

Issues facing the Estate Surveying and Valuation Profession in Nigeria

Dr. S.A. Oloyede¹, Dr. C.A. Ayedun², and Mr. M.O. Ajibola³

Abstract

The paper analyses the issues facing the real estate profession in Nigeria sourcing materials from observations of earlier researchers in the conduct of estate surveying and valuation practitioners and public opinion over time through an x-ray of the challenges faced by practitioners in the real estate business. Analysis showed that the continuous influx of intruders into real estate business is as a result of inability of those registered estate surveyors and valuers to meet the local demand for their services coupled with the poor performance of some sole proprietor firms in the area of valuation accuracy. Also, Estate Surveyors and Valuers Registration Board of Nigeria need to encourage partnerships and the registration of additional estate management graduates through extensive training and rigorous accreditation standards. Admission of members, by the Board, into Fellowship grade should be through the publication of their contributions and achievements on valuation-related issues towards the growth of the profession in Nigeria.

Key words: valuation, estate surveying and valuation profession, Nigeria



Available online
www.bmdynamics.com
ISSN: 2047-7031

INTRODUCTION

Nigeria has a total land area of about 923,700 square kilometers. Nigeria is the most populous country in Africa and the tenth in the world. The large population implies a large market for goods and services as well as a large pool of human resources for development. However, the impact of population on development depends not only on the absolute size but also on its quality. With the huge land mass and the natural resources available in the country, it is unthinkable that Nigerians still battle with the problems of landownership which is fundamental to the socio-economic and political sustainability of the people in all ramifications. Nigeria is not an exemption as this challenge is has also been experienced in the Philippines (Cutshall, 1952); Karachi in Pakistan also experienced similar challenges familiar to cities around the world from ethnic, religious and political strife to land ownership (Inskeep and Montagne, 2008). Similarly, Papua in New Guinea, according to King (2010), experiences the challenge of developing good lease and royalty arrangements with thousands of people owning very tiny plots. In the UK, pressure upon land and land use make it especially difficult to find land for new development. A detailed examination of the land area, population as well as population density per square kilometer in various countries shows that countries such as UK, Netherlands, Belgium, and even Poland have a higher population density than Nigeria.

Insert table 1 here

The issue of land use management and its availability for use by the populace is similar across countries. The population density of Nigeria is less than half of those of Netherlands, Belgium and UK. At the same time, that of Nigeria is far higher than those of Poland, France and Spain. Since Estate Surveyors and Valuers are professionals in land use management, there is a need for estate surveyors to educate government through periodic advices and the populace through radio jingles, seminars, conferences and write-ups in daily newspapers, on the need to take adequate care of the country's land mass and ensure its judicious usage in the interest of the citizenry and children yet unborn.

Public Perception of Valuers

A distinguishing feature of a profession is its acceptance of its responsibility to the public. The clients of Estate Surveyors and Valuers consist of the three arms of government, private investors, the

¹ Samoloye49@yahoo.com; GSM No.: +234 (0) 803 4722 469

² Contact author: caayedun@yahoo.com; GSM No: +234 (0) 803 3900 681

³ solaajibola2000@yahoo.com; GSM No: +234 (0) 802 3029 220

All authors are from Department of Estate Management, School of Environmental Sciences, College of Science and Technology, Covenant University, Ota, Ogun State

business and financial community, and others who rely on the objectivity and integrity of members to maintain the orderly functioning of the real estate business. The public interest is defined as the collective well-being of the community of people and institutions that the members serve.

With respect to estate surveyors and valuers in Nigeria, the public often refers to them as either 'estate agents' or 'property valuers'. Because of the level of ignorance among majority of Nigerians on the functions of the real estate practitioners, various questions have led to debates among estate surveyors and valuers. Such questions include:

- (i) Do readers and beneficiaries of our services really understand and appreciate what we do?
- (ii) Are valuations generally "well regarded"?
- (iii) Are members of the estate surveying profession adequately rewarded for their skill and the risk likely?
- (iv) With constraints of competition in an environment where consumers cannot evaluate or compare quality, are valuation reports a waste of money?
- (v) Are most clients only concerned about the "bottom line" in terms of the benefit of the valuation figure to them or the cost of getting it?
- (iv) Is competition forcing efficiency, or does it lead to "cutting corners" among members?
- (vi) Is a valuation exercise an attempt to replicate what a prospective buyer and seller would actually do in the "real world"?

