



**CLIENT INFLUENCE ON VALUER BEHAVIOUR IN SOUTH AFRICA
– NATURE, PREVALENCE AND CONSEQUENCES**

by

Lyle Wilkens

A Minor dissertation presented to the Department of Engineering and the Built Environment
in partial fulfilment of the requirement for the degree MSc in Property Studies

December 2014

The copyright of this thesis vests in the author. No quotation from it or information derived from it is to be published without full acknowledgement of the source. The thesis is to be used for private study or non-commercial research purposes only.

Published by the University of Cape Town (UCT) in terms of the non-exclusive license granted to UCT by the author.

PLAGIARISM DECLARATION

1. I know that plagiarism is wrong. Plagiarism is to use another's work and pretend that it is one's own.
2. I have used the Harvard convention for citation and referencing. Each contribution to, and quotation in, this thesis from the work(s) of other people has been attributed, cited and referenced.
3. This thesis is my own work.
4. I have not allowed, and will not allow, anyone to copy my work with the intention of passing it off as his or her own work.
5. I acknowledge that copying someone else's assignment or essay, or part of it, is wrong and declare that this is my own work.

Student Name: Lyle J. Wilkens

Student Number: WLKLYL001

Course: MSc Property Studies

Signature: _____

Date: December 2014

ABSTRACT

The primary purpose of this study is to investigate the presence of client's influences on property valuer behaviour in South Africa. The study aims to investigate the existence of these influences, the variables of these influences and the possible consequences for the valuation industry. International literature reveals that this phenomenon is prevalent in a number of countries. This study aims to uncover this phenomenon in South Africa.

Registered South African valuers are targeted by survey questionnaires to extract the relevant data necessary to support this claim. The response rate is a broad representation and sufficient data is gathered for the research purposes. Furthermore, prominent valuation companies and valuers are interviewed in order to elaborate and support the data extracted from the survey questionnaire. The study indicates that client influence on valuers exists in South Africa and that a majority (54%) of practising valuers have adjusted their valuations after client interaction. The concern is that this prevalence of influence will be detrimental to the valuation industry in South Africa. This study aims to promote awareness of these influences, and recommendations are made to curb this phenomenon.

Keywords: Valuation, Clients, Ethics, Interviews, Surveys

ACKNOWLEDGEMENTS

The researcher would like to acknowledge and extend his gratitude towards the following people, who were instrumental in making this research study possible:

- My wife Shannon Wilkens, for all the patience and support you have shown me throughout my studies and in particular this thesis. I will be eternally grateful.
- My new daughter, Georgia Jaimes, who was born during this process and will always be a part of it.
- My family, for your patience, support and commitment to this research study.
- The professional property valuers who very kindly gave up their time to assist me in my research.
- My dear friends for taking time out of your busy schedules to assist in casting an eye over my thesis.

TABLE OF CONTENTS

	PAGE
PLAGIARISM DECLARATION	i
ABSTRACT	ii
ACKNOWLEDGEMENTS	iii
TABLE OF CONTENTS.....	iv
LIST OF TABLES AND FIGURES	vii
1. INTRODUCTION.....	1
1.1 Background to the Study.....	2
1.2 Problem Statement.....	4
1.3 Research Question	5
1.4 Research Aim	5
1.5 Research Proposition	5
1.6 Objectives of the Research.....	6
1.7 Proposed Method of Research.....	6
1.8 Limitations to the Research	7
1.9 Structure of the Research Report.....	7
2. LITERATURE REVIEW	10
2.1 Introduction to the Literature	10
2.2 The Profession	11
2.3 Conceptual Framework.....	13
2.3.1 Accuracy and Variance	13
2.3.2 Relevance of Accuracy and Variance	14
2.4 Theoretical Framework.....	19
2.4.1 Behaviour.....	19

2.4.2	Behaviour and Ethics	23
2.5	Client Influence	25
2.5.1	Forms of Client Influence.....	28
2.5.2	Client/Valuer status – Influence	29
2.6	Empirical Examples	35
2.7	Consequences.....	37
2.8	Conclusion and South Africa as a Study.....	39
3.	METHODOLOGY	41
3.1	Research Methodology	42
3.1.1	Quantitative Research.....	42
3.1.2	Qualitative Research	44
3.2	The Research Method.....	45
3.2.1	Focus Groups	46
3.2.2	Experiment.....	47
3.2.3	Surveys.....	49
3.2.4	Interviews/Valuation Examples	53
3.2.4.1	Interviews.....	53
3.2.4.2	Valuation examples uncovered through interviews	54
3.3	The Research Design	55
3.3.1	Survey	55
3.3.1.1	The Sample Population.....	56
3.3.1.2	The Sample Frame	56
3.3.1.3	The Sample Size.....	57
3.3.1.4	The Limitations to the Research Method	57
3.3.1.5	Pre-Test Questionnaire (Pilot Survey)	58
3.3.2	Interviews/Valuation examples	58
3.3.2.1	The Sample Population.....	59
3.3.2.2	The Sample Frame	59

3.3.2.3 The Sample Size.....	59
3.3.2.4 The Limitations to the Research Method	59
4. RESEARCH FINDINGS.....	60
4.1 Survey Questionnaire.....	61
4.2 In-Depth Interviews	77
4.2.1 Respondent A.....	79
4.2.2 Respondent B.....	82
4.2.3 Respondent C.....	84
4.2.4 Respondent D.....	85
4.2.5 Respondent E	86
4.3 Summary Discussion	89
5. CONCLUSIONS AND RECOMMENDATIONS	94
5.1 Future Research Needed.....	98
REFERENCES	99
APPENDIX A: Survey Questionnaire	102
APPENDIX B: Research Ethics Clearance.....	103

LIST OF TABLES

	PAGE
4.1 Gender of Respondents.....	61
4.2 Size of Valuation Company.....	62
4.3 Multiple Valuations Reducing Variance.....	64
4.4 Range of Variance in Valuation Outcomes.....	65
4.5 Valuation Revision after Client Interaction.....	67
4.6 Declining Valuation Fees.....	69
4.7 Knowledgeable Clients Influencing Processes.....	70
4.8 Client Withholding Vital Information – Influence	70
4.9 Size of Client and Influence on Valuation Procedures	71
4.10 Client Request for Valuer to Submit a Draft Valuation	72
4.11 Vital Information Provided at Draft Valuation Discussion.....	73

LIST OF FIGURES

2.1 The Normative Model.....	24
2.2 The Descriptive Model.....	25
3.1 Structuring Continuum.....	42
3.2 The Survey Process.....	48
4.1 Valuers’ Main Client Types.....	63
4.2 Reasons for Variance in Valuation of Same Property.....	66
4.3 Client Influence on Valuation Procedures.....	68
4.4 Reasons Valuers Might Succumb to Outside Influences.....	74
4.5 Consequences of Valuers Adjusting Outcomes after Client Interaction.....	75

CHAPTER 1: INTRODUCTION

The property valuation profession, or appraisal profession as it is known in some countries, has been around for about three hundred years (Miller & Markosyan, 2003). However, it only started to take on a more structured form from about 1902. It is the consistent contributions by various industry professionals that have changed and moulded the valuation profession into what it is today (Miller & Markosyan, 2003). Valuation techniques and methods are widely used by professional valuers around the world to establish value of properties, both immovable and movable. The techniques, methods and standards used by different countries and regions are usually set out by local valuation councils and authorities as a guideline for valuers to carry out their day-to-day business in a consistent way. The practices and methods of carrying out valuations differ from region to region and country to country (Havard, 2001). Accordingly, valuation professionals constantly battle to find a consistency in conducting valuations, and ultimately a variance in the result or outcome of their valuation exists (Havard, 2001).

Inconsistency in valuation outcomes is a discussion all on its own, and has grounds for further research. This research project, however, will focus on the particular variables that affect the valuation process and drive this inconsistency.

Valuers constantly find themselves under pressure from outside influences. Banks, for example, might incentivise a valuation professional to provide more favourable real estate values to influence their lending criteria and in this way increase profits (Gwin & Maxam, 2002). This practice can clearly have an impact on the various valuation disciplines around the world and the credibility that valuers should enjoy. After evaluating prior research in line with this particular issue, it is clear that an influence on global property valuation results exists. A need for an understanding of the extent of influence in a South African context is not really known and could be explored further. In attempting to understand the effects that variable influences have on valuers, an understanding as to the behaviour of valuers as members of the valuation profession could also be addressed.

1.1 BACKGROUND TO THE STUDY

Havard (2001) identifies two key areas of research in his studies. These areas are the accuracy of valuations undertaken in the commercial real estate sector, and the behaviour of real estate professionals and valuers within the sector. His key focus is specific to the UK real estate industry; however, similarities do exist in various other countries, as can be seen in research conducted by Gwin and Maxam (2002). Significantly, Gwin and Maxam's (2002) key focus is on reliability in valuation results and how the behaviour of valuers influences high levels of variance in end values. According to Havard (2001), there is insufficient research provided to explain inaccuracy in valuation results, either locally or abroad. Variance in valuation results is mentioned throughout research articles, but very little research has been done to support these claims.

Although this research paper will be looking into the actual effects that clients have on valuers, an understanding of the differences in valuation results and techniques between different valuers must be taken into consideration. This forms the broad understanding that influences do exist and that the actual clients are one of these influences or variables. Havard (2001) addresses the topic of variance in valuation results by looking into the way that valuers familiarise themselves with key knowledge relevant to a specific valuation requirement. He looks into a study, which measures how the understanding of local knowledge would affect the values that a group of valuers would produce (Havard, 2001). The study found that there is a direct correlation between the level of local knowledge of each individual valuer and the spread of different outcomes produced by each.

A common theme that Havard (2001) identifies is the lack, by valuers, of the use of pertinent and accurate information to arrive at a credible and accurate property value. Individual valuers use inconsistent information to carry out the necessary tasks to arrive at their resulting valuation of a property. More accurately, individual valuers do not use a uniform set of information to arrive at a value. Havard (2001) believes that, should a standardised information set be made available to a group of valuers, the resulting valuation would be more identical. This could clearly indicate that valuer behaviour plays an important role in the context of property valuation as a discipline.

He goes on to explain that valuation techniques and results are similar when valuers are in familiar locations.

Importantly, what could be taken from Havard's (2001) research is that differences in valuation results are not driven purely by individual lack of information or the individual valuers' behaviour. They can also be attributed to a simple common misinterpretation or an influence of personal opinion. An example that Havard (2001) uses is a valuation of an investment property. The professional valuers placed their opinions on certain issues, namely core and interior finishes, and the influence on natural light and how this would affect rental levels that the building would generate. The variance in the emphasis that each individual valuer placed on this particular feature produced slightly differing end results in the property's value. These "cosmetic" opinions clearly influenced the valuers' behaviour, and it can be seen that personal opinions could play a role in valuation variance.

In combining valuer behaviour with methods, techniques and standards practised in a global arena, one can see that differences in valuation results exist. Diaz (Diaz, Gallimore, & Levy, 2002) addresses research into how valuation influences differ in certain countries. Research posed in the study addresses valuation behaviour in certain countries and to what extent the behaviour exists. It goes on to pose the question of just how much the location, technique and methods influence the difference from country to country. Diaz et al. (2002) go on to research the hypothesis of how professional valuers can change their focus and adapt to certain techniques outside of their standard practice in property valuations when confronted with a unique valuation challenge.

Moreover, research that Diaz et al. (2002) conduct challenges research mentioned earlier on in this proposal. It challenges how professional valuers adjust to their situation and adopt foreign techniques and, in this way, are not influenced by location variables. The key issue to note here is that a difference in valuation results between professional property valuers does exist and can be attributed to certain outside influences. Various research studies, which will be explored in the literature review that follows, have been conducted and papers written delving into the fact

that property valuation results differ when certain variables are attached. Research has also been done on a global front on this topic and has been developed further into how this impacts property valuation as a whole. The actual influence that specific variables such as location of the property, differences in opinion by different valuers, lack of information or errors in valuation methods have on the outcome of certain valuation practices has not been researched in detail.

Another prominent variable in the valuation process is the client's or property owner's influence on the end result. The literature review that follows in the next chapter will detail research that has touched on this particular topic in some countries; however, no research has been done in this area within a South African context.

1.2 PROBLEM STATEMENT

Property valuation is an industry constantly striving for consistency, and for levels of low variance and high accuracy. Many variables affecting variance and accuracy exist and have been studied internationally. Valuation accuracy is needed as a constant throughout the global valuation industry, but is affected by the way that valuers are influenced. The relationship between the property valuer and the client as a way of influencing values has caused significant global interest, and these influences on valuers by clients have been researched. Ethical considerations towards valuation practice and the accuracy in valuation outcomes resulting from these ethical considerations have been studied internationally. This study will address the existence of client influence on valuer behaviour in South Africa as well as the nature of this influence.

The valuation industry in South Africa, as in the rest of the world, is built on ethical behaviour and credibility. When these values are breached, the consequences can be detrimental to the industry, negatively influencing the industry and the intention to achieve accuracy among valuers. Research into client influence on valuer behaviour has not yet been conducted in South Africa and has to be undertaken. The nature, prevalence and consequences of such influences are yet to be established. Through a quantitative methodology of survey questionnaires and

follow-up unstructured interviews, this study will address client influence on valuer behaviour in South Africa, what the variables of these influences are and the prevalence of such influences.

1.3 RESEARCH QUESTION

The main research question will be what guides the research process:

1.3.1 Does client influence on valuer behaviour exist in South Africa?

Secondary research questions include:

1.3.2 What is the nature of the clients' influences on valuer behaviour in South Africa?

1.3.3 Is there significant prevalence of client influence on valuers in South Africa?

1.3.4 What are the consequences of value adjustments to valuers' results after client interaction?

1.4 RESEARCH AIM

The aim of the research is to establish the existence of influence that clients in South Africa have on property valuation professionals, the prevalence of this influence and the consequences thereof.

1.5 RESEARCH PROPOSITION

The effect by clients on valuers is widespread in the South African property valuation industry, and can have a detrimental effect on the credibility of valuations and the valuation industry.

1.6 OBJECTIVES OF THE RESEARCH

The objectives are:

- 1.6.1 To establish the presence and prevalence of influence that clients have on real estate valuers on a global level by reviewing the literature.
- 1.6.2 To establish client influence on valuer behaviour in South Africa:
 - I. The Nature;
 - II. Prevalence;
 - III. Consequences thereof.

1.7 PROPOSED METHOD OF RESEARCH

The objectives above will be achieved by using the following quantitative and qualitative research methods:

- 1.7.1 A detailed literature review of a number of journals pertaining to this research topic on a global level. An understanding of the international academic studies undertaken to establish a background into the possible prevalence of client influence on valuers in South Africa.
- 1.7.2 A survey questionnaire targeted at the property valuers registered with the South African Institute of Valuers.

- 1.7.3 Follow-up unstructured interviews with leading valuation firms and individual valuers in South Africa to support and elaborate on the findings of the survey questionnaire.

1.8 LIMITATIONS TO THE RESEARCH

Limitations to the research include:

- 1.8.1 Difficulty may be experienced in gaining the database of email addresses of valuers registered with the South African Institute of Valuers. The Institute might put up resistance because of privacy issues with members.
- 1.8.2 When sending out the survey to the database (once received) of registered property valuers in South Africa, the response rate might be minimal. The researcher feels, however, that this topic will be of interest to the valuers and the industry, which could result in a broad response pertinent to this study.
- 1.8.3 The surveys will be sent out at once, but there might be a problem in the response timing for this study.
- 1.8.4 Time constraints could be problematic in the interview process as professionals might not be available for interviews.

1.9 STRUCTURE OF THE RESEARCH REPORT

This research report will consist of five chapters, including:

Chapter 1: Introduction – In this chapter, a brief outline of the research topic will be addressed. This outline will consist of a very brief preliminary literature review aimed at addressing the pertinent and relevant research in line with the research

topic. This review will be used to outline the statements above, including the Research Problem Statement, the Research Question, the Research Aim, the Research Proposition and the Objectives of the Research. Following these will be a mention of how the research will be conducted and the methods to be used as well as the limitations to these methods.

Chapter 2: Literature review – In this chapter, a thorough literature review will address property valuations globally. The readings will attempt to uncover research done on the influence of valuers and valuer behaviour on an international level. This literature should form a base of understanding into how this issue would be prevalent in a South African context.

Chapter 3: Methodology – This chapter aims to address and describe the research methodology, design and strategy used to uncover the research question and problem presented. The procedures and framework used to elaborate and qualify the research question will be addressed. This chapter will be used to describe the ways in which the researcher planned and executed data extraction from a sample population to gain the answers to the research question and problem.

Chapter 4: Research findings – In this chapter there will be an analysis of the results of the survey questionnaires as well as an analysis of in-depth interviews conducted to support the survey. Here the researcher will analyse data collected through both the survey and in-depth interviews including a discussion regarding the research findings in relation to the research questions and objectives presented in Chapter 1.

