



**GLOBALIZATION, CULTURE AND THE  
NIGERIAN BUILT ENVIRONMENT**

**VOLUME I**

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# **THE CHALLENGE OF GLOBALIZATION FOR PROPERTY VALUATION PROFESSION IN NIGERIA**

by  
G.K. Babawale P.hD  
2005

## **Abstract**

*Driven by the combined forces of technological advancement, economic liberation, and democracy, globalization in the 21<sup>st</sup> century has forced more on the integration of national economies with the aim of creating a more coherent global economy. While the process may suit the more advanced economies; it is doubtful whether the same can be said of the developing economies. Unfortunately, developing countries can ill afford a strategy of containment and isolationism. This paper examines the challenges posed by globalization to the property valuation profession in Nigeria. It particularly examines the preparedness of valuation profession in Nigerian to take full advantage of the cross – border movement of professional valuation expertise that globalization creates. The study noted that neither the existing property market structure nor the level of expertise in professional valuation discipline is capable of matching the demands of globalization and the challenges it poses. The paper therefore suggests improvement on the existing property market infrastructures and property valuation expertise in the country if Nigerian valuers hope to participate gainfully in the emerging global market.*

# VALUERS' LIABILITY FOR NEGLIGENCE

by

G.K. Babawale P.hD

## **Abstract**

Reported cases of professional negligence involving real estate valuers in Nigeria are scanty and none is known to have gone beyond the disciplinary committee level of the Nigerian Institution of Estate Surveyors and Valuers. There are therefore no known records of court adjudication on negligence cases involving valuation of property. This state of affair may however not subsist for too long. With globaliazation and the on going reforms, the social economic landscape is becoming increasingly formal, turbulent, and sophisticated. With these developments, valuers "immunity" may be short lived. This paper examines valuers liabilities for negligence in the course of his professional duty. In the absence of any known documented court pronouncements on the issue in Nigeria, today, the paper focuses on the British and Australian experiences. Interestingly, a known relic of the old British Empire is that the legal decisions taken in one of the countries impacted on the decisions in others. In particular, decisions in the British courts often became precedents for the rest of the common law world. It is expected therefore that the alarm, which this exposition of the British and Australian experiences may raise, would turn out to be a timely warning to Nigerian valuers.

## **THE GROWING CONCERN OVER VALUATION ACCURACY**

### **Abstract**

The subject of valuation inaccuracy should give the valuation profession serious concern because of the danger it portends for the profession in particular, and the property market/ industry in general. Over the last two decades, considerable research on this subject has been carried out in Britain, Australia and in the USA in particular. In Nigeria, the subject is yet to attract the same level of attention and treatment. However, the Nigerian valuer can no longer sit on the fence nor pretend that all is well. Only recently, his methods and works has come under increasing criticisms and condemnation while other professionals, notable engineers and accountants, are not only encroaching into areas which traditionally have been the preserve of professional valuers but are claiming to be more competent. The valuer's clients too, notably the banks and other financial institutions, are beginning to doubt and question the valuer's methods and opinion. This paper provides a bird-eyed view to provoking similar discussion and research among Nigerian professionals and academia. The paper also includes the result of a recent study on the general perception of Nigerian practicing valuers on the same subject.

The study employed structured questionnaire served on practicing estate valuers in Lagos. An important fallout of the study is the revelation of the

low level of awareness among Nigerian valuers and scanty contributions by researchers in Nigeria to the subject of valuation accuracy.

## **RISK ANALYSIS IN PROPERTY INVESTMENT USING MONTE CARLO SIMULATION TECHNIQUE**

### **Abstract**

The conventional valuation methods widely employed by Nigerian valuers allow but for just an implicit, vague, and incomplete aggregation of uncertainties. Given the complexity and uncertainty that characterise today's business climate, the growing agitation is for a more pragmatic approach that particularly deals with the issue of risk and uncertainty more explicitly. This paper considers the shortcomings of the conventional approach to risk analysis in property investment and investigates the possibilities of improved techniques using the Monte Carlo Simulation. Using a proposed 55-room hotel development as case study, the paper demonstrates the use of the single point estimate which is typical of the conventional methods side – by – side with Monte Carlo Simulation technique highlighting their relative merits and demerits. The paper concludes that although the Monte Carlo Simulation technique offers possibilities of overcoming some inherent weaknesses of the conventional methods, its application is presently fraught with unresolved controversies and much of the perceived benefits are beclouded by inherent technicalities.



## **THE POSITION OF THE ESTATE SURVEYOR AND VALUER AS AN EXPERT WITNESS**

The role of the court/ tribunal is to adjudicate on the evidence and arguments presented to it. To accomplish this onerous task, the court/ tribunal often relies on the assistance of witnesses. This paper examines with particular focus on the Estate Surveyors and Valuer, the role of the expert witness in the process of justice administration before the regular court, tribunal of all sorts, and administrative enquiries. Not all experts make good 'expert witness' as there is more to being an 'expert'. 'Expert witness' does not connote that the witness is an expert in giving witness but rather in the matter his evidence is about. For the Estate Surveyor and Valuer to comply with the oath 'to tell the truth' therefore, he needs to possess attributes besides his professional skill and experience. Presently, neither the academic nor the professional examination syllabuses for the training of Estate Surveyors and Valuers make sufficient provisions for the training and instructions considered necessary for this unique duty. This paper, therefore, is a modest contribution to bridging this undesirable gap.

