estate Surveyors and Valuers

Parameter	**Sub-Division**	**Frequency**	**Percentage**
Sex	Male	56	68
	Female	26	32
Age	Below 30 yrs	3	4
	31-40 yrs	32	39
	41-50 yrs	26	32
	51-60 yrs	13	16
	Above 60 yrs	8	10
Years of Professional Experience	1-10 yrs	4	5
	11-20 yrs	21	26
	21-30 yrs	45	55
	31-40 yrs	7	9
	Above 40 yrs	4	5
Highest Academic Qualification	OND	5	6
	HND	27	33
	B.Sc	32	40
	M.Sc	17	21
	PhD	1	1
No. Conferences/Workshops/ Seminar attended Between 2005 & 2012	None	12	15
	1-5	51	62
	6-10	16	20
	11-15	2	2
	16-20	1	1

Table 3 above indicated that among 82 estate surveyors and valuers who responded, 68% of them were male. This result is not unexpected because of stress and pressure which the estate surveying and valuation profession entails. Most female estate surveyors and valuers prefer working in the public service such as Ministries, Corporations, and Government parastatals since private practice demands long hours of work even during weekends and public holidays at times. In addition, the need to take care of their family especially at their children bearing period prevents many women from working in private estate surveying and valuation firms.

The majority (71%) of practicing Estate Surveyors and Valuers were found to be between 31 and 50 years of age while those above 50 years accounted for 26%. Thus practicing estate surveyors and valuers between 31 and 50 years are twice those above 50 years of age. This result is not unexpected because the energy and zeal to run private business such as estate surveying and valuation firms is more within the 31 to 50 years age bracket. In all, those below 30 years of age accounted for approximately 4% of respondents. This might be due to the mandatory period of training (a minimum of 2 years post university education) required to qualify as a registered estate surveyor and valuer.

Majority of the principal partners of estate surveying and valuation firms (81%) have experiences ranging between 11 and 30 years as can be seen from Table 3 above. This is not unexpected because the profession officially started only about thirty four (34) years ago (1975) when it was recognized by the Federal Government. Only a few practices existed before 1975 and most of them were owned by expatriates such Fox and Company; Knight, Frank and Rutley among others.

With regard to the number of conferences, workshops and seminars attended by the respondent estate surveyors and valuers between 2005 and 2012, it was discovered that 62% of the respondents attended average of 1 to 5 conferences/workshops/seminars within the 6 year period, 20% attended 6 – 10 conferences while 15% of the respondents did not attend any. This suggests that valuers are taking time out to improve their knowledge, though the majority attendance of 1 – 5 conferences/workshops/seminars cannot be seen as very sufficient.

Estate Surveying and Valuation Firms' Areas of Specialization

The questionnaire sought to ascertain the areas of specialization of respondent firms of estate surveyors and valuers. Results obtained are as contained in Table 4 below.

Table 4: Respondent's Firm's Area of Specialization

Area of Specialization	Frequency	Percentage
Valuation	3	4
Property Financing and Development	1	1
Estate Agency	3	4
Property Management	2	2
General Practice	73	89
Total	82	100

A cursory look at Table 4 above indicated that the majority (89%) of respondent firms engage in general practice, as a means of survival, therefore giving no room for specialization. If we accept the argument that specialization gives rise to efficiency, then this result may suggest that most firms of estate surveyors and valuers might not be operating at the highest level of efficiency. Only four (4%) per cent of estate surveying and valuation firms specializes in valuation.

Profile of Banks

Table 5 below provides information on various characteristics of bank respondents.

Table 5: Bio-Data of Respondent Bank Officials

Parameter	Sub-Division	Frequency	Percentage
Sex	Male	11	69
	Female	5	31
Age	21-30yrs years	0	0
	31-40 yrs	11	69
	41-50 yrs	5	32
	51-60 yrs	0	0
Working experience	1- 5 yrs	5	31
	6-10 yrs	9	56
	11-15 yrs	1	6
	16-20 yrs	0	0
	21-25 yrs	0	0
	Above 25 yrs	0	0
	No response	1	6
Highest Academic Qualification	HND	4	25
	B.Sc	7	44
	M.Sc	5	31

Table 5 above indicated that 69% of bank respondents are male as against 31% female respondents. This might be due to the stress and pressures of Bank work which might discourage some women at the child rearing stage. The majority of the Bank respondents have 6-10 years of professional experience (56% of respondents), while 31% of the respondents had 1-5 years experience. The majority of respondents have sufficient experience to provide reasoned responses.