Chapter 5: Conclusions and recommendations – In this chapter, a conclusion to the research report will be brought together. There will be discussions as to the extent to which further research on the topic could be pursued and recommendations going forward. A full list of references will follow immediately after the conclusion,

together with an appendix detailing all the relevant survey questions and an actual example of same.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION TO THE LITERATURE

Property valuation – and the intricacies involved in the profession – is a topic of research and interest widely published throughout the academic world. Certain aspects of the property valuation industry are extensively researched, and academics have made various efforts to thoroughly uncover those particular aspects. Behavioural and ethical habits and processes displayed by valuation professionals are an aspect of the industry covered by wide-ranging documentation on a global scale, especially in many developed countries. Several emerging markets have also carried out extensive research on this topic, due to their need to expand and solidify their credibility within their particular valuation bodies (Babawale & Ajayi, 2011).

In many cases, international research on ethical and behavioural traits displayed by property valuation professionals goes even further to uncover how clients affect values brought forward by the professionals. Extensive research on this topic has been carried out in many countries as professionals attempt to ascertain how this will affect their particular industries. The South African property valuation industry is an industry with very little reference to research pertaining to valuer behaviour and ethics.

The literature review that follows will not go into detail about the methods of valuations, or the ways in which valuers establish property or portfolio values. The literature will cover a background into the global valuation industry, the purpose of valuation as a profession, the existence of variance in property valuations, the presence of behavioural and ethical valuer decisions, and the ways in which clients influence or affect professional valuers decision-making and their end results. Types of influence, the possible reasons for influence and the consequences thereof will also be addressed as part of the literature. A discussion into the prevalence of ethics and behavioural issues in a South African context will be discussed and the lack of research into this particular case will be addressed. The literature addressed in this review will cover a significant spread of studies worldwide from the last 15 years, as a substantial amount of research has been carried out on a global level, but very little in South Africa.

2.2 THE PROFESSION

Property valuation is a profession defined by the valuation industry in many ways. The objective of valuations is to provide an estimate of open-market value of a property (Gallimore & Wolverton, 2011). Further definitions go on to say that property valuation is a means to establish price under uncertainty (Meszek, 2013). According to Parker (Parker, 1998), Baum et al. (2000) define valuation as:

“An estimate or prediction of the most likely selling price; distinguishable from worth, which is specific to an individual given its subjective estimates of factors relevant to that individual.”

Value is a fairly loose term, and reaching an accurate resultant value of a property is what professional valuers ultimately strive to achieve. Market value of a property is defined by the International Valuation Standards committee as (Babawale & Omirin, 2011:13):

“...the estimated amount (price) for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

Property valuation professionals and the industry itself play an integral role in any property market by establishing a means to create values and prices for transactions in property (Baum et al., 2000). Because of the nature of property transactions and the low turnover rate or sales of this asset class, very little comparative data is usually available – and this is where valuers play a vital role in establishing values. Various methods of valuation are used and, in most cases, the basis for new valuations is actually a previous valuation of the same property (ibid). Valuations contribute to the fundamental decision-making principles of investors, banks and financiers as well as private individuals (Crosby et al., 2010). The industry influences markets, which in turn affect the way that sectors of national economies function (Lorenz & Lützkendorf, 2008).

Valuation in property also plays an important role in the decision-making of companies, with the results used in their balance sheets and to establish strategies for the companies' future (Babawale & Ajayi, 2011). Banks use valuations to determine a value of an underlying asset, which will be used as the basis for providing loans to an individual or entity purchasing that asset (Babawale & Ajayi, 2011). Valuations are used to establish the values of portfolios, whereby shareholders' interests are measured. Pension funds are dependent on accurate valuations to establish the underlying values of the assets in their portfolios. Countries and their economies are dependent on valuations, which play an important role in their banking systems (Babawale & Ajayi, 2011).

2.3 CONCEPTUAL FRAMEWORK

2.3.1 Accuracy and Variance

As a precursor and introduction to the discussion on valuation accuracy and variance, it is important to establish an understanding of the differences between the two terms and how these terms essentially relate to the valuation industry. Waldy (as cited in Parker, 1988:4) defines accuracy, and in particular valuation accuracy, as:

“...restricted to the question of valuation versus market price, i.e. how close a valuation is to the market price...”

Accuracy is further explained in a more elaborate definition by Crosby (2000:131) as:

“...the ability of a valuation to correctly identify the target. If the valuation basis is market value, this is the ability of the valuer to identify the sale price of the property (or rent on letting if market rental value). In accuracy studies this target is usually taken as a subsequent sales price transacted in the market place.”

Variance, although closely related to accuracy in a valuation context, takes on a slightly different meaning, and Waldy (as cited in Parker, 1988:4) defines variance as:

“...the difference between valuations arising from different valuers working with similar property interests and similar data.”

Crosby (2000:131) explains and defines variance in valuation as:

“...the ability of two or more valuers to produce the same valuation on the same basis at the same time. Variation is, therefore, measured as this difference.”

2.3.2 Relevance of Accuracy and Variance

The accuracy of valuation procedures and practices is vital in global economies. Developed countries such as the United Kingdom, Australia and the United States of America are seen to have stable and reliable valuation industries, reflecting fairly accurate valuation results on a consistent basis (Crosby, 2000). Emerging economies such as Nigeria are looking for this consistency in their valuation results, which would ultimately contribute towards streamlining global business relationships; a reality and more prevalent in today's growing business world (Crosby, 2000). In a study carried out to establish valuation results of a residential development in Lagos, Nigeria (Babawale & Ajayi, 2011), it was found that significant inaccuracies in valuation results were prevalent – a reflection of the country's call for accuracy in its industry (Babawale & Ajayi, 2011).

Although developed countries are seen to have more consistent valuation industries than emerging nations, the competitive nature of their industries is resulting in even more demands for accurate value results from clients (Parker, 1998). Valuation professionals and the valuation industries around the world constantly work towards a medium of establishing good practices and standards in an attempt to solidify credibility in a profession constantly seeking to eliminate uncertainty (Meszek, 2013). The industry is guided by strict rules and regulations, with guidelines coming from manuals, such as the Royal Institute of Chartered Surveyors' (RICS) *Appraisal and Valuation Manual* or, as it is more commonly known among industry professionals, the Red Book (Baum et al., 2000). The bases for these guidelines are to establish a consistency between valuer practices and their valuation results (Baum et al., 2000). Industry guidelines such as the Red Book are seen as strategies to combat inconsistencies in valuation results. The aim is to have different valuation professionals producing accurate and similar results if the same property is valued at the same time in the same market conditions (Baum et al., 2000).

Havard (2001) has conducted extensive research into the topic of valuer behaviour and valuation results in the United Kingdom. He, too, considers the Red Book as one of the guidelines of practices and standards needed by the valuation industry to control variance in results. Despite

this, Havard (2001:1) finds that valuations in commercial property produce high levels of variance in results. He defines variance as:

“...a theoretical measure used to indicate the reliability of valuations, expressed as the distribution of valuations around the mean or median valuation that would result if a number of valuers valued the same property interest simultaneously.”

Uncertainty in valuation results is a common theme from country to country, and the prevalence of such inaccuracies is, in many instances, seen as normal (Babawale & Omirin, 2011). Furthermore, variance in valuation results is considered by many to be part of the property valuation profession. In addition, the courts, valuation professionals and academics feel that a level of inaccuracy is inevitable because of the complexities of information, techniques and personal local knowledge. The Royal Institute of Chartered Surveyors (as cited in Babawale & Omirin, 2011:12) has once gone as far as to remark that:

“The valuer and the most informed users of valuation recognise that there will be a degree of uncertainty attached to the figure provided.”

Further to this, in a court case, *Singer and Friedlander Ltd vs. John D Wood & Co* (Babawale & Omirin, 2011), the judge said that valuation is an art, not a science, and that pinpoint accuracy in the result is therefore not to be expected by those who request it.

It has been surmised that an accurate and true valuation will more than likely not be achieved should a single valuation be conducted by a single valuer (Havard, 2001). Accuracy is more likely to be achieved if a number of valuers carry out a single valuation, essentially reducing the variance in results (ibid). Valuations of multiple valuers for the same property are usually only carried out in cases where there has been negligence reported and courts have issued an investigation to establish more accurate results (Havard, 2001). For this reason, Havard (2001) finds that individual valuations cannot be seen as accurate and reliable, and that a high level of variance will be present in comparison to multiple valuations carried out on the same property. He goes on to state that this unreliability of valuation results, due to the variance present, causes

doubt in the valuation industry and affects the credibility of the profession as a whole (ibid). Consequences such as this will be addressed in more detail later in this review.

Standardisation and guidelines for valuation techniques and practices have been established in an attempt to circumvent drastic valuation variance in many, if not all, global property markets and industries. According to the *11th World Wealth Report* (Babawale & Ajayi, 2011), the world's wealth was estimated at around US\$48-trillion at the time, and the real-estate portion of this wealth equated to about half of that figure. It can therefore be seen that, without sound property valuation principles and end results, international and local markets could be affected quite substantially (Babawale & Ajayi, 2011)). Given this discovery and the seriousness of errors that could prevail in property market values, academics and professional associations have taken a strong interest in valuation variance and its prevalence (Babawale & Ajayi, 2011).

Research into the level of variance in valuation results present in any given property market has been a focus for many academics and industry professionals (Havard, 2001). Globally, both the residential and commercial property valuation industries have demonstrated levels of variance in results (Havard, 2001). The amount, or range, of this variance has also been ground for further research, with numbers of 10% to 22% from the market value, or accurate valuation, reported in many cases (Havard, 2001). Many influences and reasons for this variance are seen to exist and have been the grounds for extensive research (Havard, 2001). Behavioural and ethical aspects of the valuers themselves, lack of skills sets and knowledge within the profession, and the credibility of the industry itself have been cited. The actual influence the client has on valuer behaviour has sparked interest, and this will be addressed later in this review.

With valuation variance being of substantial interest to scholars and professionals around the world, it can be seen clearly how concerning and real the issue has become (Baum et al., 2000). In many countries, this variance and its prevalence have sparked the interest for further research. Substantial research into this topic has been conducted in nations such as the United Kingdom (UK) and also the United States of America (USA). Smaller and emerging markets have taken a definite interest in this research, too, as their respective property markets developed. In a recent

study – following on previous research on the topic – of the residential property market in Lagos, Nigeria (Babawale & Ajayi, 2011), a larger catchment and sample was used to determine the inaccuracies present in the Nigerian residential market. The study found that, of the 250 valuers used in the sample, every one of them felt the acceptable range for the transaction prices in relation to their valuation should be approximately 20% (ibid). This is fairly substantial. It shows the range or variance of what is an acceptable level of inaccuracy in the Nigerian residential valuation industry. The effect of this inaccuracy could have a serious impact on values and an impact on the Nigerian economy (Babawale & Ajayi, 2011).

Many northern hemisphere nations, in addition to the UK and USA, have seen extensive research in their particular valuation industries too, validating the presence of possible inaccuracies in results (Parker, 1998). Most southern hemisphere nations, such as Australia, seemed to be lagging behind in their interest on the topic. At the time of Parker’s research (Parker, 1998), very little investigation had been conducted in Australia. Levels of valuation inaccuracies were known to be present, but academics had not yet shown substantial interest in determining these levels or their effects (Parker, 1998). Parker’s (1998) research established, however, that inaccuracy in valuation results was found. Interestingly, the levels of inaccuracy and the acceptance thereof were not an area of major focus (Parker, 1998). Substantial interest was shown in professional valuers’ negligence and the cause of inaccurate valuations, but not in what the effects would be on the user of the valuation results – the client (Parker, 1998).

Today in Australia, however, academics and industry professionals alike have taken a significant amount of interest in the topic of valuation variance in their industry (Parker, 1998). Research has been carried out in an attempt to uncover the level of accuracy, or variance to this, and what effect this behaviour would have on the markets (Parker, 1998). The spread of variance of valuation results is now not only seen as a possibility, but actually accepted as a norm (Blake & Eves, 2011). Coast (Blake & Eves, 2011) mentions professional valuers’ duty and that they cannot be seen to be “in breach” (Blake & Eves, 2011) of their duty when producing variance in values for properties. He makes reference to a case, *Baxter vs. FW Gapp & Co Ltd*, when the following statement was made (Blake & Eves, 2011:5):

“We are all liable to make mistakes, and a valuer is certainly not to be found guilty of negligence merely because his valuation turns out to be wrong. He may have taken too optimistic or too pessimistic a view of a particular property. One has to bear in mind that, in matters of valuation, matters of opinion must come very largely into account.”

He goes on to mention another case where this viewpoint is validated. In *Greaves & Co (Contractors) Ltd vs. Baynham Meikle & Partners*, a Lord Denning MR made the comment (ibid):

“Apply this to the employment of a professional man. The law does not usually imply a warranty that he will achieve the desired result, but only a term that he will use reasonable care and skill. The surgeon does not warrant that he will cure the patient. Nor does the solicitor warrant that he will win the case.”

It can be seen that significant interest and research exists around the world with regards to inaccuracies of property valuation results. However, accuracies in property valuations are a reality in some instances. Spanish valuers have, according to research conducted in their housing market (McGreal et al., 2013), displayed a level of consistency in results boding well for their industry. The research finds that a level of consistency prevails, and that the variance in valuation results (McGreal et al., 2013) is minimal in comparison to global market variance discussed. Spanish property valuations are based on (and compared with) the listing price in the marketplace and not what the end-selling price is (McGreal et al., 2013); this is the other way around in most other global property markets. The USA displays a similar strategy, which makes for more consistent valuations (McGreal et al., 2010) in its residential industry. This perceived level of consistency displayed by property valuers is seen to play a significant part in the global financial crisis of 2008 (Baker, 2008). The roles that valuers played in this example will be addressed later in this review.

Variance in valuation results has been discussed in some detail, illustrating the presence thereof and the amount of interest shown in this matter internationally. The prevalence of variance, however, could be construed as a by-product of various external influences in the valuation

process. What follows is a review of literature on these external influences on valuers and, in particular, on the influence that clients have on the behaviour of valuation professionals.

2.4 THEORETICAL FRAMEWORK

2.4.1 Behaviour

The ways in which property valuations are carried out are not always consistent and differ from country to country (Diaz et al., 2002). The methods that are used might have a general uniformity or structure as a guideline, but the actual behaviour of the valuers carrying out the valuations might differ slightly (Diaz et al., 2002). There has been a substantial amount of research conducted on valuer behaviour on a global scale (Diaz et al., 2002). Research into valuers' behaviour, in particular residential valuers' behaviour, in nations including the USA, the UK and New Zealand (Diaz et al., 2002), reveals, partly, that behavioural differences do exist. Various potential causes of these differences in valuer behaviour exist and will be addressed in the next paragraphs.

Familiarity – or lack thereof – with the location where the valuation is being carried out could cause differences in valuer behaviour (Diaz et al., 2002). Valuers exposed to an unfamiliar setting display an inclination to reach a rushed valuation result and also display an uncertainty towards reference points, which they normally would use in familiar settings (Diaz et al., 2002). In Havard's (2001) research on valuer behaviour, he finds that knowledge of a certain area or market, or the fact that a valuer is working outside of their normal location, contributes towards a variance in valuation results. This variance decreases when valuers expose themselves to familiar locations or markets. One of the main findings of his research was that (Havard, 2001):

“Higher levels of variance can be seen in practice to be associated with situations in which valuers are working with low levels of domain-specific experience of the location.”

Havard (2001) argues therefore that a valuer drawn from a certain location, who is used to carrying out the valuation process of a property located in that particular area, would produce a valuation result different to a valuer coming from another area. His studies show that location affects valuer behaviour and the results drawn from particular valuations.

Interestingly, though, research into behavioural influences in valuation results carried out in NZ, the USA and the UK (Diaz et al., 2002) finds that location does not carry any substantial weight in the argument of varying valuer behaviour. The research concludes, however, that the findings are based on the residential valuation process in these particular countries, and that further research into the commercial settings needs to be carried out to ascertain possible behavioural changes (Diaz et al., 2002).

In another study (Mcgreal et al., 2013), with a focus on the Spanish residential markets, behavioural aspects portrayed by valuation professionals are affected by locational influences. The study found that the results of valuations in the Spanish property market were consistent with high levels of accuracy, and the inaccuracies that did surface appeared to be present due to valuations carried out in different locations (ibid). A range of 15% from the mean in these areas sparked interest for further study into location as a reason for behavioural influences (ibid). These behavioural “shifts” by valuation professionals illustrated the perception of location as an influence in decision-making.

Accurate information and its availability play an integral role in the tools a professional valuer needs to carry out accurate valuations (Havard, 2001). Havard (ibid) discusses information as crucial in the process of determining property values. Variance in valuation results is significantly impacted by the fact that different valuers are provided with different information for the same properties being valued (ibid). According to Brown (as cited in Havard, 2001:2):

“The principal issue in valuation accuracy is standardising the information set to ensure that all valuers are equally informed. Valuations are a function of information. The better the information set, the better the valuation. If a group of valuers each have a different view of the market, then the distribution of valuations would have a wider variance than those that are based on similar information... The spread of valuations will depend upon the completeness of the information set. In fact, it is the difference in interpretation of the information that leads to possible transactions.”

