

## DATA SHARING : A CRITICAL FACTOR FOR ESTATE SURVEYING AND VALUATION PRACTICE IN NIGERIA

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**Abstract :** The study examines the barriers to data accessibility on the operation of the property market, in the field of estate surveying and valuation. The study was conducted using questionnaires, administered on practicing Estate Surveyors and Valuers, within Lagos Metropolis. The study revealed that lack of data sharing is a major barrier to valuation consistency, particularly with transactions on residential properties where evidence of past transactions are very important. The study further revealed that members of the Nigerian Institution of Estate Surveyors and Valuers need, just like RICS, UK, join hands together and create a strong databank just like the Investment Property Databank (IPD), that can be used by anyone that require such information, even at a token.

### **Introduction**

The importance of reliable data generally cannot be overemphasized especially for decision making purposes. Absence or inadequate reliable data will result in inappropriate decision or even no decision at all. The paucity of data to support property decision making has become increasingly recognized over recent years. Transactions (sales, letting and valuation) in relation to property investment require the availability of an up-to-date data and the lack of data would greatly impair the performance of surveyors in turning out reports that could stand the test of time. In these days of information technology, with the whole world becoming a global village the surveyor cannot operate in isolation of other colleagues in the field. There must be a cross fertilization of ideas with relation to the happenings within the profession and allied professions. There is no gain-saying that property data sources are perceived to be fragmented and incomplete, sometimes the by-product of administrative processes and assembled with minimal co-operation from the originators of the data. It is not impossible to see evidence of inadequate data provision within the property market coupled with the reluctance to release transaction evidence by valuers (most transactions are carried out secretly). The import of this is that valuers frequently have to rely on secondary and, inadequate information. Confidentiality clauses and the inaccessibility of government records represent barriers to data exchange within the property market, which already is naturally complex and diverse (Wyatt. 1995). It also need be mentioned that data on project start, project completion and project size and tenure mix are all important for efficient performance of the surveyor. The collection and compilation of data for changes in residential property prices, for example, will provide insights into changes in transaction prices which will be of immense help to the surveyor, on similar properties. Properly systems do more than just record and organize land and real estate assets, a detailed and transparent property system can enhance a nation's productivity (de Soto 2000). Besides that, statis-

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tics on the value of the housing stock can also constitute an important piece of information, e.g. for analyzing wealth effects. Additionally, price level data would allow the identification of differences between various markets at a certain point in time (Eiglsperger, 2006). Price data are not the only statistics required for a comprehensive analysis of the housing market. The ratio of rented and owner-occupied houses and flats, the number and value of transactions, statistics on building permits/approvals, housing starts and completions provide important insights into the structure and the dynamics of the market and their driving factors from the supply and the demand sides.

A data is as good as its source(s), therefore for a reliable impute into the work of the surveyor, sources such as national statistical office, Ministries, mortgage firms (banks), land registry, estate firms, to mention just a few, would be of good use.

Car, (2006) states that it is better that a combination of sources be used in order to collect reliable data. The reliability of data on real estate prices is affected by other factors besides the variety of sources, for example :

- \* the non-uniformity of data with regards to its geographic aspects, in other words its coverage,

- \* insufficient and different structuring of data according to apartment type,
- \* differences in the way real estate is sold (for cash, or under a loan),
- \* the weight schemes used to ensure that the original data is representative,
- \* different collection periods, and so on.

Lizieri and Venmore-Rowland (1991) suggest that valuers should seek to widen the set of information used to arrive at an appraisal and reduce their reliance and dependence on inadequate and often inconsistent property market data. McNamara (1994) pursuing the same theme argues that much of the forecasting work which is done in the UK is data constrained and utilizes less-than-adequate information. Furthermore the Mallinson Report (RICS, 1994) considers that although the property profession has a history of protecting information in the interest of competition, much could be done to improve data availability without violating confidentiality. The report recommends that the RICS take all possible steps to encourage the wider availability of data necessary for the performance of valuations.

### **Importance of Data Sharing**

There is no doubt that Valuers depend greatly on access to comprehensive, reliable and timely evidence of property transactions in order to make informed predictions of value. Unfortunately, such data access does not currently exist within the property market in Nigeria as all transactions are concluded secretly. Despite a wide range of data sources, one single source can not offer the detailed information that Valuers require, hence there is need for a combination of information from various sources. This is due to legislative restrictions on data release to the public, confidentiality constraints, lack of trust on professional colleagues and conservative attitudes. Surveyors however expressed concern over poor access to comprehensive property transaction data (Ajibola, 2006). Property transaction data has traditionally been available through a network of professional contacts. The 'jungle telegraph' can work well if the surveyor has established contacts throughout the property sector and in the area in which he prac-

tices. However, in many cases it can be difficult to access the required information especially when estate surveying firms tend to be secretive or the market is sluggish. Other sources include in-house data, building society surveys, market reports, auction results and information published by the press. It is worthy to note that the quality and accuracy of these sources could be improved; many are too general, others are out-of-date or are published too infrequently. An enviable solution, to this dilemma, may be a centralized, accurate, up-to-date and accessible source of property data, to be kept by the Nigerian Institution of Estate Surveyors and Valuers (NIESV).