Table 5 also documented that majority of the respondents had either a Bachelors Degree (44%) or Higher National Diploma (25%) while 31% of respondents had Master of Science degree. The above statistics show a high education base for the Bank respondents which also implies that that the respondents are sufficiently educated to understand and respond to the various questions.

Profile of Property Companies

Table 6 below provides information on various characteristics of property companies.

Table 6: Bio-Data of Property Companies' Respondents

Parameter	Sub-Division	Frequency	Percentage
Sex	Male	39	64
	Female	22	36
Age	21-30yrs years	7	12
	31-40 yrs	36	59
	41-50 yrs	14	23
	51-60 yrs	2	3
	Above 60 yrs	2	3
Years of Experience	1-5 yrs	10	16
	6-10 yrs	12	20
	11-15 yrs	15	25
	16-20 yrs	6	10
	21-25 yrs	8	13
	26-30 yrs	6	10
	Above 30 yrs	4	7
Highest Academic Qualification	OND	2	3
	HND	23	31
	B.Sc	29	25
	M.Sc	7	
	PhD	0	0

Table 6 showed that there were more male respondents (64%) than female respondents (36%) among property company respondents. The reasons for this could be due to the stress and pressure involved in the industry which discourages female participation. Table 5.6 above also showed that a majority of the respondents fall within the ages of 21 -50 years. Specifically, 59% of the respondents (Chief Executives) fall within 31-40 years of age bracket. This is probably because this age bracket is the most active in business. In addition, the same Table 5.6 also showed that the largest group of respondents (25%) has practical experience ranging between 11 and 15 years, followed by the group of respondents with 6 to 10 years experience (20%). This is considered a reasonably high level of experience for the purposes of responding to this study.

The above table 6 further revealed that 56% of the respondents have either HND or B.Sc Degrees in their respective field of studies while 25% possessed M.Sc degrees in their academic fields. This again suggests that the respondents in property development companies are sufficiently educated for proficiency in what they are doing and that they are able to respond adequately to the research questions.

Table 7: Analysis of Property Companies

Parameter	Sub-Division	Frequency	Percentage
Age of Firm	1- 5 yrs	20	33
	6-10 yrs	11	18
	11-15 yrs	14	23
	16-20 yrs	4	7
	21-25 yrs	1	2
	26-30 yrs	6	10
	Above 30 yrs	5	8
No. of Valuers in the Firm	1-5	15	63
	6-10	5	21
	11-15	3	12
	15-20	1	4

Source: Author's Field Survey and Analysis, 2008.

With regard to the age of the property development organizations, Table 7 showed that all the age groups are represented. However, the analyses showed that majority (74%) of the respondent property development firms were established within 1 to 15 years. This is perhaps because the establishment of private property development companies is a fairly recent phenomenon/development in Nigeria. Earlier, what existed for the most part were public companies such as State Housing Corporations and the Federal Housing Authority.

Table 5.7 above also indicated that the largest group (63%) of the respondent property companies has between 1 to 5 estate surveyors and valuers in their employment while the next group (21%) has 6 to 10 surveyors. This low level of estate surveyor and valuer staffing is probably due to the fact that property development companies do not require many estate surveyors and valuers for the type of works they do.

Perceptions on Valuation Accuracy in Nigeria

There is the need to have an insight into the work of the estate surveyors and valuers. First, variations in valuations follow from the fact that estate surveyors and valuers interpret information, as individuals, differently. Second, the decisions a valuer must take when valuing a property will always involve subjective opinion and consequently a degree of valuation variance is inevitable. Third, with relative paucity of available property information, estate surveyors and valuers tend to operate in an 'information poor' environment. These three factors may lead to a lack of precision in valuation estimates and probable inaccuracy in the comparison of valuation estimates against realized transaction prices.

In the same vein, various stakeholders involved with valuation estimates have different perceptions as to why valuation estimates were in some cases not equal to sale prices. This development is perhaps healthy for the valuation profession itself, in that it both prompts greater analysis of our own performance and gives an opportunity to explain the perfectly valid reasons why there might be differences between valuation and sale price. The results will, we hope, generate debate on the full range of possible explanations and that; such opinions in turn could generate ideas for further analysis. To this effect, valuers, banks and development companies were presented a number of statements to ascertain their perceptions of the level of accuracy required for valuation estimates relative to selling prices. The statements were as follows:

1. Valuation estimates that are not 100% equal to sale prices are not useful. This statement corresponds to 100 percent accuracy required

2. Valuation estimates should closely approximate sale prices. This statement corresponds to ±10 percent accuracy required of valuation estimates vis-à-vis selling prices.