A professional valuer's knowledge of a location specific to the property being valued might be limited, which could contribute to the valuer basing his/her valuation methods on previous valuations carried out for that specific property (Levy & Schuck, 1999). This internal influence is seen to affect the valuer's confidence (Levy & Schuck, 1999). Geltner (as cited in Levy & Schuck, 1999) mentions this lack of confidence in an example of a valuation request for a property portfolio by a portfolio manager. The valuer, displaying a lack of confidence, may turn to previous valuations carried out on the property portfolio, and use the information and values previously accepted by the portfolio manager (Levy & Schuck, 1999). It can then be seen that, with a valuation carried out in this manner, a lack of confidence displayed by the valuer influences end results in the valuation, which in turn could be seen to bring into question the accuracy of the result (Levy & Schuck, 1999). Quan and Quigley (as cited in Levy & Schuck, 1999) go against this assessment by arguing that valuations based on previous results are to be seen as the best way of determining value, should the valuer not be able to gather enough accurate information about the property.

Property market conditions have also been recognised as a contributing influence affecting valuer behaviour (Havard, 2001). Valuers might arrive at a certain valuation result of a property during a given time period, during which the particular market is trading in a certain way. A different valuer or valuation firm might then be used and arrive at a different valuation result by addressing alternative market conditions that drive value. An example of a case where this influence was present can be seen in the commercial valuation case of *Nyckeln Finance Co Ltd vs. Shiprock Continuation Ltd* 33 (as cited in Havard, 2001). An office building in London was valued at £30.5-million by a valuation firm and this price was agreed upon, in principle, by the bank that was to provide the loan for the purchase based on the valuation carried out. At the time, the market where the property was located was performing well, and high levels of rental and capital growth were present. The bank then called for two additional valuation firms to conduct a valuation of the same property before commissioning the value for the loan. The two resulting valuations ranged between £21-million and £23-million, which differed significantly from the value of £30.5-million initially presented (Havard, 2001). This, according to Harvard (2001), illustrates the level of variance and its presence in a property valuation of the same property

given certain market conditions, and the perceived importance of market knowledge by different valuers. The decisions made by specific valuers as to the information they choose to use to carry out their function affect the end values of the same property (ibid). These decisions, consciously or subconsciously, could be reflected in part by valuer ethics. Ethics as an influence of client behaviour will be addressed in the paragraphs that follow.

2.4.2 Behaviour and Ethics

Ethical mind-sets and guidelines to ethical behaviour form an important part of valuer behaviour. Certain guidelines are set out by professional organisations to illustrate and reinforce ethical behaviour carried out by industry professionals. Professional valuation institutes around the world have similar objectives in place in respect of ethical practices. Some examples of these include the New Zealand Code of Ethics (NZIV, 1996), which stipulates in part that:

“The first duty of each and every member is to render service to the member’s client or the member’s employer with absolute fidelity, and to practise their profession with devotion to high ideals of integrity, honour and courtesy, loyalty to the Institute, and in a spirit of fairness and goodwill to fellow members, employees and subordinates.”

The Australian Property Institute (API) (API, 2012) carries a code of conduct which states the following:

“Members must carry out their professional duties ethically, with honesty, competence, and in good faith, without personal bias, and in a manner which upholds the values and reputation of the property and valuation profession.”

Although no research on the behavioural aspects of valuers in a South African context has been carried out, the South African Institute of Valuers Constitution (SAIV, 2009:2) undertakes to:

“...establish a code of professional conduct and ethics for Members, and to take disciplinary action against defaulting Members.”

RICS (RICS, 2013) further illustrates the importance of professional ethics on a general basis by stating the following:

“Professional ethics are important because they act as an anchor to appropriate behaviours. They ensure consistency and clarity irrespective of changing factors such as the state of the economy or business practices in different marketplaces. For our members this means doing the best for your client, but in doing so recognising and respecting the wider public interest.”

The above references and stipulations are set out by various countries and organisations to establish valuation ideals and ethical best practices. Although meant to assist and promote ethics in the profession, they are only external guidelines for the professionals themselves. Ethical behaviour is a human behavioural trait that would need to come from the professional valuers themselves. This internal ethical consideration will be a part of the discussion in relation to the influence that clients have on valuer behaviour – an integral part of this review and the basis of this investigation.

Other influences, according to Havard (2001), seen to be contributing factors that affect valuer behaviour include errors in information of the property presented, differences in opinion by the different valuers carrying out the same property valuation, insufficient detail of the investigation carried out by the valuer, errors in standard valuation procedures, differences in results due to differing methodologies used by valuers, and the actual client pressure on the valuers themselves.

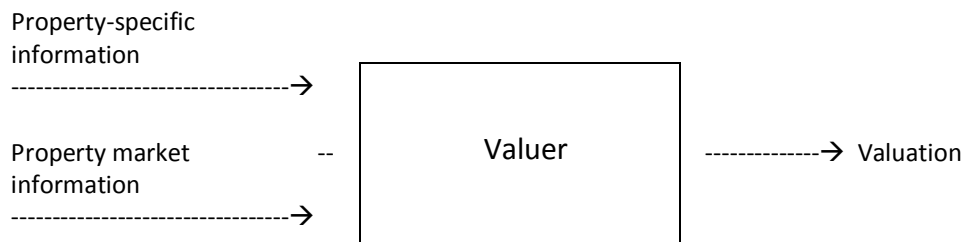
Client pressure and the level of influence the client has on valuer behaviour have been subject to research by academics around the world. The following paragraphs will address literature specific to this particular influence on valuer behaviour and the level of prevalence this has in the valuation profession.

2.5 CLIENT INFLUENCE

As discussed throughout this review, substantial research has been conducted to illustrate the presence of property valuation inaccuracies and variance from accurate outcomes. The fluctuations in end results produced by valuation professionals because of external and internal influences on their behaviour have also been the basis of significant research in many countries. One of the major influences, according to research on valuer behaviour (Levy & Schuck, 1999), is the actual influence of the client requesting the property valuation. Limited research and the resulting evidence show client influence as a significant source of adjusted valuer behaviour and, ultimately, the level of valuation variance in property values presented (Levy & Schuck, 1999). There is, however, no research into this type of influence in a South African context, and this will be discussed and developed throughout this thesis.

A professional property valuer is used to determine the open-market value of a property or a portfolio of properties, as defined earlier in this chapter. The methods used to determine these values might differ slightly from valuer to valuer, but the uniformity or all-encompassing framework of valuation methods remains similar (Levy & Schuck, 1999). Levy & Schuck (1999) address the process of valuation by referring to a “normative model”, depicted in Figure 2.1 below.

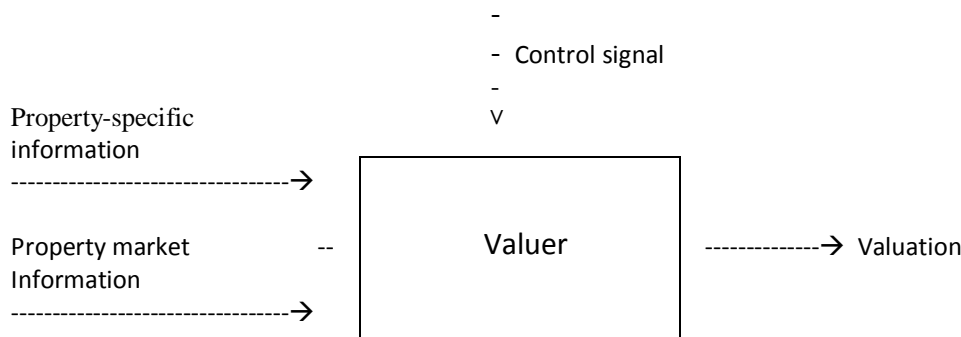
Figure 2.1 The Normative Model (Levy & Schuck, 1999)



The normative model indicates that the valuer uses information pertaining to the property in question and filters this information through the process, along with previous valuation results carried out on the same property, to get to an end value and result. This normative model, describing the valuation process, assumes that the valuer’s behaviour is not affected and that he/she acts in an objective and “normal” manner to achieve an end result or property value (Levy & Schuck, 1999).

The substantial research into outside influences on valuer behaviour, discussed earlier in this review, refers to various influences that affect professional valuers’ value outcomes on a specific property. These external influences form part of what Levy & Schuck (1999) refer to as a “control signal”. This control signal element is added to the normative model depicted in Figure 2.1 as an external influence to the valuation process. Once added, these external influences affect the processes and the procedures performed by the valuer, resulting in what Levy & Schuck (1999) then refer to as a “descriptive model”. This model is illustrated in Figure 2.2 below.

Figure 2.2 The Descriptive Model (Levy & Schuck, 1999)



The clients themselves are a significant contributor to the external influences affecting valuer behaviour, although not much is known about the extent of this influence (Levy & Schuck, 2005). The actual reason for the property valuation being carried out is largely due to the client, because the client is the source requesting the service of the valuer. The client then forms a part of the external influences exerted on the property valuer and ultimately on the valuer’s end result in the property valuation being carried out.

The client takes the form of a number of entities. Some of these entities include, but are not limited to, banks, financial institutions, property fund managers, retirement fund managers, asset managers and private individuals.

2.5.1 Forms of Client Influence

There are several ways in which clients affect the behaviour of the professional property valuer (Levy & Schuck, 1999). The influential capabilities of clients are referred to by Levy and Schuck (ibid) as “powers”. Accordingly (ibid), these powers are used by clients to influence the behaviour of valuers and to affect the results of the valuations requested by the clients. The types of influence or power used by the clients are reward power, coercive power, expert power and information power (ibid).

Reward power and coercive power, as described by Kohli (as cited in Levy & Schuck, 1999), are both incentive-driven powers with varying focus. Kohli (as cited in Levy & Schuck, 1999:384) defines reward power as:

“...an individual’s ability to provide material and nonmaterial rewards to other individuals.”

Kohli (as cited in Levy & Schuck, 1999:384) then goes on to define coercive power as:

“...an individual’s ability to provide material and nonmaterial punishments to others.”

These powers are used by clients to influence the outcomes of the property valuations being carried out for them. They attempt to influence the outcomes or results of the valuation in a way that is beneficial to them and their assets (Levy & Schuck, 1999).

Rushmore (as cited in Levy & Schuck, 1999) mentions the prevalence of influence in the valuation industry. Clients intimidate the valuer carrying out the valuation by threatening to seek the services of alternative valuers, should they not make the necessary adjustments to their valuations. In this way they threaten to employ the services of a number of property valuers until they find one that provides them with the valuation they are looking for (Levy & Schuck, 1999). Threatening tactics are also used and, according to research cited in additional literature on this topic (as cited in Levy & Schuck, 1999), include:

“...the promise of more work, a decrease in the number of assignments, the addition to an approved valuer list, the threat of court action, the refusal to pay the fee, monetary incentives and the loss of a contract.”

Kohli (as cited by Levy & Schuck, 1999:384) describes expert power as:

“...the extent to which others perceive an individual as being knowledgeable about relevant issues.”

Little research has been done to determine the prevalence of expert power being used by clients in the property valuation industry (Levy & Schuck, 1999). However, Kohli (Levy & Schuck, 1999) uses the example of expert power existing in the auditing profession, and that similar characteristics of this influence can be portrayed in a property valuation context. Influential clients who are perceived to be knowledgeable in the property valuation process could portray and enforce this expert power on valuers and in this way influence the valuation result (Levy & Schuck, 1999).

Kohli (as cited in Levy & Schuck, 1999:385) describes information power as:

“...an individual’s access and control of information.”

This form of power and influence that a client has over a property valuer could be significant, as the information needed for an accurate valuation needs to be available to the valuer (Levy & Schuck, 1999). Should the client have vital information pertaining to the particular property and choose to withhold it to influence the outcome of the valuation, the property valuer would not be afforded the opportunity to determine an accurate property value (Levy & Schuck, 1999).

2.5.2 Client/Valuer Status – Influence

Previous research has suggested the prevalence of significant client influence in property valuations and, in particular, such prevalence in the commercial property sector (Kinnard, 1997). Although recent research has been conducted in line with this, it is important to note that the

study by Kinnard (1997) was the first experiment of its kind, and the findings of this research could be seen to provide the basis for the substantial interest in the subject today.

Professional valuers exist in varying forms, from private or one-man operations to valuation firms consisting of a number of qualified professionals. The size of these firms and the size of the clients' firms are now significant points of interest in the research into how and why valuers are influenced by clients (Kinnard, 1997). Kinnard (1997) conducted research in this field to establish whether the size of the client, or the size of the value adjustment requested by the client, influenced the valuers' behaviour. He found that 41% of the valuers used in the experiment made adjustments to their valuation results after being requested to do so by the client (Kinnard, 1997). This adjustment was found to be made by the professional valuer based purely on the request of the client, and no significance as to the size of the client or the size of the actual adjustment requested was seen to be present (Kinnard, 1997). Again, this research was the first of its kind in establishing the presence of client influence in the commercial property sector in the USA (Kinnard, 1997) and formed the basis for further study into the topic around the world.

A more recent study that follows Kinnard's findings into the influence of clients on valuers in the Nigerian property industry found that client influence exists in this market, too (Amidu & Aluko, 2007). Its prevalence is found to affect the objectivity and reliability of the Nigerian residential property valuation industry (Amidu & Aluko, 2007)). The research found that the main source of client influence on valuers were the individuals themselves, requesting upward adjustments in their valuation results to achieve their desired property value (Amidu & Aluko, 2007). After the individuals (and to a lesser degree), banks were found to be influential in looking to push the valuer for a higher valuation to justify the loan amount they allocated to a client based on an initial valuation (Amidu & Aluko, 2007)). The consequences of these actions could be disastrous, even catastrophic at times, for economies. These consequences will be discussed later in this review (Baker, 2008).

The relationship between the professional property valuer and the client requesting the valuation is an interchangeable one (Baum et al., 2000). The client requires the services of a

professional valuer to establish the value of their particular property or portfolio of properties, and the valuer then extracts a fee from the client for the services rendered (Baum et al., 2000). It can be seen in literature and research on the topic that the influence of clients on valuer behaviour largely relates to the relationship with the client (Baum et al., 2000). This relationship is further tested by market conditions, as valuers tend to produce higher values in rising markets and lower values in declining market conditions (Baum et al., 2000). Client participation, in a relationship set out with these external factors, is seen to be present, and the value adjustment feedback by the client becomes more and more prevalent (Baum et al., 2000). This relationship between client and valuer is seen to be stretched beyond ethics, as valuers become less impartial to client influence (Baum et al., 2000). Again, the size of the client and the size of the value adjustment requested by the client have been found to be reasons why client influence in the valuation process exists (Baum et al., 2000).

Earlier research conducted to establish the prevalence of client influence on valuer behaviour (Levy & Schuck, 1999) revealed certain characteristics of the actual influence exerted on the valuer. Potential key factors that were shown to affect influence included the characteristics of the individual or firm of valuers, the characteristics of the clients themselves, the industry regulations or market conditions, and the actual characteristics of the valuation being carried out (Baum et al., 2000). This research not only revealed the characteristics of client influence on valuer behaviour, but also further justified the argument that actual client influence does exist, which is the basis of this review.

Further research into a client's relationship with a valuer and the actual influence involved reveals that common procedures exist whereby valuers submit "draft valuations" to the client for further discussion and feedback (Baum et al., 2000). Clients, for example fund managers or asset managers, are often equipped with substantial information about their particular properties and could use this information to influence the valuer's decision-making capabilities (Baum et al., 2000). This vital information pertaining to their portfolio might be withheld from the valuer in an attempt to sway the valuation in favour of the client (once this information is presented at a later stage). Shuck and Levy (as cited in Baum et al., 2000) also observe in their

research that these “draft valuation” procedures exist and are seen to be a “common practice” in countries such as New Zealand. In their studies, they illustrate the prevalence of valuation negotiations carried out after the draft valuations are presented (Baum et al., 2000). Comments by fund managers interviewed for the research conducted regarding the valuation negotiation include (as cited in Baum et al., 2000:32):

“There will be some negotiation with valuers over the draft valuation. They will be given both factual evidence and opinion on market sentiment. The valuation will be argued both up and down.”

“The company takes an active interest in valuation drafts and will negotiate over the values, providing information that might move the valuation both up and down.”

“Valuers are provided with information to help them reach a fully informed valuation figure. However, this does not include information that would devalue the property, although it is expected that the fund valuers will find out sooner or later.”

“Information would be passed on to valuers to help with the discussion of estimated rental values etc. until a mutually agreed figure is reached. Information that would result in a lower value is not passed on to the valuers unless it is during a purchase.”

The existence of the client influence on valuer decision-making is shown in this research (Baum et al., 2000) to be both present and prevalent in the valuation process. With various academics taking a view on the subject, client influence on valuer behaviour in a global context can clearly be seen to exist. This influence is one of the many variables addressed in this review shown to affect valuer behaviour.

Worzala et al. (1998) present possible reasons as to why valuers tend to open themselves up to outside influences on their valuation behaviour and, in particular, the influence that clients have on their findings. These reasons include the nature of the market, the increased competition among valuers, and the declining valuation fees for the services provided by valuers (Worzala et al., 1998).