There is no gain-saying that all valuation techniques rely on the collection and-analysis of data; general data such as social, economic, planning and environmental attributes, and specific data including local market conditions, details of transactions such as location, physical and functional form and legal characteristics constitute the gamut of information required by the Valuer to carry out his assignment. "The validity of a final estimate of market value depends to a great extent on how well it can be supported by market data" (Appraisal Institute, 1992). Indeed, a Valuer's experience includes stored knowledge of past transactions (Anstey, 1970). Due to legislative restrictions on the release of property data into the public domain, market data are often difficult to obtain and therefore Valuers rely on their own knowledge and experience. When data are available they are often incomplete with legal or negotiating positions of the parties unknown. Confidentiality clauses and the inaccessibility of government data are two artificial barriers to data exchange within a property market that is naturally complex and diverse. Lack of data is thus a significant factor affecting the operation of valuation methodology.

The property market is unique; and government intervention, a fixed supply of land, the long development period for new property and poor information availability distort its operation. A valuation should reflect the assimilation of all known data. However, the Nigerian property market is characterized by a lack of data on which to base investment decisions in comparison to alternative investment markets. Commenting on this, Lizieri and Venmore-Rowland (1991) state that "outside the property industry, there is widespread suspicion of the valuation process" and "valuers should seek to widen the set of information used to arrive at an appraisal and reduce their reliance and dependence on incomplete and often inconsistent property market data". In the same vein, Brown, et al, (1984) commented that analytical techniques have been adapted from other investment markets to property but argue that adequate information provision is also required if the property market is to display consistency and compatibility with other investment markets. The "ability to collect and compile data to analyze is sadly lacking ... partly due to secrecy problems and confidentiality and lack of motivation" (Feenan and Dixon, 1992) and a report by Currie and Scott (1991) highlighted the dichotomy between the complex property markets and the data available to analyze them. Millington (1990) refers to the relationship between property valuation and property data; he argues that the comparative method is the most widely used valuation technique and that it is essential to have as much information as possible, yet this is often lacking in real world. The solution, therefore, would be to improve access to and the dissemination of property data.

In UK, a number of authoritative sources have addressed the problems associated with data quality, utility and availability in the property sector. The Society of Property Researchers (SPR, 1995) study states that the property sector's capacity to use and develop analytical techniques is advancing beyond the ability to generate detailed and reliable information. The Mallinson report (RICS, 1994) reiterates the point by inferring that practice and attitudes have improved in recent years, yet property market information is restricted under confidentiality clauses which militate against the profession and the generality of clients particularly in the area of valuation. Wyatt (1996) also argues that despite a wide array of data sources none can offer the detailed information that valuers require due to restrictions on data release to the public, confidentiality constraints and conservative attitudes. Although each study approaches the problem from differing perspectives there is a consensus that the availability of property data is often incomplete, fragmented and internally inconsistent.

With investment management becoming increasingly analytical, reliable information on the performance of asset classes is essential. Morrell (1995) argues that fundamental problems relating to property indices have potentially serious implications for property as an asset class. Indeed the lack of standardization which surrounds property performance indices has led to considerable confusion both within and outside the surveying profession. Although substantial progress has been made by the Investment Property Databank (IPB) through subscribing institutions and property companies, Brown, Morell et al (1984) highlight the need for improvements if property indices are to come of age and command the level of respect comparable with indices produced for other asset classes.

In practical terms a comprehensive data set is considered to be one which can be disaggregated if required to the level of its most fundamental components (SPR, 1995). The more data that can be assimilated the more robust the analysis is likely to be. The scope of information required ranges from broad macroeconomic indicators to the microeconomic aspects of the property market, down to the individual characteristics of the property concerned (Hargitay and Yu, 1993). Furthermore the individualistic nature of property makes it a unique investment category requiring even more data compared to other investment media. In considering the adequacy of commercial property data the SPR report (1995) specifies a fourfold test in which data must be accurate, complete, up-to-date and accessible, but in many cases data fails to meet these criteria.