These collated observations from those in practice and more are the issues that the estate surveying profession needs to grapple with.

Status of Estate Surveying and Valuation Firms

There is a process a graduate of Estate Management must pass through before he or she can be considered for membership with stamp and seal before he can practice the profession. In view of the enormous land mass of Nigeria and the small proportion of 1,102 registered Estate Surveyors and Valuers, coupled with only 550 Estate Surveying and Valuation Firms as reflected in the 2009 Directory of Estate Surveyors and Valuers Registration Board of Nigeria, there is an urgent need to encourage Universities and Polytechnics offering estate management courses in Nigeria to increase their yearly intake of estate management students. Just in November, 2010, the Federal Government announced the establishment of six new universities with one in each of the six geo-political zones of the country. This move is not unexpected in view of the inadequacy of practicing estate surveyors and valuers in many major towns and all the rural towns and villages in Nigeria. A detailed analysis of the location of estate surveying and valuation firms shows that the spread of these firms is mainly in the major cities, especially State capitals of the country. Table 2 shows the distribution of Estate Surveying and Valuation Firms in Nigeria. It is pertinent to mention that the reference to location refers to Head Offices of the firms. Within each State, there are Firms that have Branch Office(s) depending on the volume of business activities in such a State.

Insert table 2 here

One striking feature is very noticeable in the case of Abia State. It is the only State where there is no estate surveying firm in its State capital. In Anambra State, 86% of estate surveying firms' offices are located outside the State capital and this is an indication of where the business activities are concentrated. Much of the valuation work relates to real estate properties of individuals, banks, mortgage institutions, companies and business concerns and government.

One is not unmindful of the challenges being faced by the populace who needs the services of valuation professionals. It is rather pathetic that 11 states representing about 30% of the entire states in the country are without the offices of estate surveying and valuation firms as revealed by Table 2 above. The implication of this development is that majority of the citizenry have no professional estate surveyor and valuer to cater for their interest. It is in a bid to fill this gap that ubiquitous 'local estate agents' who are known and referred to as 'quacks' spring up in all the nooks and crannies of towns and cities, serving the need of the desperate people in the areas of small retail shops, residential and office accommodations as well as the sale or purchase of developable plots of land. Same goes for the sale or purchase of partially completed or existing houses. It is the unwholesome activities of the 'quacks' in real estate business that has earned even the professional and legally recognized estate surveyors and valuers the poor image in

the eyes of the public because most uneducated Nigerians refer to all real estate practitioners as 'estate agents'.

The Risks in Real Estate Valuation Practice

In 1985, Udo-Akagha, while writing a foreword to "Guidance Notes on Property Valuation" noted that: "there ought to be no reason why two or more valuers valuing the same interest in a property for the same purpose and at the same time should not arrive at the same or similar results if they make use of the same data and follow the same valuation approach". Also, in 1998, an editorial comment on "property valuation and the credibility problems" on page 2 of *The Estate Surveyor and Valuer*, the professional Journal of the Nigerian Institution of Estate Surveyors and Valuers stated inter alia that: "the valuation process has been the focus of recent debate and controversy both within and outside the profession as cases of two or more valuers giving different capital values with wide margins of variation for the same property abound".

Comments of this nature have led many to ask whether estate surveyors and valuers are interpreters or creators of values.