Increased competition in any industry could be construed as a threat. An increased amount of valuers in a certain market gives clients the freedom and opportunity to appoint one of many valuers to their particular valuation request (Parker, 1998). Valuers coming into the industry would also succumb to substantial competition brought forward by current valuers (Parker, 1998). Regulatory restrictions and government policies could also be a threat to new entrants. However, these regulations are limited and are, in fact, being eased in many cases (Parker, 1998).

Competition among property valuation firms is also of significance (Parker, 1998). Parker (1998) finds in his research that smaller valuation firms are small and personal enough to provide an “individualised” service to clients that the larger firms often seem to lack. Clients are drawn to the services of firms that display this trait, and often choose not to employ the services of larger firms that do not provide this personal focus (Parker, 1998). It can be seen, then, that competition among valuation firms exists and that it could be a reason for the influence on valuer or valuation firms’ behaviour as they attempt to hold on to current business. Competition present among valuers or valuation firms could also possibly affect the fees payable to the individual or firm (Worzola et al., 1998). Although this competition puts pressure on the way valuers react to gaining and attracting new business, the research does not show whether any actual pressure from the client exists (Worzola et al., 1998). The research, however, does illustrate the presence of influence on valuer behaviour, with client influence addressed through various other academic literature already presented.

Another threat, this time to the functionality of the individual valuers themselves, was found to be the introduction of the desktop valuation as a substitute (Parker, 1998). This threat was found to be particularly present in the residential valuation industry, putting pressure on the fees that valuation firms could be charging for their services (Parker, 1998). The desktop valuation model provides that a valuer would not need to be at the property itself to do a physical inspection of same, which would speed up the procedural aspect of the valuation (Parker, 1998). A trial of this method was run in Australia as pressure was put on valuation firms to reduce their fees to stay competitive with other valuation firms and individuals (Parker, 1998). The desktop valuation

model would be seen as a more accurate source of valuation results, and the reliability of this was seen to become a preferred choice of the client (Parker, 1998).

There are additional external factors influencing the variance of valuation results, which could be construed as influences out of the control of property valuation professionals (Parker, 1998). Parker (1998:5) addresses these factors, which include the basic characteristics of property as an asset class, namely:

“...the imperfect nature of the property market, the lack of a central register of sales, the individual character of buildings and confidentiality of information...”

Influences, both internal and external, affect the ethical wellbeing of the profession and the professionals themselves; and client influence on valuers is only possible if the valuer is susceptible and open to the influence that the client places on the valuer (Worzola et al., 1998). Influences affect the valuers' independence in the valuation process (Worzola et al., 1998). The prevalence of valuer behaviour adjustment resulting from client influence has significant effects on results and outcomes, which is why the consequences of the valuers' actions will also be addressed later in this review.

2.6 EMPIRICAL EXAMPLES

It is clear from the review that a level of influence on valuer behaviour exists in a global context in one way or another. Although not many researchers have been able to establish the exact level of correlation between client pressure and subsequent valuer behaviour, the presence thereof is seen as a reality (Crosby et al., 2010). The literature points out various intricacies of this influence. The methods used by researchers to establish the presence of client influences on valuers differ; however, for the purpose of this study, it is useful to recognise two of the methods to illustrate that, in many cases, the framework is similar.

Survey questionnaires were used by many researchers to establish the presence of client influence on valuers. Smolen and Hambleton (as cited in Crosby et al., 2010) conducted a postal survey questionnaire in the USA in 1997, whereby they found that more than 80% of the responding valuers surveyed in the study revealed that they were aware of their peers succumbing to pressure and adjusting their valuations after interaction with the client. In a research project conducted in Nigeria, a survey questionnaire produced significant responses reflecting that Nigerian residential property valuers were clearly aware of clients affecting valuers (Amidu & Aluko, 2007). A significant 79.5% of the responding valuers revealed that this prevalent influential client/valuer relationship is a reality in Nigeria (Amidu & Aluko, 2007).

In a survey conducted in 1996 (Worzola et al., 1998), the researchers were more specific in the targeted data that they extracted from a sample population of residential property valuers. They were interested, for the purpose of their study, in establishing the possible existence of client influence relating to the size of the actual client, and the size of the adjustment made to the valuation in reaction to the interaction with the client (Worzola et al., 1998). The survey was mailed to 3 028 property valuers in the USA who were in some way registered with a governing valuation body in their particular region (Worzola et al., 1998). The response rate of the surveys conducted was a significant 31% of the sample. In this particular study, the researchers were not able to establish the presence of any form of influence coming from the client in reaction to the particular topic of client size and variance in valuations (Worzola et al., 1998). The researchers,

however, concluded that their research could not rule out the possibility that influence of clients does exist in some way, as they were only specifically interested in their particular research topic (Worzola et al., 1998). A number of the respondents commented, on the survey questionnaire, that they would have suggested a third issue in the survey that gave them the option to address the actual presence of client influence in some way or form (Worzola et al., 1998).

In-depth interviews were also used by researchers to uncover possible external influences on valuers (Levy & Schuck, 1999). In particular, Levy and Schuck (1999) make mention of the fact that they were approached by valuers who suggested they conduct in-depth interviews with sample valuers, as these interviews would allow valuers to speak more openly because of the personal and individual nature of interviews. Anastas (as cited in Levy & Schuck, 1999) supports this suggestion by referring to research that justifies the claim that:

“...interviews should be utilised in situations of sensitive subject matter and complex decision-making processes.”

Levy and Schuck (1999) obtained some valuable data in their research. Their interviews with valuation professionals revealed that levels of client influence do exist, and that these influences are either implicit or explicit (Levy & Schuck, 1999). They found, partly, that client influence is present and also that not all valuers are willing to make adjustments to their end values when subjected to client pressure (Levy & Schuck, 1999).

2.7 CONSEQUENCES

Property valuations are important in most, if not all, property markets throughout the world, and are widely accepted to present a level of inaccuracy (Babawale & Ajayi, 2011). The repercussions of such levels of inaccuracy could have significant effects on the industry itself, resulting in, among other things, the loss of credibility as clients lose faith in the reasons for the existence of professional valuers (Babawale & Ajayi, 2011). Clients could lose the reason for acquiring the services of professional valuers to ascertain the value of their property investment portfolio (Babawale & Ajayi, 2011). Brown (as cited in Parker, 1998) mentions that the effects of inaccuracies could be damaging to the credibility of the property market, as buyers and sellers rely on the valuations to determine the exchange prices of their properties (Parker, 1998).

A valuation inaccuracy raises the perception in the market of property valuers' incompetency levels, which leads to possible negligence issues and court cases, and the exit of key investors and contributors from the property market (Parker, 1998). Inaccuracies in valuations could have a serious impact on the functioning of property markets as investors and portfolio managers rely on valuation results in their investment strategies and decision-making (Babawale & Omirin, 2011). The inaccuracies presented could result in substantial miscalculations, and the financial losses involved could be exorbitant (Babawale & Omirin, 2011)). Babawale & Omirin (2011) refer to many examples of financial collapses on a global level that could be seen to have been initiated by inaccurate valuation results, including the finance and property market collapse in the UK in the 1990s, the "savings and loans" crisis of the USA's financial and property market in the 1980s, and the dismantling and collapse of the Jorgen Schneider property group in Germany in 1994.

Valuation inaccuracies resulting from client influence also contributed to catastrophic international financial collapses in recent years. One of the most dramatic examples of a consequence of client influence on valuer behaviour can be seen in what is now remembered as the biggest financial crisis the world has seen since the Great Depression in the USA in the 1930s (Baker, 2008). The financial implications felt throughout the world in 2008 stemmed from the liquidity issues in the USA and its banking system (Baker, 2008). Valuers were hired by banks or

by loan originators to carry out valuations of houses for lending purposes (Baker, 2008). Loan originators made their living by issuing these loans. Loans could only be issued if the value of the property was high enough to justify the loan. In this way, loan issuers would want the valuers to place an emphasis on higher valuations, even though they were not necessarily 100% accurate (Baker, 2008). For this reason, valuers were incentivised to carry out inaccurate valuations. The loans were paid out to “sub-prime” lenders (Baker, 2008) – lenders with very little financial backing or stable history to support the loan they received. These loans were eventually sold on the secondary investment market and then sold to additional markets after that (Baker, 2008). It so happened that when the “sub-prime” lenders defaulted on their payments because of a sudden and rapid decline in the housing market, the entire trail of these loans being sold unravelled and could not be traced to an individual source (Baker, 2008). The financial system then rapidly crashed and the global financial crisis resulted.

In this significant example, it is evident what the consequences of client influence on valuer behaviour could be, and the impact and ramifications this could have on world economies. It can be seen throughout this review that inaccuracies in valuation results are a reality and that valuers succumb to outside forces or influences that affect their results. Astonishingly, very little research has been conducted into the nature, prevalence and consequences of valuer behaviour and client influence on valuer behaviour in South Africa.

2.8 CONCLUSION AND SOUTH AFRICA AS A STUDY

This review illustrates the significant amount of research that has been conducted on a global level into the valuation industry and, in particular, the behavioural aspects of professional valuers. The literature selected includes research dating back to approximately 1994. This was used to illustrate how much progress has been made in research pertaining to valuer behaviour and, more specifically, the behavioural changes after clients influence valuers and their valuation results.

The review was initiated by covering a background of the property valuation industry on an international level. The purpose of property valuation as a profession was addressed and the understanding of the presence of inaccuracies in the process was presented. This variance in valuation results was seen not only to be present, but also largely to be accepted in the industry by the profession as well as the end users (the clients). The behavioural aspects of the valuers in this process were then discussed, and the ethical guidelines governing various countries valuation industries were brought forward.

Property valuer ethics were briefly addressed by referring to codes of conduct of countries' valuer bodies. Valuer changes in behaviour were brought forward by discussing the ways in which valuers were influenced – in particular the ways in which clients influenced the valuers' decisions. Client influences were discussed in the context of possible reasons for influence, and the consequences of the valuations resulting from these influences were also addressed.

Academic journals were searched for and gathered in relation to the topic of valuers' behaviour and the prevalence of influence on valuations. It can be clearly seen that the presence of property valuation variance and the external influences on professional valuer behaviour exist throughout the world. A large amount of research has been conducted on a global level and its consequences have been brought forward. However, no research relating to this field has been seen in South Africa. It must be assumed, then, that behavioural changes among South African property valuers are prevalent, and that consequences born of inaccuracies resulting from these influential changes are a reality in the South African property industry. A study into these aspects of the

South African property valuation industry needs to be conducted. This study should establish the nature, prevalence and consequences of client influence on South African property valuers.

CHAPTER 3: METHODOLOGY

This chapter aims to address and describe the research methodology, design and strategy used to uncover the research question and problem presented in the proposal of Chapter 1, and the background into the problem presented in the literature review of Chapter 2. The procedures and framework used to elaborate on and qualify the research question will be addressed. This chapter will be used to describe the ways in which the researcher planned and executed data extraction from a sample population to gain the answers to the research question and problem.

Particular attention is given to the description of various research methods pertaining to a study of this nature, whereby various methods are discussed. Although some of these methods are not eventually used for this study, it is beneficial to understand how these could be presented and why they are not used for this particular research purpose.

It is important to understand the term “research” as a whole, and to put forward a definition that could open up an understanding of what this chapter is to uncover. Adams et al. (2007:19) define research in the following way:

“Research is a diligent search, studious inquiry, investigation or experimentation aimed at the discovery of new facts and findings; or, broadly, it may relate to any subject of inquiry with regard to collection of information, interpretation of facts, and revision of existing theories or laws in the light of new facts or evidence.”

Essentially, there is a difference between research method and research methodology (Adams et al., 2007). Research methodology is the all-encompassing science behind carrying out research as well as the philosophy behind it (Adams et al., 2007). Research method is the actual way in which the researcher plans to undertake the research and extract the relevant data needed to support the research question (Adams et al., 2007). This chapter will address both these terms, as well as the strategy the researcher adopted to address the pertinent issues uncovered in the previous chapters.

3.1 THE RESEARCH METHODOLOGY

The nature of the topic was considered, as was the question of whether the empirical research approach needed to be quantitative or qualitative in nature. Punch (2005:3) simply defines these approaches as follows:

“Quantitative research – empirical research where the data are in the form of numbers

Qualitative research – empirical research where the data are not in the form of numbers.”

Although these are simple definitions, the deeper intricacies and actual underlying differences need to be addressed for the purposes of this study. An understanding of the differences between quantitative and qualitative research needed to be investigated. This would then make a choice between the two approaches realistic and appropriate for the purposes of the researcher’s study.

3.1.1 Quantitative Research

In a continuing description to the earlier definition, Punch (2005) describes quantitative data as using quantity in the form of numbers, essentially saying “information about the world in the form of numbers” (Punch, 2005). He goes on to mention that information about the world does not usually appear in the form of numbers, but researchers use this approach to formulate information and make it presentable for research purposes (Punch, 2005). Turning research data into numbers is believed to be useful in certain research situations to make the presentation of data more structured, but it is not essential in all aspects of research data gathering and presenting (Punch, 2005).

Adams et al. (2007:26) further describe quantitative research as:

“...research that is based on the methodological principles of positivism and neo-positivism, and adheres to the standards of a strict research design developed prior to the

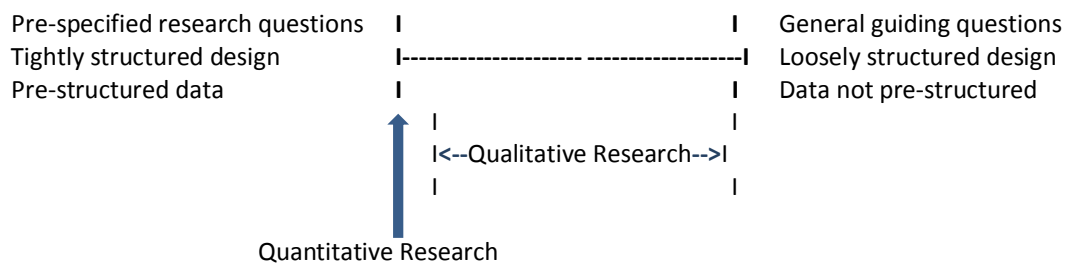
actual research. It is applied for quantitative measurement and hence statistical analysis is used.”

However, according to Punch (2005), “positivism” is a term that cannot be easily defined. For the purposes of understanding positivism in the definition of Adams et al. (2007) and the discussion in this section on quantitative research, it is important to note that (Punch, 2005:28):

“...the main ideas are the belief that objective accounts of the world can be given, and that the function of science is to develop explanations in the form of universal laws – that is, to develop nomothetic knowledge. Positivism is commonly associated with quantitative methods [...] much of the development in quantitative methods has been associated with the wide-ranging critique of positivism.”

Figure 3.1 presents a structured continuum illustrating where the quantitative research approach can be found in relation to a qualitative research focus. The numerical and structured approach of quantitative research creates a pre-structured plan with a specific design, which has a definitive place in the research process as seen on the continuum (Punch, 2005). Essentially, quantitative research is usually reflected in a structured way whereby the researcher knows what questions need to be asked, what data needs to be collected and how the data is going to be analysed. It is specific in that the researcher knows the structure of the research to be undertaken and how the data will be presented (Punch, 2005).

Figure 3.1: Structuring Continuum (Punch, 2005)



Most often, numerical data in quantitative research is presented in the form of a statistical analysis (Punch, 2005). It is felt that, although research questions of a pre-specified nature could possibly form part of the research design in this particular study, it would not necessarily be essential to analyse the data collected in this study in a statistical way. Qualitative research has less of a definitive place on the continuum; this will be addressed in the following section.

3.1.2 Qualitative Research

As described earlier, Punch (2005) defines qualitative research as “empirical research where the data are not in the form of numbers”, essentially alluding to the idea that “qualitative research is empirical information about the world, not in the form of numbers...most of the time this means words.” This definition is not specific enough to be able to pinpoint the exact position of qualitative research on the continuum presented in Figure 3.1.

Punch (2005) goes on to mention that his definition is wide-ranging and that qualitative research is open to a wide variety of ways in which to gather data. Denzin and Lincoln (as cited in Punch 2005:56) use the term “qualitative empirical materials” to describe the wide variety of materials, including:

“...interview transcripts, recordings and notes, observational records and notes, documents and the products and records of material culture, audio-visual materials, and personal experience materials (such as artefacts, journal and dairy information, and narratives).”

Essentially, qualitative methodology used by the researcher allows the researcher to extract the necessary and desired data from a sample audience or population by using a wider variety of possible empirical materials than a researcher using the quantitative methodology (Punch, 2005). It can be seen in Figure 3.1 that the researcher ultimately has a wider range of focus along the structuring continuum to carry out the necessary research, when applying a qualitative approach to the research.

Adams et al. (2007:26) describe qualitative research in the following way:

“This type of research uses a number of methodological approaches based on diverse theoretical principles (Phenomenology, Hermeneutics and Social Interactionism). It employs methods of data collection and analysis that are non-quantitative, aims towards the exploration of social relations, and describes reality as experienced by the respondents.”

