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Effect of Principal Heuristics on Accuracy of Property Valuation in Nigeria

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Abstract

Valuation inaccuracy has been attributed amongst others to behavioural issues such as the usage of Anchoring and Adjustment Heuristics. There is however a dearth in the research of the other principal heuristics namely availability, representative and positivity. This research is hereby aimed at discovering the effects of these heuristics on the accuracy of property valuation. To accomplish this, the study undertook a cross-sectional questionnaire survey of 159 of the 270 Head Offices of Estate Surveying and Valuation firms in Lagos Metropolis,

while 29 and 30 questionnaires were distributed to the Head Offices of the entire Estate Surveying and Valuation Firms in Abuja and Port Harcourt respectively. For ease of coverage, Lagos Metropolis was stratified into six zones; thereafter respondents were selected randomly. The respondents were required to carry out simulated valuations using each of the four types of heuristics and also with supplied current market data. The T-test at the 95 per cent confidence interval was employed to test for inaccuracy in heuristically determined values relative to the sale values (values of the 'control' properties). The result reveals that heuristic-determined values, particularly that of representative, are not as accurate as those derived from supplied current market data. The authors recommended more focus on research of representative heuristics while consistent usage of heuristics should be dissuaded, to prevent loss of clients' confidence in valuation reports.

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