3. Valuation estimates should just be a loose approximation of realized sale prices of the property. This statement corresponds to ±20 percent accuracy required of valuation estimates vis-à-vis selling prices

The responses to these statements were on a 5 point Likert (ordinal) scale with 1 representing strong disagreement and 5 representing strong agreement. Responses are presented using Relative Importance Indices (RII) in Table 8:

Table 8: Perceptions of Respondents on Valuation Accuracy in Nigeria (Relative Importance Indices)

Statements on Valuation Estimates vis-à-vis Sale Prices	**Relative Importance index and ranking**		
	Valuers' Ranking	**Property Companies' Ranking**	**Banks' Ranking**
Valuation estimates that are not 100% equal to sale prices are not useful (± 0% of sale price)	0.50 (2nd)	6.67 (1st)	0.66 (3rd)
Valuation Estimates should closely approximate to sale price (±10% of sale price)	0.97 (1st)	0.43 (3rd)	0.70 (2nd)
Valuation estimates should just be a loose approximation of realized sale prices of the property (±20% of sale price)	0.43 (3rd)	0.47 (2nd)	0.73 (1st)

From the relative importance index results as contained in Table 8 above, it is clear that valuers do not believe that a hundred per cent accuracy level is required. Rather, the majority (RII score of 0.97) are of the opinion that valuation estimates should be in the range of ± 10 per cent of selling prices. Another stakeholder, property development companies are of a different opinion. The majority of this group (RII score of 0.67) believe that valuation estimates should be 100 per cent accurate. This is probably because the very survival of development companies depends on the accuracy of valuations. The result from Banks is rather surprising; the majority (RII = 0.73) suggest that valuations can be a loose approximation of sale prices. This is probably because they know that they do not really require open market value to be equal or close to selling prices since they give out loans amounting to only two thirds of estimated value.

Perception of Stakeholders on Liability for Valuation Inaccuracy in Nigeria.

Valuation is the process of estimating price in the market place. Yet, such estimation will be affected by uncertainties in the comparable information available; uncertainty in the current and future market conditions and uncertainty in the specific inputs for the subject property. These input uncertainties will translate into an uncertainty with the output figure, the valuation 'Normal uncertainty' is a universal and an unsurprising fact of property valuation. The open acknowledgement of this fact and transparent management of its implications will enhance both the credibility and the reputation of valuers. More than that, and of even greater importance, it will enhance the utility of valuations. However, the liability of valuation inaccuracy is in most cases passed en block to the valuer who professionally interprets the data available in a property market full of high secrecy. Should users of valuation estimates blame the valuer or the society where secrecy is the order of the day has led the researcher to ask for data on the perception of the various stakeholders. Table 9 below contains the views of stakeholders on the limits of acceptable variance after which valuers should be held liable for professional negligence in the course of carrying out valuation assignments. The responses to these statements were on a 2 point Likert (ordinal) scale with 1 representing unacceptable and 2 representing acceptable. Responses are presented using relative importance indices in Table 9:

Table 9: Perceptions of Valuation Stakeholders on the Degree of Variances/Inconsistencies

Acceptable Limits	Relative Importance index and ranking		
	Valuers' Ranking	Property Companies' Ranking	Banks' Ranking
Within +/-10%	0.49 (1st)	0.98 (1st)	1.0 (1st)
Within +/-20%	0.40 (2nd)	0.70 (2nd)	0.87 (2nd)
Within +/- 30%	0.27 (3rd)	0.51 (3rd)	0.69 (3rd)
Above 30%	0.25 (4th)	0.50 (4th)	0.50 (4th)

Table 9 above showed that majority of estate surveyors and valuers (RII = 0.49) believe that valuations outside a ± 10 per cent range of accuracy should be considered negligent. The same majority position is shared by development companies (RII = 0.98) and Banks (RII = 1.0). Based on the above, the study has established that there is consensus that the degree of variances/inconsistencies should be within +/-10% acceptable limit for valuers, property companies and banks respectively.

Conclusion and Recommendation

Based on the analysis of data collected for this study, the major highlights of the results obtained from the analysis indicated that there was no consensus among the three stakeholders about the acceptable margin of error regarding valuation estimates vis-à-vis sale prices of real estate property.