Research can essentially allow for the application of a pre-structured standardised questionnaire with pre-determined questions to gather data, placing the research very much on the left, or quantitative, side of the continuum, and still form part of a qualitative methodology (Punch, 2005). The research can then possibly also make use of unstructured data collection with open-ended questions, falling to the right side of the continuum, or the qualitative side (Punch, 2005). It can be seen in this argument that the differences between quantitative and qualitative research are not simply defined by the use of numbers or words.

The methodology used in this study would be a combination of the pre-structured and formalised quantitative focus, and the loosely structured and open-ended approach and data used in a qualitative methodology. A combination of the two approaches to the research was believed to be the most effective way of gathering, extracting and analysing the most relevant data possible for the research question and proposition. This combination of techniques and methods will be addressed in the next section, where an explanation of the research method would support the use of elements of both quantitative and qualitative methodologies.

3.2 THE RESEARCH METHOD

Various research methods were considered to address and uncover answers to the research question. These methods included Focus Groups, Experiments, Surveys and Interviews, and although many other methods are available and could be effective in gathering data, these were considered to be the most relevant for the purposes of this study. Each method has its advantages and disadvantages; however, because of the sensitive nature of the research

proposition, the selected methods needed to be methodological in approach, providing the participants with a feeling and guarantee of anonymity. This approach would be a preferred strategy for the purposes of this study, as participants might have felt pressured by peers and other participants, whether knowingly or subconsciously.

What follows is a discussion of each of the methods considered and an undertaking of the preferential methods eventually used in the study.

3.2.1 Focus Groups

Focus groups or group interviews allow the researcher to interview a number of respondents or subjects simultaneously, instead of just an individual (Punch, 2005). The researcher, in the case of focus groups, becomes the facilitator or interviewer in the group, and would effectively need to steer the discussion in a particular direction to be able to extract the relevant information needed for the research being conducted.

This focus group method of research would take the form of monitoring group behaviour and interaction. The unstructured questions, which could be used to guide the discussion in a certain direction, would ultimately reflect the research and data gathered in a qualitative way. In referring to Figure 3.1, it can be taken that the unstructured and probing questions and suggestions put forward in the discussion within the focus group could be reflected on an unspecified space on the continuum.

In writing about focus groups, Morgan (as cited in Punch, 2005:171) establishes that:

“...the hallmark of focus groups is the explicit use of the group interaction to produce data and insights that would be less accessible without the interaction found in a group.”

Although this method could be effective in extracting information not eventually gathered in the final data collection of this study, it would not work in this study because of the sensitive nature

of the topic. It is felt that the respondent valuers would not be comfortable discussing their professional behaviour in an open forum because of industry and professional issues. The sensitive nature of the topic of discussion is not seen as an “open discussion” because of the possible repercussions and damage to industry credibility that could be felt by the respondents in this study.

The number of respondents needed in this particular study would also be a determining factor. The extensive geographical coverage of South Africa needed to collect data from individual valuer respondents would rule out a focus group as a primary source of data collection. For these reasons, the researcher will not be making use of the focus group method.

3.2.2 Experiment

Experimental research is essentially research during which the researcher attempts to establish what the effects on a certain group or sample population would be if influenced by external variables (Punch, 2005). Adams et al. (2007:110) describe the experimental process in the following way:

“The idea is to determine the effects of various factors on a response variable by varying these factors in a controlled way, and often in controlled conditions. Experimentation can be a very reliable and efficient means of collecting data and verifying or refuting theories.”

The experiment is usually based on a scenario whereby two predetermined groups of respondents of a specific sample, identical in nature, are subjected to different variables in treatments or influences (Parker, 1998). The outcome or results of the way in which the two groups are subjected to the independent variables can then be measured against each other to determine support of the research question or hypothesis (Parker, 1998).

The experiment method would have had relevance in this study if the researcher were able to control or manipulate the variables or influence placed on a chosen and predetermined group of

valuers. These variables or influences, however, could not be determined, controlled and then also applied to the group of valuers without affecting the validity of the research. The validity of the research in this study was seen to be based on the non-manipulated or random variable influences that the clients themselves place on the valuers. It was felt that, should the influences have been manipulated in any way by the researcher, the research question would not be answered as accurately as was intended.

Parker (1998:69) stipulates and alludes to the guidelines that a true experiment is only possible should there be two main elements:

1. The manipulation of one or more independent variables for the purposes of the research, and
2. The random assignment of participants to comparison groups.

This research study aims to address the research question regarding the existence or presence of client influence on valuer behaviour in South Africa, and the objective of the research is to determine whether client influence on valuers exists in South Africa and what the end results or consequences of those influences are. It is felt that the variables, in this case influences, should not be manipulated, and therefore this element of Parker's (1998) true experiment would be omitted. Furthermore, the researcher would not have been able to split up the sample population in this study into comparison groups; for this reason, the second element of Parker's (1998) true experiment would also need to be omitted.

Because of the above, it was felt that the experiment was not an effective way of extracting data to address the research question, and use would not be made of this method.

3.2.3 Surveys

The research question and problem posed in this study call for an empirical study strategy to extract pertinent information from a large sample or population. One of the ways of extracting the information needed is to create questionnaires and send them out to relevant industry professionals in a survey form. In a study titled “How Client Pressure Affects the Appraisal of Residential Property” (Worzola et al., 1998), the researchers make use of the survey method by mailing survey questionnaires to more than 3 000 property valuers who were registered with the relevant institute.

The quantitative area of this particular study made use of the survey method too. Rossi (as cited in Forza, 2002:155) defines surveys as follows:

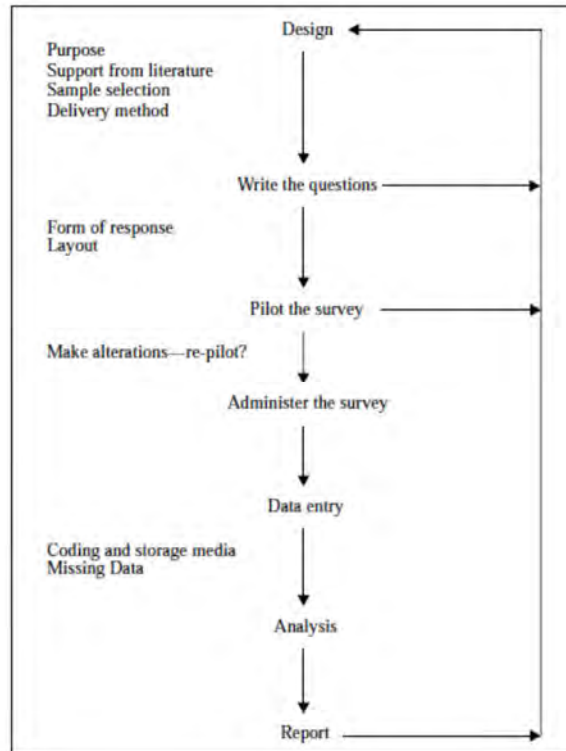
“A survey involves the collection of information from individuals (through mailed questionnaires, telephone calls, personal interviews, etc.) about themselves or about the social units to which they belong.”

The creation of these survey questionnaires for use in gathering data for research purposes is usually presented in a pre-structured way, giving this method a quantitative methodology focus preferred when needing to extract data from a substantial number of respondents. The researcher typically creates a survey questionnaire, which would be presented to subjects in a given sample or target population. These surveys are designed to extract vital and relevant data to support and answer the research question.

Figure 3.2 illustrates a clear path of the survey process (Adams, Khan, Raeside, & White, 2007). It can be seen that the inception of the research question sets the tone for the survey design, whereby the researcher begins with design thoughts based on what the literature around the research problem reveals. The researcher then designs questions in an attempt to answer the research question, and sends out pilot surveys to “test” whether the questions are relevant and effective for the purposes of the research. With the feedback provided by the respondents of the pilot survey, the researcher can adjust the questionnaire so as to make the survey more effective,

and to derive more accurate and relevant data. Once the design is finalised, the surveys are sent out to the target population and administered to put together the data extracted. It is at this point that the researcher will use the data from the study to analyse and report on the research findings.

Figure 3.2: The Survey Process (Adams et al., 2007)



The survey method is a very popular method of gathering the data necessary to support the theory presented in the research question (Bhattacharjee, 2012). It is one of the most effective ways of extracting pertinent information needed in this study. Access to the large number of registered professional property valuers in South Africa needed for this study calls for this method to be used. The geographical coverage needed to reach individual valuers also supports the use of this method, and although the researcher considered only local survey questionnaires, the results and data collected in this way would not reflect the entire captive sample to be considered in South Africa.

As mentioned in Chapter 2 of this report (and to support the methodology in this study), it is important to note that survey questionnaires were used in previous research studies to support the particular research topic raised. For example, Smolen and Hambleton (as cited in Crosby et al., 2010) used a postal survey in the USA and found that 80% of the responding valuers surveyed revealed that they were aware of their peers succumbing to pressure and adjusting their valuations after interaction with the client. In a research project in Nigeria, a survey questionnaire produced significant responses reflecting that Nigerian residential property valuers were clearly aware of clients affecting valuers (Amidu & Aluko, 2007). Another study in the USA (Worzola et al., 1998) targeted a defined sample population of residential property valuers. The survey was sent to registered property valuers of a particular region and the response rate was significant.

It was felt that, even though some pertinent and significant disadvantages of survey method techniques do exist, the advantages of using such a strategy to extract data from a sample population made it an attractive method to be used in this study. The survey method alone would not extract enough significant data to support the research question, so the use of personal in-depth interviews would complement this method. A mixed method approach to the research would be adopted in this research.

A mixed method approach to this study would elaborate on the findings uncovered in the survey questionnaire. Tashakkori and Teddlie (as cited in Ivankova, 2006) define a mixed method approach to research as:

“...a procedure for collecting, analysing, and ‘mixing’ or integrating both quantitative and qualitative data at some stage of the research process within a single study for the purpose of gaining a better understanding of the research problem [...] The rationale for mixing both kinds of data within one study is grounded in the fact that neither quantitative nor qualitative methods are sufficient, by themselves, to capture the trends and details of a situation.”

Creswell (2013) makes reference to the fact that single method approaches to research are becoming less popular and that mixed method research is being used more often by researchers

today. Creswell (2013) also points out that the mixed method approach lies somewhere along the structuring continuum (Figure 3.1) on and between the quantitative and qualitative range. Furthermore, research using this method often reflects either more of a quantitative or qualitative focus, but the mix is clearly presented (Creswell, 2013).

The use of one method to expand on another method is presented by Creswell (2013) in the following way:

“...the study may begin with a quantitative method in which theories or concepts are tested, to be followed by a qualitative method involving detailed exploration with a few cases or individuals.”

In a study pertaining to possible inaccuracies in valuations in Nigeria, Babawale and Ajayi (2011) refer to their chosen method of research being a mixed method approach consisting of a combination of structured survey questionnaires and personal interviews.

This research study will adopt this mixed method approach. Because of the sensitive nature of the topic, the combination of survey questionnaire and personal interviews would be the most effective and reliable way of producing results, as the privacy factor warrants this approach. The survey questionnaire creates a feeling of anonymity among respondents, which allows respondents to “open up”, producing valuable and accurate data in relation to the study. The interviews will then generate further support of the survey findings and will allow for even more probing questions to support these findings.

As brought forward in Chapter 2 of this report, interviews were also used by researchers to uncover possible external influences on valuers (Levy and Shuck, 1999). Levy and Shuck (1999) mention that they used interviews with sample valuers to allow valuers to speak openly as a result of the personal and individual nature of interviews.

It can be seen then that the combination of the two methods will generate the most accurate results for the purposes of this study. For this reason the combination of pre-structured,

quantitative-driven questionnaires, along with the more unstructured, “discussion”, qualitative interviews, was seen to be best for data collection in this study.

3.2.4 Interviews/Valuation Examples

3.2.4.1 Interviews

The interview is a research technique used, in part, to uncover necessary information needed in particular research fields. Although focus groups, discussed earlier, are essentially group interviews, it is important to address individual interviews as a particular method of data collection. As a result of the ability of access to people’s meanings and constructions of reality, vital information can be gathered via individual interviews to help answer a research question (Punch 2005).

There are many different types of interviews (Punch, 2005), and although interviews are about asking questions and gathering answers, there are intricacies in a qualitative context reflected in the following description by Fontana and Frey (as cited in Punch, 2005:169):

“Interviewing has a wide variety of forms and a multiplicity of uses. The most common type of interviewing is individual, face-to-face group interviewing, mailed or self-administered questionnaires, and telephone surveys. Interviewing can be structured, semi-structured or unstructured. It can be used for marketing purposes, to gather political opinions, for therapeutic reasons or to produce data for academic analysis. It can be used for the purpose of measurement, or its scope can be the understanding of an individual or a group perspective. An interview can be a one-time, brief exchange, say five minutes over the telephone, or it can take place over multiple, lengthy sessions, sometimes spanning days, as in life-history interviewing.”

It can be seen in the above description that interviewing can be used in the researcher’s strategy to uncover the research hypothesis. The qualitative nature of this particular technique, in most

ways, is conducive to the researcher's objectives of addressing and answering the research question.

When using interviews as a research technique and method, it is common that sample sizes are small and the process often time-consuming, possibly making the representativeness of the data collected questionable (Adams et al., 2007). The extensive geographical coverage and the number of valuer subjects targeted in the sample population also make this an unrealistic research option. It was felt, however, that by minimising the geographical spread of the sample population needed for this particular technique, a smaller, more focused portion of the population could be interviewed to support the findings of the survey questionnaire.

Although disadvantages of this method exist, the advantages would complement the research strategy in this study by supporting and elaborating on the data extracted from the survey questionnaire.

3.2.4.2 Valuation Examples Uncovered through Interviews

The interviews are used in the researcher's strategy to uncover the research hypothesis by seeking out examples of where valuers were subjected to pressures and influence. These examples were used to support the survey data collected and elaborate on the findings. Along with the survey questionnaire data collected, valuable and insightful information around the research topic would be extracted by using the interview method to uncover relevant examples in the field. The research question is clear enough, and it was felt that a direct and structured interview method would be used in conjunction with pre-structured interview questions to minimise the irrelevant information that could possibly be extracted from the interviews. For this reason, the data extracted from the in-depth interviews would complement and support the data extracted by the survey questionnaire.

This combination of quantitative and qualitative research methodology is the most effective way of addressing and answering the research question in this particular study.

3.3 THE RESEARCH DESIGN

The research design and the accurate construction thereof is a vitally important aspect of the research study, as it is essentially the mould or plan that the researcher will use to carry out the data collection (Adams et al., 2007). It is a strategy of how the researcher plans to answer the research question, and should be specific enough to be able to address the research problem as effectively and accurately as possible (Adams et al., 2007).

As uncovered and addressed in the first section of this chapter, the most effective ways in which to extract the relevant and essential data from a specific sample was to use survey questionnaires along with in-depth interviews of specific industry professionals. The more quantitative and structured survey method in combination with the less structured qualitative focus brought forward by the interviews complemented each other in the chosen research design. Pertinent data was brought forward by way of the survey questionnaire; however, this data would be effectively supported by interviews with a chosen sample of the research population.

This mixed method approach can be described as parallel (Ivankova, 2006) in that the two separate methods used will be independently of each other. However, each will complement the findings of the other. The survey would be sent out to uncover data and information in support of the research topic, after which interviews would be conducted to complement the data and information gathered in the surveys.

3.3.1 Survey

The survey method would be structured enough to be able to extract the relevant data needed to support the research hypothesis and answer the research question posed. It was felt that it would be possible to draw factual information from the sample population by using surveys to address the research objectives.

The researcher used Survey Monkey to construct a survey questionnaire that would be attractive and simple enough for the sample population to answer. Survey Monkey is an Internet-based survey construction website, which allows a researcher to construct and design a personalised

survey questionnaire and send it out to a desired sample population. The researcher would still need to design specific survey questions relevant to the research topic, and present them in such a way that the responses would produce sufficient and relevant data to support the research question. Care was taken to keep the questionnaire as short as possible so as to minimise time demands on respondents. Survey Monkey also collects the responses as they are completed by respondents, and presents the responses/data according to the ways in which the researcher would like it to be presented for the purposes of the study.

The following section identifies and addresses the way in which the survey method of research was carried out by bringing forward the pertinent areas of focus in the design. These areas included the sample population targeted in the study, the size of the sample, the frame to which the sample was limited, and the potential and eventual limitations to the research design.

3.3.1.1 The Sample Population

The sample population in the research carried out by survey extraction was intended to be the entire database of professional, associate and candidate valuers registered with the South African Institute of Valuers. The South African Institute of Valuers, however, is a voluntary association that valuers have the option to join and, therefore, not every valuer in South Africa is necessarily a member of the Institute. For this reason, only the members of the Institute could be approached via email, presenting the researcher with research limitation issues. These limitations will be addressed later in this section.

3.3.1.2 The Sample Frame

The sample targeted in this study was restricted to within the South African borders. The literature and research conducted on a global level is a reality, and the presence of client influence is prevalent. For this reason the researcher only targeted valuers in South Africa to extract the necessary information needed to address the research question.

3.3.1.3 The Sample Size

The intention was to target all the associate, candidate and professional property valuers in South Africa. However, because of the limited database of email addresses received from the South African Institute of Valuers, the researcher was only able to reach the 874 valuers registered with the Institute.

