

**RELIABILITY AND CONSISTENCY OF THE INVESTMENT METHOD OF  
VALUATION: A STUDY OF LAGOS METROPOLIS**

**By**

**AYEDUN CALEB ABIODUN  
(Reg. No CU03GP0014)**

**A THESIS SUBMITTED TO THE DEPARTMENT OF ESTATE MANAGEMENT,  
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OTA, OGUN STATE, NIGERIA**

**APRIL, 2009**

**DEDICATION**

This work is dedicated

To

My Late Father – Chief Gabriel Abon Ayedun

**And**

My Mother – Mrs. Florence Oretipe Ayedun

For their unforgettable **efforts at affording to send me to school Inspite of their inadequacies and laying the foundation of what am today.**

**CERTIFICATION**

This is to certify that MR. AYEDUN Caleb Abiodun (Reg. No. CU03GP0014) carried out this research work in partial fulfillment of the requirements for the award of Doctor of Philosophy (PhD) in Estate Management of Covenant University, Ota under my supervision.

.....  
Dr. O.A. Ogunba

.....  
Date

.....  
Dr. S. A. Oloyede

.....  
Date

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## **AUTHORIZATION**

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## ABSTRACT

Against the recent increasing criticism against the reliability and consistency of investment method of valuation practice in the country, this study examined the professional ability of estate surveyors and valuers at interpreting the selling prices of residential properties in the open market in the Lagos metropolis with a view to

either invalidate or validate the claim.

In an attempt to satisfy the objective of the study, questionnaires backed up with interviews, were administered on a sample of randomly selected 127 estate surveying and valuation firms out of the 228 registered firms in Lagos Metropolis while questionnaires equally backed up with interviews were also administered on a sample size of 91 randomly selected property companies out of 137 identified institutional property companies obtained from the directory of real estate business operating within the study area and the entire 25 commercial banks operating in Lagos metropolitan area. Secondary data of the valuation estimates and sale prices of Federal Government landed properties sold in 2006 were obtained from Ad hoc committee set for the purpose and Nigeria Punch newspaper of 5<sup>th</sup> February, 2007. Data obtained were analyzed with the use of parametric and non-parametric statistics consisting of frequency distribution, range, interquartile range, mean, mean deviation from market price, standard deviation and regression analysis.

The result of all the statistical tests revealed firstly, that valuation estimates were not a good proxy for transaction market prices and secondly, that valuation estimates of one firm not good proxy for contemporaneous valuations of other firms in Lagos.

Client influence was identified to have had negative impact on valuation outcome. The study also revealed that various inputs used for investment valuations are not market derived and this phenomenon could account for valuation inaccuracy and inconsistency. Also, the study revealed that valuers in Lagos metropolis do not have a standardized approach to determination of valuation inputs and this could account largely for lack of consistency amongst the valuers and moreover there is problem of lack of up-to-date property databank to assist the valuers in determining the inputs to use for investment valuation assignments.

Conclusions from the study are that investment method of valuation as currently used is not properly applied in Lagos metropolis, hence has failed to produce valuation estimates that could serve as good proxies for both market sale transaction prices and contemporaneous valuations of other firms. The ranges obtained for all the twelve sample properties were higher than the acceptable range of  $\pm 10\%$  adopted for this study.

Following from the foregoing, the study recommended among other suggestions maintenance of up-to-date property databank by both national and state chapters of Nigerian Institution of Estate Surveyors and Valuers, review of valuation Guidance Notes to ensure greater uniformity in approach and accuracy of investment valuations from the valuers/.