For this reason, one need to ponder on the claims made by a few clients to the effect that not all registered estate surveyors and valuers may be the best persons to value all real estate interests. As an example, an estate surveyor and valuer working in a Federal establishment, may not be the best person to value the real estate assets of his employer that may be due for disposal or subject of mortgage loan syndication. The estate surveyor may have a conflict of interest so far as his duties to his employers are concerned because of his relationship. The huge sums of money invested in real estate on annual basis are enormous hence such investments need to be guarded jealously over time to sustain the basis of such investments. The recent happenings in the US real estate market which has already affected the fortunes of other countries across the globe should be food for thought for real estate investors and all professionals involved in real estate activities. It is noteworthy that whilst a hundred percent valuation accuracy in market price prediction is an "aim" (Millington, 1985). It should neither be expected nor necessarily sought to be fully achieved, in a prior valuation. Ajayi (2003) noted that increased valuation accuracy and consistency are the demand of the more sophisticated and enlightened clients in the emerging property market of today and the property market has seen remarkable change within the past forty years. The fundamental characteristics of property as an asset class, the imperfect nature of the property market, the lack of a central register of sales, the confidentiality of information can all be cited as some of the reasons which may preclude accuracy in valuation.

Ojo (2004) observed that Nigerian Estate Surveyors and Valuers have been rather slow and lukewarm in their attitude and approach to the required accuracy changes in valuation practice thereby resulting into complaints from clients about valuation estimates. In addition, Bretten and Wyatt (2002) also observed that valuers do not operate with adequate market knowledge while, in a few instances, valuers follow clients' instructions to analyze available information, make judgments and respond to different pressures from stakeholders when preparing a valuation in a market atmosphere of heterogeneity.

In response to public outcry on valuation inaccuracy, 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 $\pm 5\%$ either side of the 'correct' value; Baum and Crosby (1988) cited "margins of error" of $\pm 5\%$ to $\pm 15\%$. In Nigeria, Ogunba and Ajayi (1998) employed a margin of error of $\pm 5\%$ taken after Hager & Lord (1985)'s study while Ogunba (2003) employed a margin of error of $\pm 10\%$ per cent. In Australia, Parker (1988) carried out a property valuation estimate accuracy study in which $\pm 5\%$ to $\pm 10\%$ margin of error, a mode of $\pm 5\%$ and arithmetic mean $\pm 6.04\%$ 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 $\pm 5\%$ margin of error as permissible, 40% considered a $\pm 10\%$ variance while 24% of the valuers considered a $\pm 15\%$ variance as an acceptable margin of error.

Apart from the challenges of producing an opinion of value that can stand the test of time, there is another spectrum of risk in the context of litigation generally facing the valuer providing a wrong opinion on the value of a property upon which the client had relied on while negotiating to buy or sell a

property. Of course, if the client later realizes a loss as a result of the estate surveyor's misleading advice, he may be dragged to court for negligence.

The Way Forward for the Estate Surveying and Valuation Profession in Nigeria

Under normal conditions, no professional body would want any of her members to be exposed to ridicule as a result of negligence or unprofessional behavior. It is to the benefit of all estate surveyors that high standards of professionalism be maintained so as to earn respect from clients. To automatically earn this respect from the public at large, the following issues that have emanated from the earlier discussion above, need to be addressed.

First, there is the need to ensure the training of more estate surveyors so that there can be enough practitioners for adequate coverage of the country. It is by so doing that the 'quacks' can be flushed out of business. A situation where estate surveying and valuation firms shy away from the rural areas of the country, where the greater members of the society resides with the greater land mass is not acceptable. Nigerian Institution of Estate Surveyors and Valuers and Estate Surveyors and Valuers Registration Board of Nigeria need to educate members and encourage Institutions offering estate management courses to harp on the potentials in rural estate agency.

Second, registration of members should be through extensive training, rigorous accreditation standards while those in practice should be mandated to allow the publication of their achievements on valuation-related issues before being considered as fellows of the Institution. Third, the Nigerian Institution of Estate Surveyors and Valuers and Estate Surveyors and Valuers Registration Board of Nigeria in partnership with Universities offering estate management courses in Nigeria, need to ensure the running of designated specialist courses in the valuation of specialized buildings, plant and machinery valuation as well as the use of ICT in real estate activities. Experts in relation to particular areas within the profession should be those whose qualifications and experience stand them out.