3.3.1.4 The Limitations to the Research Method

It was felt that the mass email method of presenting the survey questionnaire was the most effective way of reaching the large sample population targeted in the study. A limitation was encountered whereby the researcher was refused a database of the email addresses of all the registered associate, candidate and professional valuers in South Africa. The researcher had to motivate with the South African Institute of Valuers (SAIV) to receive the list of email addresses of its members. The entire list of email addresses whereto the surveys were sent was thus limited to 874.

It can also be seen that a possible difficulty to receive high response rates could arise, as it was not in the researcher's capability to address each and every valuer in South Africa personally to extract a response. With the given size of the sample population, a response rate of between 10% and 15% would be sufficient to gather the information needed to analyse data with a level of effectiveness and accuracy.

The researcher was also of the opinion that the majority of the professional property valuers in the sample population are typically white-collar, educated and full-week business workers, and that their time might have been limited. This was felt to place pressure on the response rates experienced in the study, because the valuers might not have had the time to respond to the survey questionnaire appropriately or even at all, and could potentially have forgotten to complete the survey.

3.3.1.5 Pre-Test Questionnaire (Pilot Survey)

A pre-test or pilot questionnaire in line with the final survey questionnaire was sent to a small and controlled sample population. The researcher used his experience within the property industry to target professional valuers within his network to respond to the pre-test questionnaire. This strategy was used to validate the questions constructed in the final survey and also to eliminate any ambiguous or irrelevant questions. It was an effective exercise, and the feedback generated from the pilot survey proved valuable to the final survey design.

The pilot survey revealed that the questions used addressed certain broad valuation influence issues, but did not address particular variables associated with influences. The respondents mentioned that these could be addressed, and the researcher made adjustments accordingly by including additional pertinent and exploratory questions in the mass survey. This would essentially contribute to revealing more focused and pertinent data to this study.

The response rate and time taken to receive the responses for the pre-test questionnaire was not taken as an acceptance of the rate and time expectation for the eventual mass survey. The pre-test was sent and personally addressed to the researcher's network, which would skew the expectations of response rate and time, because the responses in this case were almost immediate.

3.3.2 Interviews/Valuation Examples

The data collected from the survey questionnaire was not substantial enough to support the research question, and it was decided to make use of the in-depth interview method to support and elaborate on the survey findings. It was felt that the survey method received pertinent and valuable responses and data, but personal and in-depth feedback would only be possible in face-to-face interviews with industry professionals. The objective of the interviews was to extract examples of where the valuers were influenced by clients, so as to support and elaborate on the research question and topic.

3.3.2.1 The Sample Population

Leading property valuation companies in Cape Town were approached for these interviews to ascertain and support the research hypotheses as well as the nature, prevalence and possible consequences of client influences on valuers in South Africa. Care was taken to interview industry professionals who have succumbed to client influence in some form or who have specific thoughts on the topic.

3.3.2.2 The Sample Frame

The interviewees were limited only to South African valuation companies in Cape Town.

3.3.2.3 The Sample Size

The researcher only targeted five of the leading property valuation companies in Cape Town as this was felt to be adequate to support the data extracted by way of the survey questionnaires that were sent out to valuers. Limitations to this method also only allowed for five companies to be reached.

3.3.2.4 The Limitations to the Research Method

The time needed to carry out the necessary research in this method was limiting. The availability of industry professionals to meet with the researcher and spend the required time answering and discussing the interview questions was a significant limitation. A number of the targeted valuation companies that the researcher approached to interview could not respond timeously and were not available at short notice. The researcher made several requests for interviews and managed to conclude five.

CHAPTER 4: RESEARCH FINDINGS

This chapter aims to put forward the research findings of the research proposition introduced and explained in Chapter 1 in an attempt to answer the research questions in as accurate a way as possible. This chapter will present the data captured by way of the survey questionnaire as well as the information gathered in the in-depth interviews carried out to support the survey findings. The information gathered by the survey and interview methods used will be presented to address the research proposition. The data collected in the research is brought out, and will be used to draw conclusions and make recommendations for possible further research.

The surveys were sent to all the property valuers registered with the SAIV. The total database of “active” valuers registered with the SAIV is 874, and the survey questionnaire was sent to this database via email. The response rate to the surveys was good, with a total number of 100 responses received. This response of 11.44% is broadly representative of the population. The positive response rate was possibly the result of the potential interest in the research topic creating a willingness to participate in the study. There were instances where some of the respondents did not answer all the questions, but this will be addressed in the analysis of the findings.

The in-depth interviews were conducted in a secure environment in each case, where time is spent in the interviewees’ business premises or offices on a one-on-one basis. Five prominent professional valuation companies or valuers were interviewed in this manner, and their anonymity (and that of their companies) was guaranteed. It was felt that vital information and data was extracted in these interviews, and that the manner in which the interviews were conducted provided a relaxed and open atmosphere. This, in combination with the interest shown in the research topic by interviewees, allowed for pertinent data to be extracted from the conversations in each case.

For the sake of this study and the presentation of data, each respondent will be assigned a letter, namely A, B, C, D and E.

4.1 Survey Questionnaire

The point of the questionnaire is to extract pertinent information and data from the sample population to qualify the research objective and research hypothesis. The survey is used as a vehicle to derive the data needed from the sample population, so as to delve into the intricacies of the valuation industry and extract the information required to address the sensitive thesis topic of client influence on valuer behaviour. The raw data was analysed using the Statistical Package for the Social Sciences (SPSS V22.0 for Windows) software application. The findings are presented below, where Chi-square tests for independence are used to establish any significant associations between variables presented in the survey questionnaire that are relevant to the study. To be significant the significance value needs to be smaller than 0.05. This will be brought forward in the Chi-square tests throughout the analysis to follow.

The data collected in Question 1 revealed male dominance within the valuation industry. Of the 99 respondents to this question, overwhelmingly nearly 81% of the respondents are male, illustrating a clearly male-dominant industry.

Table 4.1: Gender of Respondents

Are you male or female?	Percentage
Male	80.8
Female	19.2

The relationship between gender and experience within the valuation industry brought forward in Question 2 can be explained by using a Chi-square test for independence. It is revealed that there is a significant association between male or female valuers, and the amount of experience in years that they have in the industry. Of the 92 respondents indicating that they have spent

more than 7 years as a valuer in South Africa, 77 indicated that they are male which can illustrate that males have significantly more experience in the industry. A Chi-square test for independence indicates a significant association between male gender and experience within the South African valuation industry, $\chi^2 (1, n = 98) p = 0.004$.

Question 3 was constructed to establish whether the size of the valuation firm had any relevance with regards to client influence on valuer behaviour. It can be seen in the responses illustrated in Table 4.2 that a majority (68.7%) of valuers work in companies or businesses consisting of 1-5 valuers. This clearly indicates that valuers prefer working in smaller, more personable environments. The relevance to this finding can be seen in the Chi-square tests of association below.

Table 4.2: Size of Valuation Company

How many valuers work with you in your company?	Percentage
It's just me	30.3
2-5	38.4
6-10	17.2
11-15	3.0
16 or more	11.1

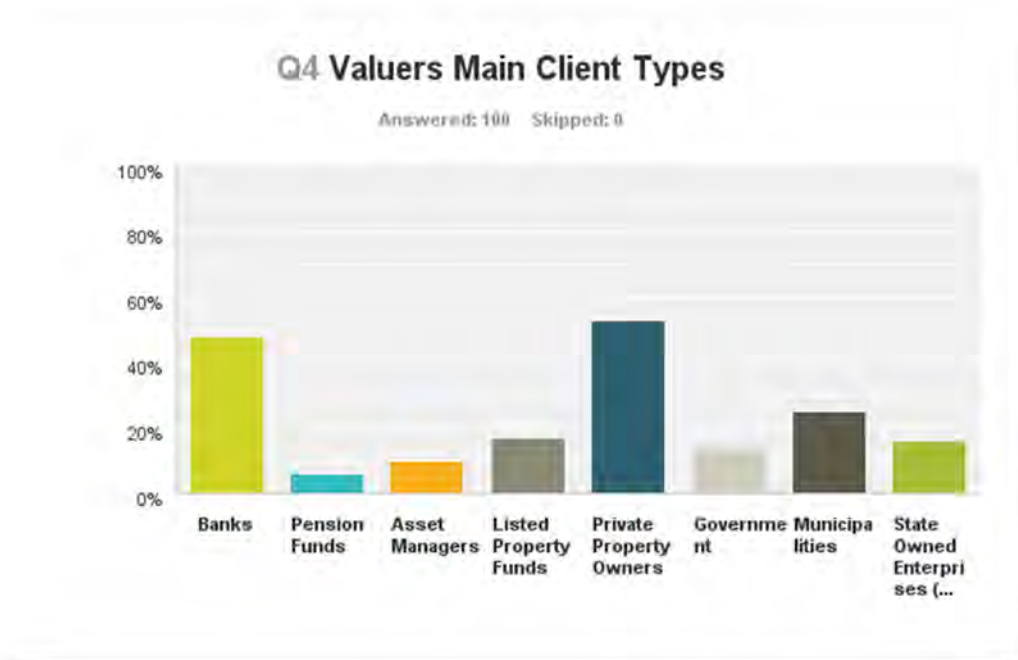
A Chi-square test for independence indicates a significant association between size of valuation firm and that clients withhold information from valuers so as to influence the valuation result, $\chi^2 (1, n = 98) p = 0.034$. This means that a relationship exists between the variables and that clients potentially withhold vital information from valuers in smaller firms so as to possibly influence the valuation result. Although only 49% of the responding valuers indicated that this influence exists, it must be noted that client influence on valuers is prevalent in the South African valuation industry.

Further to the above finding, a Chi-square test for independence indicates a significant association between the size of the valuation firm and the approach that the client provides vital information at follow-up valuation meetings in an attempt to change the valuation outcome, $\chi^2(1, n = 98) p = 0.039$.

This association again indicates the relationship between the size of firm and the fact that clients might present pertinent information late in the valuation process so as to potentially influence the outcome. Although only 21% of the responding valuers to this question indicated that this influence exists, it still supports the research hypothesis that client influence exists in South African valuations.

Question 4 was aimed at establishing who the valuers had as clients and what their main client focus was. Figure 4.3 illustrates the breakdown of respondents and their main client types. It can be clearly seen that, although multiple clients are indicated, the majority of valuers predominantly have banks and private property owners as clients.

Fig 4.1: Valuers' Main Client Types



Although no material association between client influence on valuers and client type could be demonstrated here, these findings could be used to further substantiate findings brought forward in Chapter 2, where a survey study carried out by Amidu & Aluko (2007) found that private individuals (property owners) and banks were found to be influential in looking to push the valuer for a higher valuation.

Variance in valuation results and the relationship between variance and single or multiple valuations of the same property has been researched before (Havard, 2001). Here Havard (2001) finds that multiple valuations of the same property produce more accurate and reliable results than individual valuations. The data collected in the survey, shown in Table 4.3, reflects similar findings, whereby a majority (56.6%) of respondent valuers indicted this very same belief to support Havard’s findings.

Table 4.3: Multiple Valuations Reducing Variance

Do you feel that multiple valuations of the same property reduces variance in results?	Percentage
Yes	56.6
No	43.4

It could be assumed then that, with numerous valuers carrying out valuations of the same property, any direct client influence on the eventual results of the valuation by the client could be negated.

Question 7 (Table 4.4) was constructed to establish and draw further on the accuracy and variance of valuation results. The question was derived from previous research, addressed in Chapter 2, where studies (Havard, 2001) uncovered a range in variance of valuation results of between 10% and 22% in some instances. The question of acceptable range in results was put to the sample of respondents in this study, and although no significant association was established with any other variables in the study, it is important to note that a majority (73%) of the responding 100 valuers indicated that they feel a range of variance of 6%-12% is acceptable. This

finding, although widely accepted as a universal feature of valuation, clearly indicates room for error, which may well provide an opportunity for client influence. This is a general issue which allows for the possible presence of subtle client influence on valuation results in South Africa.

Table 4.4: Range of Variance in Valuation Outcomes

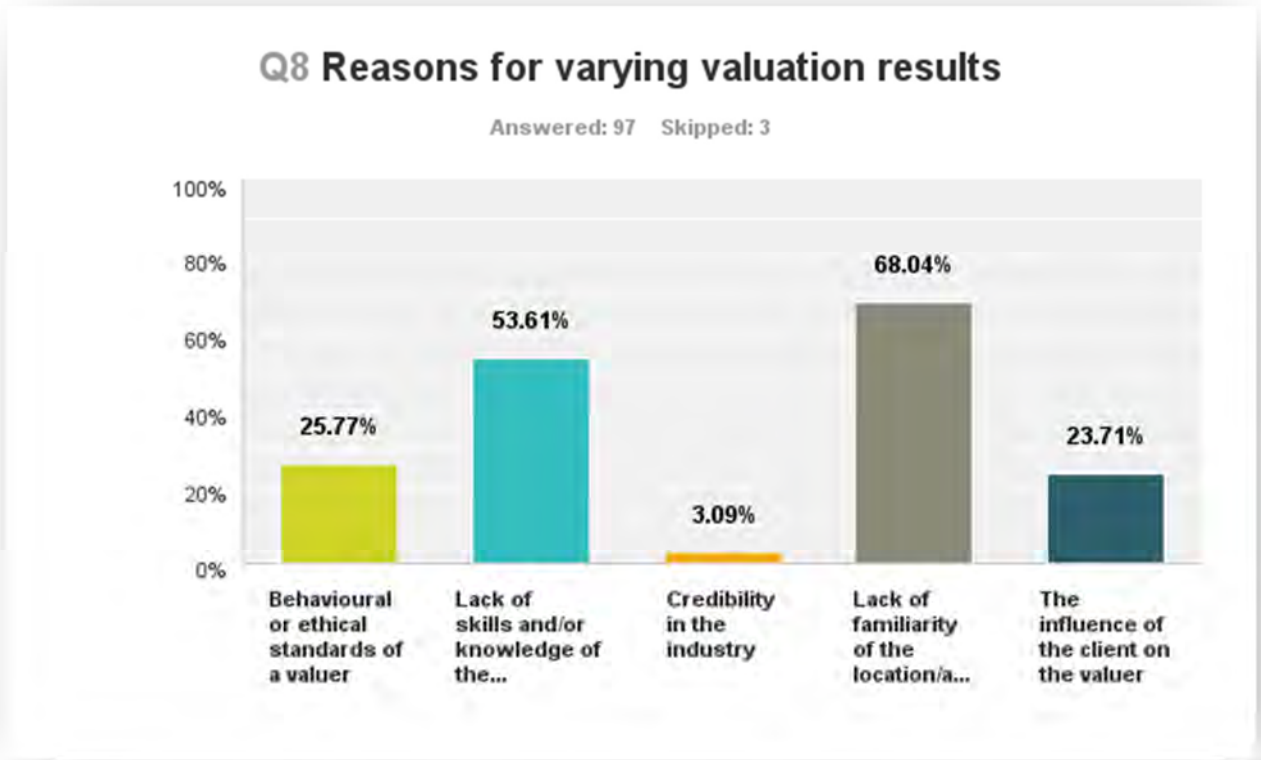
What would you consider an acceptable range of variance in a valuation outcome?	Percentage
0-5%	23.0
6-8%	35.0
9-12%	38.0
13-15%	3.0
16% or more	1.0

Chapter 2 of this report addresses accuracy and variance in the context of this study and the relevance thereof is brought forward. Studies carried out by researchers such as Parker (1998), Babawale and Ajayi (2011) and Meszek (2013) reveal inaccuracies in valuation results in countries around the world, each revealing a call for consistencies. Reasons for inaccuracies are brought forward in Chapter 2 in various research studies carried out by Levy and Schuck (1999), Havard (2001), Diaz et al. (2002) and McGreal et al. (2013). The reasons found in these studies included variables such as behavioural and ethical standards of the valuer, knowledge of the location or market where the property is situated and actual client pressure on the valuers themselves.

Question 8, illustrated in Figure 4.2 below, was used to gather information reflecting the reasons valuers believe exist for the variance in valuation results of the same property if valued by different valuers. The valuers provided multiple answers, but it can be clearly seen that the majority have included valuer behaviour or ethics, lack of skills or knowledge of the profession, and lack of knowledge of the location or market as reasons for varying valuation results. It is important to note, however, that when the variable of client influence on the valuer was presented, a significant amount of valuers indicated the presence of such pressure on variance.

This clearly indicates that client influence on valuer behaviour and the results they produce is prevalent in South Africa, further supporting the research hypothesis.

Fig 4.2: Reasons for Variance in Valuation of Same Property



Question 9 was asked of the sample to directly address the research hypothesis, and to support the findings of various research studies mentioned previously. The issue of client influence on valuation results was addressed by asking whether or not the responding valuers have revised their valuations after interaction with their client. It is clearly established, as shown in Table 4.5, that valuers have revised their valuation results, with 54% indicating that client influence on valuer behaviour is prevalent in the South African context.