In spite of the clamour for a more formalized approach to forecasting and strategic investment planning, there is still a continuing tendency amongst practitioners to rely upon personal information. Indeed a strategic implication for information technology in the property market is the accessibility of information versus control of competitive advantage. Many institutional investors and managers and even professional colleagues, are reluctant to disclose details of specific investments, with the result that restrictions on information availability can constrain the expansion of markets (Roulac, 1996). Indeed the property market, unlike other investment markets, has no formal market place making data collection difficult. The fragmented nature of information sources, inconsistent geographical definitions and difficulties involved in data assembly further complicates analysis.

A major difficulty which faces property research is the reliance upon sample based data with the result that available sources are frequently generalized and fragmented. As published indices may represent only a subset of the total market, difficulties may arise in reconciling the results of top-down analysis with bottom up approaches. There is a tendency for data sources to concentrate on prime property which can leave secondary areas lacking in market data and may also restrict analysis in geographical or functional terms. In addition the analysis of current economic conditions with property market relationships is frequently frustrated by information which is historic with indices often overtaken by market events by the time they are published. Although historic time series data is useful the validity of some cross-sectional comparisons can deteriorate with time (SPR, 1995).

The Nigerian property market experience is not different from what the UK property market had experienced, and with that we can take a cue from what was done in the UK to find solution(s) to lingering problems emanating from using data that are not properly tested, for bur property analysis. Data problems in the Nigerian property market can broadly be categorized into three, viz;

- \* complete blanks: where there is no information at all to support the analysis of the market/ market issues to be considered;

- \* improvements in proxy measures: where no direct information on market activity exists, but there are direct proxy measures which could be brought into closer relationship with market activity; and

- \* shortfalls in direct measures: where direct information exists for the variables but it could be improved upon.

However in spite of the many deficiencies in the information on property markets it is not impossible to have, in principle, a complete solution.

Thinking about resolving the issues relating to data availability, the development of a National Land Information Service (NLIS), using information technology to aid the assimilation of comparable evidence for valuation purposes cannot be over emphasized (Wyatt, 1996). In addition, the construction of a National Valuation Evidence Database (NVED) to which all Valuers contribute and all have access would increase the availability of data, improve objectivity and lead to more reliable valuations. The NLIS provides an ideal framework within which to construct a NVED (Rowley, 1995), while the RICS through the Mallinson Report (1994) have recognized the need for a national database to improve the valuation process. Such an effort would not be a waste, in the bid to enhance the performance of Nigerian Valuers and to compete favourably with other investment analysts, to which investors are shifting to due to failure to get their investment satisfaction from the Valuers.

The development of Geographic Information Systems (GIS) is also considered necessary to facilitate the unified storage, manipulation and analysis of properly data, both spatially and aspatially, thus reducing time consuming operations. More specifically a GIS based approach will considerably help in the analysis of spatial references which are often examined implicitly in traditional valuation methodology due to difficulties in spatial data manipulation but would necessitate overcoming barriers to the release of data into the public domain (Rowley, 1995).

## Materials and Methods

In carrying out this study questionnaire was used, to elicit required information from the respondents. 300 copies of the questionnaire were administered out of which 150 (50%) were returned. The questionnaire was administered mainly on Estate Surveyors and Valuers as advisers on property indices for mortgage operations, property investment companies as investors in summing up the slate of the art on real estate investment. Questions were asked with the aim of eliciting information that helped in arriving at the findings contained in the study as shown in Tables 1-6.

**Table-1** : Location of Selected Estate Surveying Firms

Property Markets	Questionnaires Distributed	Questionnaires Returned	Percentage
Abule Egba	3	1	0.7
Apapa	10	7	4.7
Ebute Metta	5	2	1.3
Festac town	6	3	2.0
Ikeja	90	46	30.6
Ikoyi	10	3	2.0
Ketu	5	1	0.7
LagosIsland	100	55	36.6
Ogba	5	1	0.7
Surulere	10	2	1.3
Victoria Island	50	28	18.7
Yaba	6	1	0.7
<b>Total</b>	<b>300</b>	<b>150</b>	<b>100</b>

*Source:* Field Survey 2008

Table 1 above shows the location spread of the Estate Surveyors and Valuers on which the questionnaire was administered. Though the location skewed towards Ikeja (46), Lagos Island (55) and Victoria Island (28), the table shows that a proper coverage of Lagos Metropolis.

**Table-2** : Firm's Area of Specialization

Specialization	Frequency	Percentage
Valuation	5	3.3
Property Development	27	18.0
Feasibility and Viability Studies	1	0.7
General Practice Firm	117	78.0
<b>Total</b>	<b>150</b>	<b>100</b>

*Source :* Field Survey 2008

From table-2 above, it is evident that majority of the firms (117) are in general practice, this is followed by a few (27) firms specializing in property development. The import here is that apart from a few firms (33) that specialize, the practice of Estate Surveying and Valuation is still been conducted in a generalized form which may not really give room for proper data collection and storage.