## **VARIANCE IN RESIDENTIAL PROPERTY VALUATIONS IN LAGOS, NIGERIA.**

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## **VARIANCE IN RESIDENTIAL PROPERTY VALUATIONS IN LAGOS, NIGERIA.**

**By**

**\*G.K. Babawale, \*\*C.A. Ajayi**

### **ABSTRACT**

*Quantitative commentaries in the UK, Australia and some other developed economies have generally suggested a high level of valuation accuracy. These important findings need to be developed in other parts of the world to facilitate cross-border property business transactions which globalization promotes. In countries like Nigeria where the property market and valuation practice are just evolving, the one-to-one relationship between valuations and transaction prices observed in more developed economies may not necessarily hold. This paper reviews major empirical studies on valuation accuracy with particular reference to the methodology and statistical analyses employed, the results obtained and their limitations. The paper also includes the results of an empirical study on valuation accuracy involving 250 residential properties in metropolitan Lagos, Nigeria. Employing error metric and econometric statistical techniques, the study reveals, among others, that residential property valuation in Lagos metropolis exhibits inaccuracy below industry's acceptable minimum standards. The study draws attention to the potentially grave implications of this result on bank solvency and the attendant negative impact on various aspects of the economy. The credibility problem engendered by inaccurate valuation also has far reaching consequences on the relevance and future of the valuation profession in the study area. Greater collaboration between the professional and the academia in research, information procurement and analysis, improvement in valuers' task environment, and a well articulated and encompassing mandatory national valuation standards incorporating effective enforcement machinery are some of the suggested remedial measures.*

**Key Words:** Valuation, Performance index, Inaccuracy, Nigeria.

# **THE IMPACT OF NEIGHBOURHOOD CHURCHES ON HOUSE PRICES**

**BY**

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## ***Abstract***

**Location of churches in residential neighborhood has been an issue of concern and controversy in several societies. The question remains whether the externalities exhibited by churches are positive or negative. That is, are churches in residential neighborhood amenities or nuisance? This study therefore tests the null hypothesis that proximity to a church has no effects on house prices. This hypothesis is tested with a standard hedonic pricing model using a sample of 600 rented**

**apartments (flats) across the study area. With a standard set of housing-related variables held constant, a distance (between the church and the apartment) variable is included to measure the direction and magnitude of externalities effects. The results are inconclusive. In two of the four case studies the effects are negative, while for the other two cases, the effects are positive. The results of the study is expected to bring to light the social and economic implications of churches located within residential neighborhoods and thereby assists policy decision in urban and regional planning , planning regulations and especially, zoning. It will also assist real estate valuers' in their consideration of the effects of such externalities on residential property values. The results will also contribute positively in resolving the debate on the nuisance versus amenity effects of neighborhood churches, and thereby assists the judiciary in resolving litigation bordering on location of churches within residential neighborhood, and inform both public and private parties involved in land use decisions relating to neighborhood churches. Real estate valuers should be familiar with externalities effects at all levels that can impact on property values.**

**Distinguishing the relation between property values and distance to nearest neighborhood church provides a very strong test of the nuisance versus amenity effects of neighborhood churches.**

**Keywords: neighbourhood churches, externalities, house price, hedonic model**

## **THE RELATIVE IMPACT OF FACTORS INFLUENCING INACCURACY IN VALUATION**

**BY**

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## **THE RELATIVE IMPACT OF FACTORS INFLUENCING INACCURACY IN VALUATION**

### **ABSTRACT**

*To address the phenomenon of inaccuracy in real estate valuation successfully, it is imperative to ascertain the sources and how valuers are influenced. The aim of this study therefore is to identify and assess both the predictive and relative importance of the factors that significantly influence inaccuracy in residential property valuations in Lagos metropolis. Data obtained from 250 firms of Estate Surveyors and Valuers were analyzed by a combination of descriptive and inferential statistics including correlation and regression analyses. Among twenty three (23) contributory factors identified, valuers'*

*knowledge and experience; valuation approaches; and individual characteristics of valuers and valuation firms; in that order, were found to influence valuation inaccuracy significantly in the study area. The study suggested larger firms, increased transparency in the market place, more proactive regulatory framework, and a rigorously enforced practice standards and ethics, as remedies.*

**Key Word: valuation inaccuracy, predictive impact, relative impact, Nigeria.**

**A VIEWPOINT ON THE ROLES OF ESTATE SURVEYOR  
AND VALUER IN A REDEVELOPMENT SCHEME.**

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**Abstract**

Developer finance is extensively being used to finance the redevelopment of 'development property' in several Nigerian commercial cities. Being a partnership between the landowner and the developer, a number of crucial issues have to be negotiated and mutually agreed by the parties from the onset. Estate Surveyors and Valuers (as they are referred to in Nigeria, or simply Valuers in the UK and most Commonwealth countries, and Appraisers in the US jurisdictions) are often called upon to negotiate developer-finance terms on behalf of either the developer or the landowner. To do this satisfactorily and transparently, consultant Estate Surveyor and Valuer must employ appropriate analyses and calculations to probe, among others, into the positions of both parties to the agreement in order to determine the extent to which either party can go in the negotiation, to the end that he can secure the best bargain for his client. The object of this study is to show how important decisions are arrived at, how development risks and rewards are shared, and especially, how such refinements as premium, equity sharing, ground rent, yield protection clauses are incorporated in the partnership agreement. The paper employs the case study of a typical redevelopment scheme.

**Keywords:** redevelopment, development property, risks and rewards sharing, optimum return.