Table 4.5: Valuation Revision after Client Interaction

Have you ever revised a valuation after an interaction with the client?	Percentage
Yes	54.5
No	45.5

With the prevalence of client influence on valuer behaviour established through earlier research as well as in this study, the types of client pressures are then addressed in Question 10 (Figure 4.3), where the sample is asked how the client actually influences the valuation outcome. It must be noted that a number of valuers did not respond to this question, as they felt that they were not influenced by clients, or did not want to address this sensitive issue. A range of reasons for possible client influence is brought forward in Chapter 2 by researchers such as Kohli and Rushmore (as cited in Levy & Shuck, 1999), where “reward power, coercive power, expert power and information power” are addressed. Figure 4.3 illustrates the presence of these potential powers by clients on valuers in a South African context, thus supporting the research hypothesis.

In this question an additional option was given to the respondents to indicate other potential influences not listed by specifying their thoughts. It was established that many of the valuers in the sample clearly indicated that they were not influenced by the client at all, and that they remained objective in their processes. However, some other responses to the reasons for client influence included:

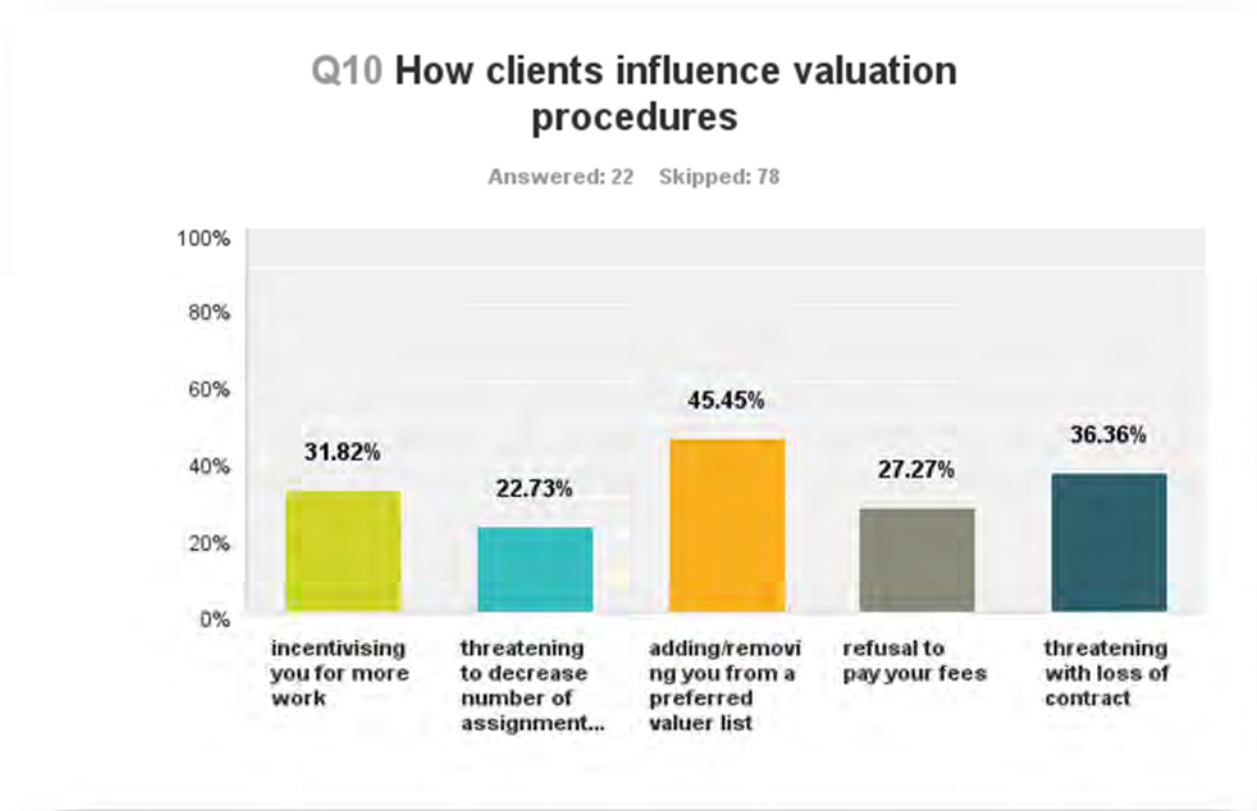
“Clients may at times try to influence my valuation, but I let them know that only information about the property not originally supplied or market information that I am not aware of is all I will accept as influences.”

“Clients often try to impose their own misguided opinions on the valuation.”

“The valuation instruction – the client can manipulate the outcome of a valuation in the instruction.”

The responses in this question, whether directly answered or separately specified, clearly indicate the prevalence of client influence on valuers in the South African valuation industry.

Fig 4.3: Client Influence on Valuation Procedures



Question 11 was drawn out of the research brought forward in Chapter 2, where Worzala et al. (1998) addressed the issue of client influence and reasons for such influence. Reasons they found included the nature of the market, increased competition among valuers as well as declining valuation fees for the services provided by valuers (Worzala et al., 1998). Question 11 (Table 4.6) deals with this exact question to establish how South Africa valuers feel about this possibility. It can be seen that a majority (65.2%) of the responding valuers feel that fees have remained constant, while a significant number (34.8%) feel that fees are declining and they are willing to accept this. The acceptance by valuers to accept declining fees could indicate that “monetary influences” could be prevalent in the South African valuation industry.

Table 4.6: Declining Valuation Fees

Do you feel that valuation fees are declining?	Percentage
Yes, and I am willing to adjust my fees	34.8
No, fees have remained consistent	65.2

In a Chi-square test for independence, a significant association between declining valuation fees and that clients request that the valuer submits a draft valuation for discussion purposes, $X^2 (1, n = 91) p = 0.005$. Fishers exact = 0.006. This relationship between variables could perhaps indicate that clients could use these discussions to discuss reduction in fees, should the valuation result not be to the liking of the client.

Question 12 was asked of the sample to establish whether or not knowledgeable clients influence their processes in determining values. This so-called “expert power”, as referred to in Chapter 2 by Kohli (as cited in Levy & Schuck, 1999:384), is said by Kohli to exist in the auditing profession. Kohli’s finding is used in this study to determine the prevalence of this variable of influence in the property valuation profession. In table 4.7 it can be seen that most valuers (88.8%) feel that they do not get pressured by clients who claim to be more knowledgeable about the industry. It must, however, be noted that a small number (11.2%) do feel that this influence exists. Although the claim of this influence is only 11.2%, it must be recognized that the influence is prevalent, thus supporting the research hypothesis.

Table 4.7: Knowledgeable Clients Influencing Processes

Do you feel that “knowledgeable clients” influence your processes in carrying out valuations by insisting that their knowledge of the valuation process is superior?	Percentage
Yes	11.2
No	88.8

Question 13 was derived out of previous research brought forward in Chapter 2, where Kohli (as cited in Levy & Schuck, 1999:385) describes this as “information power”. Kohli goes on to say that this influence is vital as it would have a significant impact on valuers’ end results should they not receive all vital information from the client. Table 4.8 indicates that a significant number (49.5%) of valuers feel that clients withhold vital information pertaining to the property, thereby potentially influencing valuation outcomes. This clearly indicates influence and supports the research objective.

Table 4.8: Client Withholding Vital Information – Influence

Do you feel that clients withhold vital information of the property in order to potentially influence the valuation that you produce?	Percentage
Yes	49.5
No	50.5

A Chi-square test for independence, carried out and discussed earlier, indicates a significant association between clients withholding vital information from valuers and the size of the valuation company.

The size of the client and the relationship to valuation influence is a topic of previous research, and is discussed in Chapter 2, where research conducted by Worzala et al. (1998) was undertaken to establish whether or not client influence on valuation variance related to actual client size. The study was undertaken in the USA and no significant relationship was established between these two variables. The researchers (Worzala et al., 1998) concluded that they could not rule out the possibility of client influence on the valuer itself, and found that respondents to their survey indicated that they would have suggested a survey that gave them the option to address actual client influence. For this reason, the question was asked of the valuers in this study.

Question 14 addresses the issue around client size and potential influence on valuers, and is presented in Table 4.9. It can be clearly seen that an overwhelming majority of nearly 95% of responding valuers indicated that they do not feel the size of the client has any influence on their valuation procedures.

Table 4.9: Size of Client and Influence on Valuation Procedures

Do you feel that the size of the client influences your valuation procedures or outcomes?	Percentage
Yes	5.1
No	94.9

The request by the client of the valuer to submit a draft valuation for discussion and feedback is an issue that has been established through previous research (Baum et al., 2000), presented in Chapter 2. Here Baum et al. (2000) reveal that common procedures exist in New Zealand whereby valuers submit draft valuations to the client, and that valuation negotiations exist and are carried

out between valuers and clients. This issue was then used and presented in Question 15 of this study to determine the possible prevalence of such procedures and/or influence in South Africa. Table 4.10 illustrates the responses by South African valuers to this issue. Here it can be seen that the majority (71.7%) of valuers has not been exposed to this request by a client. However, it is noted that a significant number (28.3%) are exposed to this request. These valuers could potentially be exposed to client influence at the follow-up discussion.

Table 4.10: Client Request for Valuer to Submit a Draft Valuation

Does the client ever request that you submit a draft valuation for discussion and feedback?	Percentage
Yes	28.3
No	71.7

A Chi-square test for independence, carried out and discussed earlier, indicates a significant association between a client request that the valuer submit a draft valuation and that valuers feel that valuation fees are declining. As mentioned, valuation fees could be discussed at the draft valuation follow-up meeting where this pressure might be exerted.

Question 16 was used in this study to extract data pertaining to the follow-up discussion between the client and the valuer once the draft valuation is presented. Previous research (Baum et al., 2000) indicates that vital information about the property is provided by the client to the valuer at this discussion, which could be an attempt to change the valuation outcome. In Table 4.11, it can be seen that a majority (60.8%) of valuers do not enter into discussions about draft valuations; however, a significant number (20.6%) of valuers indicate that vital information is presented by the client at these meetings, which could change the valuation outcome. This information power, as presented in Chapter 2 by Kohli (as cited by Levy & Schuck, 1999:385), is a form of client influence, and the presence of such influence supports the research hypothesis.

Table 4.11: Vital Information Provided at Draft Valuation Discussion

Is vital information then provided at this discussion that could change the valuation outcome?	Percentage
Yes	20.6
No	18.6
I do not enter into a discussion about a draft valuation	60.8

A Chi-square test for independence, carried out and discussed earlier above, indicates a significant association between the idea that the client provides vital information at follow up valuation meetings in an attempt to change the valuation outcome and the size of the valuation firm.

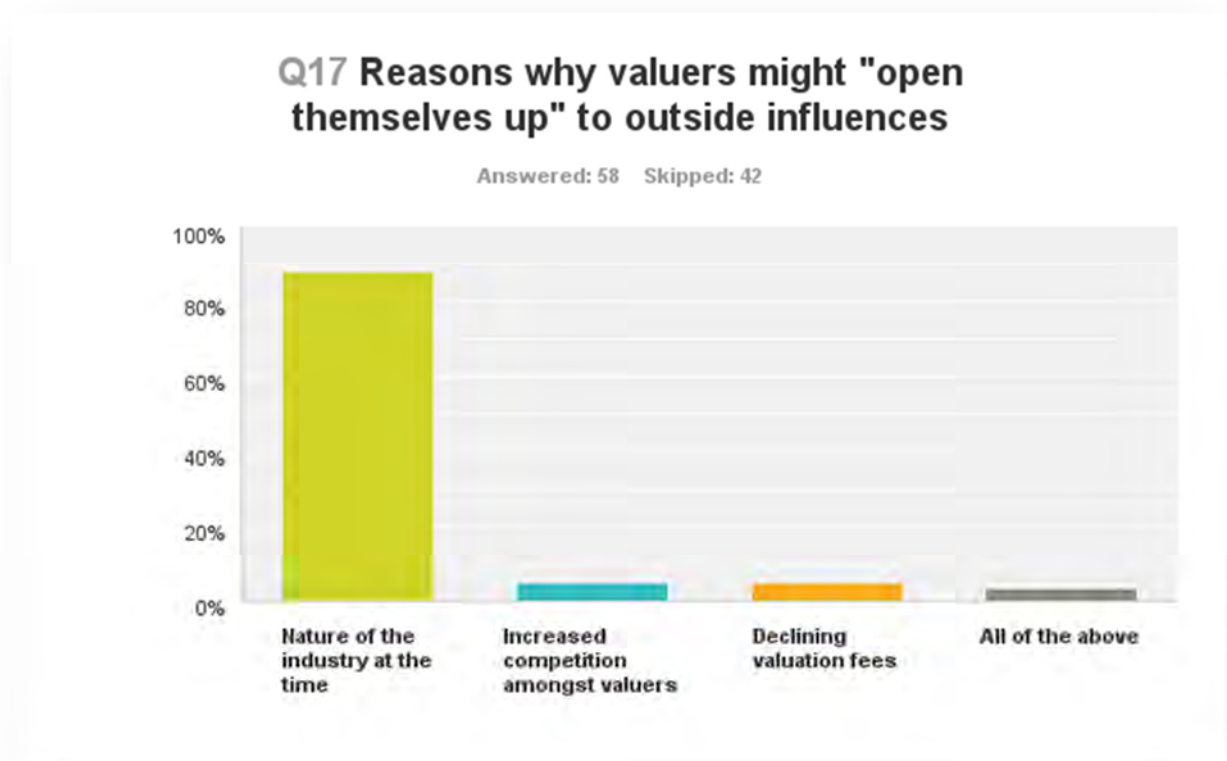
In another Chi-square test for independence, a significant association between the approach that the client provides vital information at follow-up valuation meetings in an attempt to change the valuation outcome and the valuer revising a valuation after an interaction with the client, $X^2(1, n = 96) p = 0.004$. Here it must be noted that, along with the previous research brought forward and addressed in Chapter 2, the clients' attempt to influence the valuer is prevalent. The indication that the valuer then revises their valuation after these meetings supports the previous research as well as the research hypothesis in this study.

Furthermore, in another Chi-square test for independence, a significant association between the approach that the client provides vital information at follow-up valuation meetings in an attempt to change the valuation outcome and the fact that the client requests a draft valuation for discussion purposes and feedback, $X^2(1, n = 96) p = 0.000$. This finding clearly indicates the significant relationship between the variables, and how the request by the client for the draft valuation discussion is directly related to the client then providing vital information at such discussions so as to influence the valuation outcome.

Question 17 was derived from the research carried out by Worzala et al. (1998). It was found that, because of the fact that the prevalence of client influence on valuer behaviour was accepted globally, the reasons for this influence needed to be established and defined. In this study it was found that the reasons included the nature of the property market, increased competition among valuers and declining valuation fees. In a South African context, Figure 4.4 indicates what valuers felt the reasons are that could cause them to subject themselves to outside influences on their valuation results. Although the respondents could provide more than one answer, the majority of the valuers indicated that the nature of the industry at any given time could influence their valuation results.

Although no significant association between variables could be established in this question, it can be noted that valuers predominantly indicate that they are open to adjusting their valuation results by changing industry or market conditions, thus supporting the research aim.

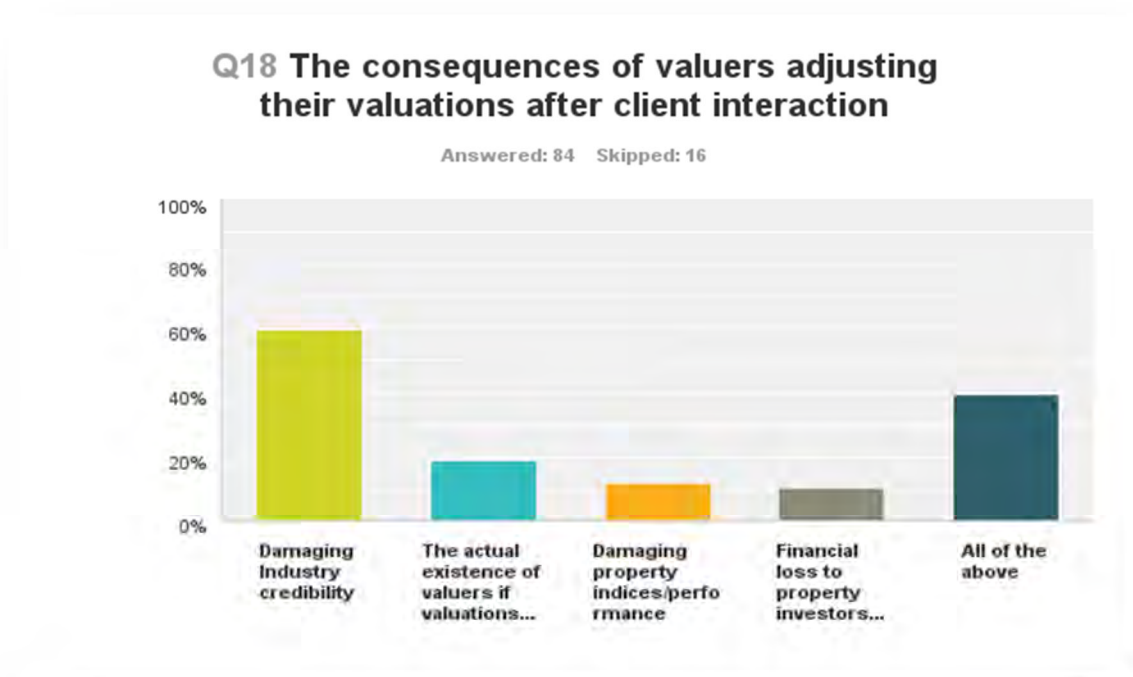
Fig 4.4: Reasons Valuers Might Succumb to Outside Influences



In Chapter 2 of this report, previous research (Babawale & Ajayi, 2011) into the consequences and repercussions of inaccuracies in property valuations is addressed. Consequences such as the loss of credibility of the valuer and the actual existence of the valuer are questioned. Brown (as cited in Parker, 1998) finds that inaccuracies in valuations could be damaging to the credibility of the property market as a whole, as buyers and sellers rely on valuations to determine the exchange prices of their properties. Further consequences include significant financial losses to investors and portfolio managers, as they rely on valuation results for their investments strategies (Babawale & Omirin, 2011). The losses are seen to have played an important role in the massive financial collapses of our time (Babawale & Omirin, 2011), the most recent and significant of which was the global financial crisis of 2008 (Baker, 2008).