Fourth, the profession cannot continue to allow most firms to run on sole proprietorship. Groups of existing firms should be encouraged to merge and form partnerships for the purpose of exploiting the growth opportunities in the real estate business. By so doing, such groups would have the capacity to penetrate the market effectively as per their collective knowledge, skill, experience and social leanings thereby checkmating the invasion of the industry by quacks.

REFERENCES

- Ajayi, C. A. (2003) "The Income Approach to Valuation: The Preference of the Investor" Being the text of an invited paper presented at the Continuing Professional Development Workshop organized by the Lagos State Branch of the Nigerian Institution of Estate Surveyors and Valuers on the 3rd of December 2003. Pp.1-24.
- Baum, A. and Crosby, N. (1988) Property Investment Appraisal Routledge, London.
- Bretten, J. and Wyatt, P. (2002) "Variance in Property Valuations for Commercial Lending" RICS Foundation Vol. 4 No. 9, May. Electronic Reference PS0409 (www.ricsfoundation.org).
- Cutshall, A. (1952) "Problems of Landownership in the Philippine Islands" Economic Geography. Clark University Vol. 28, No. 1 pp31-36
- Estate Surveyors and Valuers Registration Board of Nigeria (2009) Membership Directory
- Hager, D. P. and Lord, D. J. (1985) The Property Market, Property Valuations and Performance Measurement, Institute Of Actuaries, London.
- Home, R. (2009) "Land Ownership in the United Kingdom: Trends, Preferences and Future Challenges" Land Use Policy 265, Elsevier Vol. 26, December. pp 103-108
- Inskeep, S. and R. Montagne (2008) Land Ownership: A Root of Many Problems in Karachi, Pakistan, The Urban Frontier, Karachi. June.
- King, H. (2010) Land Ownership Problems as Papua New Guinea Anticipates Natural Gas Projects
- Millington A.P. (1985) "Accuracy and the Role of the Valuer" Estate Gazette, 9th November, Vol.276, pp 603
- Ogunba O.A. and Ajayi, C.A. (1998) "An Assessment of the Accuracy of Valuations in the Residential Property Market of Lagos" 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.
- Ojo, O. (2004) "Reliability, Consistency and Rationality of Professionally Prepared Valuations: Suggestions for Resolving the Problems in Nigeria Practice" A Paper presented at the 2004/2005 CPD Training Workshop on Asset Valuation Organized by The Nigerian Institution of Estate Surveyors and Valuers and holding in Lagos, Kaduna and Enugu.
- Parker, R.R.P. (1998) "Valuation Accuracy-An Australia Perspective" 4th Pacific Real Estate Society Conference, Perth, 19-21 January 1998.
- Udo-Akagha, S. (1985) "Guidance Note on Property Valuation" Foreword to the Nigerian Institution of Estate Surveyor and Valuers 1st Edition

Table 1: Selected Countries Population Densities

| Country | Population (m) | Land Area (000 sq. km) | Population density (pp sq. km) |
|-------------|----------------|------------------------|--------------------------------|
| UK | 60.7 | 242.5 | 246 |
| Netherlands | 16.4 | 41.5 | 395 |
| Belgium | 10.4 | 30.5 | 341 |
| Germany | 82.7 | 357.0 | 232 |
| Japan | 127.4 | 377.9 | 337 |
| Poland | 38.5 | 312.7 | 123 |
| France | 60.5 | 551.5 | 110 |
| Spain | 43.0 | 506.0 | 85 |
| Nigeria | 140 | 923.7 | 167 |
| World | 6700 | 143,940 | 45 |

Source: Home, R (Sept. 2009)