The results of analysis undertaken at the inferential level by means of relative importance index, analysis of variance and other statistical means from the viewpoints of the valuation stakeholders showed that while Estate Surveyors and Valuers favoured a range of ±10.8%, Courts backed a range of ±10.2% and clients as represented by Property Development Companies and Commercial Banks were inclined to a range of ±11.6%. Based on the above analysis one can reasonably conclude that the mean consensus margin of error for the three stakeholders could be approximately taken as 11% (i.e. 1/3 of 10.8 + 10.2 + 11.6).

Whereas Property Development Companies data analysis showed that valuation estimates should be 100 per cent accurate, Valuers on the other hand were of the opinion that valuation estimates should be in the range of ± 10 per cent of selling prices. Bank officials however considered valuation estimates as a loose approximation of sale prices. There is therefore no consensus among the three stakeholders on the maximum acceptable margin of error for valuation estimates.

Based on the opinions of the three stakeholders sampled for the study (i.e Estate Surveyors and Valuers which favours ±10.8%, the clients as represented by Property Development Companies/Commercial banks which were inclined to 11.6 and the courts which went for ±10.2% margtin of errors respectively), it be safe to recommend the mean margin of error 11% for the stake holders of valuation in the country as indicated above.

References

Abrams, J.B. (2004) "Accuracy of Your Valuation" Unpublished Article Available Online At www.abramsvaluation.com/pdf/ch10.pdf

Baum, A. and Crosby, N. (1988) Property Investment Appraisal Routlege, London.

Bretten, J. and Wyatt, P. (2002): "Variance in Property Valuations for Commercial Lending" Vol. 4 No. 9, RICS Foundation May 2002 Electronic Reference PS0409 (WWW.rics- foundation.org).

Brown, G. (1985) "Property Investment and Performance Measurement: A Reply", Journal of Valuation, Vol. 4, pp 33-44.

Brown, G. (1991) Property Investment and The Capital Markets, E & FN Spon, London.

Hager, DP and Lord, DJ (1985) The Property Market, Property Valuations And Performance Measurement, Institute Of Actuaries, London.

Hutchison, N; Macgregor, B and Nanthakumaran, N. (1995) "Variations In The Capital Valuations Of UK Commercial Property: Do Valuers Get It Right"?. RICS 1995 Cutting Edge Conference, Aberdeen, Septembe**r.**

NIESV (2002) The Directory of the Estate Surveyors and Valuers; The Official Publication of the Nigerian Estate Surveyors and Valuers.

Norris, K and Joyce, L. (1994) Valuers Liability, AIVLE, Deakin.

Ogunba, O.A. (1997) "A Study of Valuation and Pricing Methods in the Residential Property Market In Lagos Metropolis'' An Unpublished M.SC. Dissertation Submitted to the Department of Estate Management, Obafemi Awolowo University, Ile Ife.

Ogunba O.A. and Ajayi, C.A. (1998) "An Assessment of the Accuracy of Valuations in the Residential Property Market of Lagos" A Journal of the Nigerian Institution of Estate Surveyors and Valuers; Vol.21, No.2: Pg.19-23

Ogunba, O.A. (2004) "Implementation Hurdles in the Search for Rationality in Investment Valuation in Nigeria" Journal of Property Research and Construction (1) 14-28.

Ogunba, O.A. (2013) Principles and Practice of Property Valuation in Nigeria, a book of reading published Atlantis Books, Ibadan, Nigeria

Parker, R.R.P. (1998) "Valuation Accuracy-An Australia Perspective" 4th Pacific Real Estate Society Conference, Perth, 19-21 January 1998.

Reid, I. (1985) "A Response To Hager And Lord" Estates Gazette, 274:19-21.

The IISTE is a pioneer in the Open-Access hosting service and academic event management. The aim of the firm is Accelerating Global Knowledge Sharing.

More information about the firm can be found on the homepage:
http://www.iiste.org

CALL FOR JOURNAL PAPERS

There are more than 30 peer-reviewed academic journals hosted under the hosting platform.

Prospective authors of journals can find the submission instruction on the following page: http://www.iiste.org/journals/ All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Paper version of the journals is also available upon request of readers and authors.

MORE RESOURCES

Book publication information: http://www.iiste.org/book/

Academic conference: http://www.iiste.org/conference/upcoming-conferences-call-for-paper/

IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digtial Library , NewJour, Google Scholar