**Table-3** : Sources of Information

Source	Frequency	Percentage
Use of in-house data bases	118	78.7
Other local valuers	11	7.3
Personal experience	6	4.0
Use of in-house valuers	3	2.0
Property press	12	8.0
<b>Total</b>	<b>150</b>	<b>100</b>

*Source :* Field Survey 2008

Information gathering and application is very important in valuations hence the respondents were requested to indicate the sources of their information. The results as contained in Table-3 above shows that a chunk of the respondents - 118 relied on in-house databases. Apart from the fact that data from such sources may not be subjected to thorough scrutiny, they are usually shielded from public accessibility.

**Table-4 : Easy Accessibility to Sufficient Market Evidence**

Response	Frequency	Percentage
Yes	11	7.3
No	139	92.7
<b>Total</b>	<b>150</b>	<b>100</b>

*Source :* Field Survey 2008

The use of investment method of valuation is predicated on getting accurate market evidence. Table-4 above shows that 139 respondents were of the view that they could not have access to sufficient market evidence. Where this is the situation, time tested/reliable opinion may be difficult to form and by extension, decision making may be negatively impacted.

**Table-5 : Support for and Subscription to National Property Data Bank**

Response	Frequency	Percentage
Yes	128	85.3
No	22	14.7
<b>Total</b>	<b>150</b>	<b>100</b>

*Source:* Field Survey 2008

As stated earlier information is very germane to the investment method of valuation. The absence has been recognized as indicated in Table-4. The question then is how do we make the information available? Table-5 above reveals the willingness of valuers - 128, to subscribe to the idea of National Property Databank by NIESV. Only 22 respondents are averse to such an idea. The implication of this is that Surveyors recognized the need for a coordinated source of information for effective practice.

**Table-6 : Benefits of National Property Data Bank**

Opinion	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Total
Data Bank would improve efficiency of Firms	90	40	10	10		150
Enhance quality of Service to the client	70	60	9	10	1	150
Improve the image of Estate Surveying Profession	60	65	12	8	5	150
Improve availability of market data comparables	100	50				150

*Source:* Field Survey 2008

Table-6 reveals that the respondents were of the opinion that there are huge benefits that could be derived from having National Property Databank. Majority answering all the questions in the affirmative attests to this. Considering the benefits derivable from a centrally managed data, the time has come for NIESV to set up such databank as this will equally help in reducing the problem of valuation inaccuracy.



## Results and Discussions

Dealings in real estate market, in whatever form, depend on availability of adequate and current information to aid the decision making process. Clients (either individuals or corporate organizations) rely much on the advice of Valuers to enable them take various decisions with respect to real estate. The advice given by the Valuer is as good as the source(s) of data used in coming up with his opinion of value. It is evident from Table-1 above that there is a fair geographical spread of the respondents used for the study. While Table-2 reveals that estate surveying and valuation practice is a generalized approach. Table-3 shows that information used by majority of the respondents are sourced using in-house data bases.

Respondents are unanimous, in their decision that there is no free access to sufficient market evidence and are all ready to support and make contribution to National Property Databank, which they agreed has immense benefits.

## Conclusion and Recommendation

Lack of reliable databank contributes a great deal to inaccurate professional advice. The presence of databank similar to the Investment Property Databank [IPD] of UK provides property indices for performance measurement and accuracy tests. Lack of databank constitutes a major drawback to the desired result from the Estate Surveyor and Valuer. A substantial part of the problem associated with professional inefficiency will be solved with the existence of adequate national property databank. Taking a queue from RICS (UK) NIESV and ESVARBON should establish a regularly updated property databank to which valuers can have unhindered access.

Majority of the respondents indicated their preparedness to subscribe to National Property Databank - data on concluded transactions. The possibility of members sending data (in a specified format) on all transactions should be explored and canvassed by NIESV. The benefits of such centrally generated pool of information cannot be over emphasized.

There is need for cooperation and collaboration between the academia and the practitioners. This will lead to healthy and improved services to clients. The dividing gorge between the two should be bridged. The practitioners should rise up and adopt various findings from the researches carried out on the various aspects of the profession.

Flowing from the above, there must be change of paradigm to research: Both the academia and practitioners should devote much time and fund to research work. Research which enables the profession to grow and develop in terms of high quality service delivery is the domain of the academia while the practitioners are closer to the clients being served. NIESV and ESVARBON, being the regulatory bodies, have to evolve a better and improved attitude towards research on a continuous and sustainable basis.

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