Table 2: Estate Surveying and Valuation Firms in Nigeria by Location

| S/N | States | Total No. of firms | Firms in State capitals | Other Locations/ % | Population of the State/ % Of the Country |
|-----|-------------|--------------------|-------------------------|----------------------------------------------|-------------------------------------------|
| 1 | Abia | 10 | Umahia - Nil (0%) | Aba 10 (100%) | 2,833,999 (3.02%) |
| 2 | Akwa-Ibom | 3 | Uyo (67%) | Oron (33%) | 3,920,208 (2.80%) |
| 3 | Anambra | 8 | Awka (25%) | Onitsha (75%) | 4,182,032 (2.99%) |
| 4 | Bauchi | 1 | Bauchi (100%) | | 4,676,465 (3.34%) |
| 5 | Benue | 1 | Makurdi (100%) | | 4,219,244 (3.01%) |
| 6 | Cross River | 9 | Calabar (100%) | | 2,888,966 (2.06%) |
| 7 | Borno | 3 | Maiduguri (100%) | | 4,151,193 (2.97%) |
| 8 | Delta | 10 | Asaba (10%) | Sapele 1 (10%); Warri (60%); Effurun 2 (20%) | 4,098,391 (2.93%) |
| 9 | Edo | 20 | Benin-C (100%) | | 3,218,332 (2.30%) |
| 10 | Enugu | 24 | Enugu 24 | | 3,257,298 (2.33%) |

| | | | | | |
|----|------------|-----|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| | | | (100%) | | |
| 11 | Ekiti | 1 | Ado-Ekiti 1 (100%) | | 2,384,212 (1.70%) |
| 12 | Balyesa | 1 | Yenagoa 1 (100%) | | 1,703,358 (1.22%) |
| 13 | Oyo | 22 | Ibadan 22 (100%) | | 5,591,589 (3.99%) |
| 14 | FCT, Abuja | 29 | Abuja 29 (100%) | | 1,405,201 (1.00%) |
| 15 | Imo | 9 | Owerri 9 (100%) | | 3,934,899 (2.81%) |
| 16 | Kaduna | 25 | Kaduna 25 (100%) | | 6,066,562 (4.33%) |
| 17 | Kano | 16 | Kano 16 (100%) | | 9,383,682 (6.70%) |
| 18 | Kwara | 11 | Ilorin 11 (100%) | | 2,371,089 (1.69%) |
| 19 | Lagos | 268 | Ikeja 59 (22%) | Broad Street Zone 78 (29%); Apapa 7 (3%); Yaba 29 (11%); Maryland 13 (5%); Victoria Island -18; Festac - 18; Surulere - 18; Ikoyi - 8; Oshodi - 3 | 9,013,534 (6.44%) |
| 20 | Niger | 8 | Minna 8 (100%) | | 3,950,249 (2.82%) |
| 21 | Ogun | 2 | Abeokuta 2 (100%) | | 3,658,098 (2.61%) |
| 22 | Ondo | 14 | Akure 14 (100%) | | 3,441,024 (2.46%) |
| 23 | Osun | 2 | Osogbo 2 (100%) | | 3,423,535 (2.45%) |
| 24 | Plateau | 9 | Jos 9 (100%) | | 3,178,712 (2.27%) |
| 25 | Rivers | 39 | Port Harcourt 39 (100%) | | 5,185,400 (3.70%) |
| 26 | Sokoto | 3 | Sokoto 3 (100%) | | 3,696,999 (2.64%) |
| 27 | Kogi | - | - | | 3,258,487 (2.33%) |
| 28 | Nasarawa | - | - | | 1,863,275 (1.33%) |
| 29 | Adamawa | - | - | | 3,168,101 (2.26%) |
| 30 | Gombe | - | - | | 2,353,879 (1.68%) |
| 31 | Taraba | - | - | | 2,300,736 (1.64%) |
| 32 | Yobe | | | | 2,321,591 (1.66%) |
| 33 | Jigawa | - | - | | 4,348,649 (3.11%) |
| 34 | Katsina | - | - | | 5,792,578 (4.14%) |
| 35 | Kebbi | - | - | | 2,238,628 (2.31%) |
| 36 | Zamfara | - | - | | 3,259,846 (2.33%) |
| 37 | Ebonyi | - | - | | 2,173,501 (1.55%) |

Sources: (1) 2009 NIESV Directory
(2) 2006 National Population Census Result