These consequences are what raised the question for this study in South Africa, and Figure 4.5 illustrates what the sample population felt are the most important consequences of valuers adjusting their valuation results or outcomes after interactions with the client.

Table 4.5: Consequences of Valuers Adjusting Outcomes after Client Interaction



Although the respondents could provide more than one answer, it can be seen that the majority of the responding valuers indicated that the damage to the credibility of the industry is significantly important. It is significant to note that damage to the valuation industry's credibility ranks the highest among valuers, as a consequence of clients influencing valuation results negatively. This is further supported by and extracted from the in-depth interviews conducted and analysed in the next section of this chapter.

4.2 In-Depth Interviews

The following section will address in-depth interviews carried out to extract information to support the survey questionnaire analysed above. It was felt that this would be a significant support method for the survey questions presented and that the interviews would elaborate on many of the findings extracted in the surveys. What follows are five interviews conducted with prominent South African valuation companies and individuals. The respondents were guaranteed anonymity; therefore the researcher does not present information such as individual respondents' names. For the sake of this study and to illustrate credibility, the interviews are introduced as follows:

- **Respondent A** – This respondent is an associate valuer with more than 20 years of experience in the valuation industry. She works for a full service property company consisting of two valuers, one in Johannesburg and one in Cape Town. This particular valuer resides in Cape Town.
- **Respondent B** – This respondent is a professional valuer with more than 30 years of experience. He currently works for a large multifaceted property services company, with a major presence throughout South Africa. He is part of a team of eight professional valuers, who all have extensive experience of their own.
- **Respondent C** – This respondent is an individual associate property valuer with his own valuation business consisting of just himself. He carries more than 20 years of experience as a professional property valuer in Cape Town, with extensive experience throughout South Africa.
- **Respondent D** – This respondent is an individual associate property valuer with more than 22 years of experience in the industry. His focus was initially valuations carried out to determine values of rezoned land, but he later moved on to focus on residential properties and capital gains tax.
- **Respondent E** – This respondent is a professional valuer living on the coast of South Africa, but works nationally. With more than 30 years of experience, his main focus is to

challenge valuations carried out for local authorities and municipalities. He works for himself.

4.2.1 Respondent A

This respondent is a valuer who specialises in valuing listed property funds. The research topic was addressed and discussed in detail relating to the experiences of this particular company. What follows is a background into a certain case where the respondent felt that levels of influence were potentially present.

The respondent discussed a case whereby a long-standing client presented her with a property (with which she was familiar) to value. She had valued this property before and the client was one whom she had carried out many valuations for in the past. This was generally not a demanding client and the valuer felt that, in the past, this particular client would accept the valuation and move on without any questions. In this case, however, the value of the property had decreased and the client wanted to know why. The respondent found that the client was not recovering property rates as much as they said they were recovering. This was seen by the respondent as an oversight by the client, because the property was not managed by the client directly at the time. Traditionally they aimed at and declared an 85% recovery of rates; however, in this case the recovery was only 58%.

The difference of percentage in monetary terms equated to between R5-million or R6-million. The significance of this was that, when this difference was capitalised at 8.5%, a substantial difference to the value resulted. The client felt that the respondent was still undervaluing the property, even though the difference in rates collection affected the net income and made the value substantially lower. The client could then either go back to assuming an 85% recovery in rates, which the respondent could not do, as the respondent had seen on paper that these recoveries were 58%. For the client to get to the 85% recovery point, the tenants would essentially end up paying R10 to R12/m² which, according to the respondent, was far too much for the tenants to carry going by market-related rates in the area. The client could ultimately either recover rates to this extent or they could put pressure on the respondent to adjust the capitalisation rate used. This is where pressures came into play.

In this case, the client could have either accepted that the value of their property had dropped and “walked away” or they could make arguments to defend the higher perceived value. One of the ways in which they could have argued this with the respondent was by way of the capitalisation rate applied – which is what the client eventually did. The respondent went on to mention capitalisation rates and what this meant in the valuation industry when delving into accuracy of values presented. The respondent stated the following:

“Unless you sell the property yourself and have all this pertinent detail, you cannot have a dead certain understanding of what an exact cap rate is to apply in the process.”

The respondent could not pinpoint an exact capitalisation rate to use in the valuation of this property and could not say for certain that it should have been 8,5%. The client pressured the respondent by arguing that the capitalisation rate to be used should actually be 8%. The respondent then eventually settled on 8,25% in this case. This adjustment, based on the net income produced, eventually made a significant difference to the valuation. In this way this particular respondent admitted to moving the capitalisation rate after pressures by the client, because of a lack of precise science involved in setting capitalisation rates. The respondent mentioned that valuation is not a precise science and that, therefore, implied pressure existed in this particular valuation exercise. This was found to be of significance in relation to this study, and a support and justification for the research hypothesis.

The respondent further felt that the property valuation accuracy description is vague. Valuers usually include a disclaimer in their valuation reports that the valuation is an estimate and not an exact amount. This estimate is usually within a range of about five percent of the eventual selling price either way. This variance from an eventual selling price of the property, according to the respondent, gives the client a reason to argue an end valuation with the valuer. Because of the valuation not being seen as precise, the client could argue minor differences in valuation methods, creating pressure on the valuer to substantiate the valuation.

The respondent also felt that individual property owners display more of an emotional tie to their particular properties and, in many ways, this creates a level of bias and eventual pressure on

valuers to produce a certain valuation. Furthermore, the respondent felt that asset managers are incentivised based on underlying values of their portfolio and could indirectly exert pressure on valuers to produce certain values. There is financial reward involved for them should their portfolio perform to target. Although these are essentially the respondent's opinions, the researcher felt that further research on these topics could uncover the potential existence of client pressures in these situations.

Taking the above examples into account and discussing these in more detail, the respondent recognised that many variables could influence values, and that valuers would possibly adjust values accordingly if minor and substantiated claims were presented by the client. However, if these are significant differences and not substantiated by the client, the respondent would not be prepared to make any adjustments and would rather lose the client: a principle of ethics.

The interview then went on to address the issue of ethics and credibility within the valuation industry. The respondent suggested that she knew of cases where certain valuers felt pressures, and reacted to these by succumbing and adjusting valuations in a slight way. However, she also knew of valuers who did not make any adjustments to the valuation result to suit the clients' request despite pressure to do so. The respondent suggested that levels of ethics within the South African valuation industry are high and that, although known pressures from clients exist, positive ethical behaviour by valuers is a firm reality.

This interview was informative in supporting the hypothesis. The respondent did not ultimately admit to making significant and blatant changes to valuations after a client put pressure on her to do so, but a level of client interaction and eventual pressure was presented. The respondent indicated she feels that valuation is not an exact science and that certain figures are open to discussion and opinion; it is this factor that is exposed to possible client intervention and, essentially, pressures. Although an indirect involvement by the client on end values exists in this case, it is not quantifiable. Further research into actual quantifiable pressure could provide significant arguments.

4.2.2 Respondent B

At the risk of excluding other valuers in the industry, it was noted that in this particular interview, the ethical viewpoint of both the company and individual presented an argument challenging the research hypothesis.

The interview began with the respondent describing a recent revelation whereby the Royal Institute of Chartered Surveyors (RICS) addressed a conference in South Africa and suggested that, in its belief, valuers in South Africa are being influenced by the clients, and that it feels the values produced by valuers in South Africa are not market-related, but rather values stipulated to service the clients' requests. RICS suggested that it send representatives to South Africa to address these shortcomings in the South African valuation industry. This was significant in that it was in line with the research topic and in support of the research hypothesis.

The respondent carried on to mention the fact that, in his particular company's valuation history, he was not aware of any cases where client pressures or influences existed. In saying so, he continued to describe his levels of integrity and ethics when dealing with clients and acceptance of the information provided to him by the client. This information, he said, would often not be sufficient enough to determine as accurate a valuation as possible of a particular property, and he would have to call for additional information. In this way he does admit that possible indirect client influence could be present as a result of a lack of sufficient information provided; however, he does not see that he has experienced direct pressures himself.

Valuation fees were also a topic of major interest, and this was discussed in some detail. This respondent mentioned that he does a substantial amount of work for all the listed funds and, in most cases, quotes for his business. There is one major fund, though, that sets the fee and pays this fee for the valuation service provided regardless of varying individual capabilities. In this way the interviewee felt that valuation fees are being set and are ultimately remaining stagnant; and that increases are minimal. It was then suggested that, when taking inflation into consideration, these stagnant fees would actually be declining in real terms. The respondent agreed.

When asking whether this particular valuer knew of any client pressures or influences that existed in the South African valuation arena, the respondent responded by saying:

“Yes, I have a suspicion but, as an example, could not go into a court of law and pinpoint valuers guilty of such actions.”

The respondent then went on to state an example supporting this suspicion. He had taken over work from another company and his values dropped substantially from where the previous valuation company had valued the properties. He then told the client how he had approached the valuation and how he had achieved lower values. The client replied by admitting to knowing that the values would normalise, as they believed that the properties were overvalued before. The respondent felt that this could have been a combination of poor methodology and missing information, but also admitted that this could have been the result of client influence, whether direct or indirect.

This interview illustrated and supported the research hypothesis that certain levels of client influence or pressures on valuers exist in South Africa. Ultimately what can be taken out of this interview is that certain valuers ethically choose not to be susceptible to such influences or pressures by clients, while other valuers may possibly be open to these influences or pressures for various reasons.

4.2.3 Respondent C

In this case, the researcher managed to interview a property valuation professional who has had valuation dealings with a financial services company and its requirements to carry out a property valuation for loan purposes. This respondent mentioned an instance where client pressure was prevalent, but denied actually being affected by these pressures.

The respondent was asked to carry out a valuation for one of the leading financial services companies in South Africa at the time. The valuation requirement was that of a service station in a Cape Winelands town. One of the client's finance brokers requested that the respondent go out to site to evaluate the property and establish a value to apply to a loan allocation for a potential purchaser. The respondent was taken out for lunch and asked what he thought about the property. He strongly stated what his valuation ideas and thoughts were, but the broker pressurised him by stating alternatives.

The respondent eventually submitted a value according to what he thought it was. The client strongly disapproved, having appointed the respondent to carry out this valuation to achieve a valuation higher than what the respondent eventually produced. Based on the respondent's results, the client could not raise the finance that was aimed for, and the client displayed significant disapproval by questioning the respondent's qualifications. About three months later, the property sold for five percent less than what the respondent had valued the property at originally, illustrating that the respondent was relatively accurate and did not succumb to the client's pressures.

This case again illustrates that client influences and pressures are present and that these instances exist in South Africa. The researcher notes that, in many instances, valuers know about

these pressures but do not succumb to them because of their own or their company's ethical standards and industry credibility.

4.2.4 Respondent D

Respondent D was with an independent property valuer with extensive experience in a variety of different property valuation scenarios. This particular interview was carried out in an informal way by opening discussions aimed at establishing the respondent's opinions on the research hypothesis. What follows is a breakdown of what was discussed, and the relevance to the research topic and hypothesis.

The respondent opened the discussions by divulging past valuation roles and experiences regarding residential valuation practices. It was around the time when capital gains tax was introduced in South Africa (October 2001). The respondent was involved in many residential valuations for this particular reason. Homeowners – especially second homeowners – were susceptible to capital gains tax and needed to have their properties valued.

A specific case was raised by the respondent, where he was tasked to value a holiday home of one of his close friends in Hermanus. The friend and homeowner initiated the valuation request by stating the required end valuation needed from the respondent before any work had taken place. Naturally, the homeowner needed the value of the house to stay lower than a certain amount so as to remain excluded from potential capital gains tax. The respondent, because of his own ethical viewpoints, was forced to ignore the request from his friend (the homeowner), and apply his trade and expertise to the situation to extract a market-related true value. The respondent admits that this was a clear and open example of client pressure on valuer behaviour. No financial reward was presented or offered to the respondent by the homeowner and friend, but the respondent felt that pressure existed on a personal and professional level nevertheless.

The respondent further discussed the valuation industry, and the levels of credibility and ethics that surround the processes and practices. He feels that there are valuers in the industry who

might succumb to client pressures or influences, but that a majority would not entertain these pressures because of their credibility, reputation and ethical wellbeing. He felt strongly that the valuation profession and industry in South Africa is small and that, once a valuer becomes a victim of or agrees to client pressures and negative input, their credibility is ruined, and they would find it extremely difficult to ever find work again.

This interview presented relevant data to support the research hypothesis, but also presented an understanding of the ethical and honest behaviour portrayed by many property valuers in the industry.

4.2.5 Respondent E

Along with his work as described in the introduction to this section, this respondent also represents tenants in shopping centres in situations where the owners attribute a certain rates portion to their asking rentals based on the valuation carried out by the local authorities. This respondent then represents tenants by challenging the valuation carried out for clarity and accuracy, and in some instances this results in a reduction in the amount of rates payable. This respondent essentially makes a living from challenging the local authorities who carry out valuations on properties that affect rates and taxes payable.

The respondent was asked whether or not he had been involved in any valuation scenario where he felt that possible pressures towards the valuation process might have existed, and what these pressures might have been. He felt strongly that the prevalence of client pressures is a real issue in the South African valuation industry. He felt that pressures and influences exist, but it comes down to ethical considerations and practices when dealing with clients of this nature. He was open about the fact that he is aware of valuers who succumb to possible client pressures, and

reiterated that these valuers create a negative image for themselves and significantly affect their credibility in the industry.

To follow up on his claim, the respondent went on to discuss a case in which he was put under pressure by a client. The client was a major South African company with a significant global interest and a history of international business interests. The respondent was approached by the client to value a portfolio of properties in order to establish the underlying value of their assets, which would largely influence distributions to shareholders. The client requested that the respondent carry out a valuation and was instructed to produce a given value. This was unacceptable to the respondent, who made it clear that he does not carry out his professional valuations in this manner and would not be forced to make incorrect or unprofessional decisions based on client requests to do so. The client threatened the respondent by saying that, should he not carry out the valuation in this manner and produce the requested value, he would be dismissed. The respondent decided that the risk to his credibility and ethical viewpoint was too high, and that he would rather decline the work and risk losing the client. The client then decided to employ the services of alternative valuers who might be more susceptible to these pressures and produce the valuations that they required. Eventually, after addressing these requests from alternative valuers, the client returned to the respondent and requested his services. This time, however, he did it on his own terms and using his own professional and ethical considerations.

It was clearly seen that, in this case, the respondent was exposed to direct client pressures. The possible financial and career rewards in this particular situation were evident to the respondent, but would be of a non-ethical nature. The respondent would not be open to these suggestions and would not succumb to the pressures of the client, but admitted to the fact that these pressures clearly exist in the South African valuation industry, and that it is up to the valuer, in his/her personal or professional capacity, to negate these pressures and influences. The data collected in this interview supports the research hypothesis that client influence on valuer

behaviour exists in South Africa; however, further research into the valuation practice could reveal more tangible data.

4.3 Summary Discussion

This chapter seeks to combine the results of the survey questionnaire, the in-depth interviews, the international literature reviewed in Chapter 2 and the views of the researcher. The data presented in this study was collected in an attempt to delve into the research questions and hypothesis presented in the introduction of Chapter 1. The data extracted addressed relevant information needed to answer the research questions, and would be pertinent in drawing conclusions to the research and preparing recommendations for further research. However, before doing so, the data extracted in this section needed to be discussed in relation to the research questions in Chapter 1 and the literature in Chapter 2.

Significant literature addressed in Chapter 2 reveals that, internationally, research has taken place to establish the presence of client influence on valuer behaviour. The literature addresses various studies carried out to establish levels of influence and variables involved in these influences. In some cases, the studies could not establish whether or not client influences on valuers exist. The majority, however, found that this was the case and that further studies into specifics would elaborate on these findings. It was felt that client influence on valuer behaviour would have to be present in the valuation industry in South Africa, which is the reason for this study.

Furthermore, the literature, survey responses and interviews reveal that client influence on valuer behaviour is a function of variables such as client type, client size, range in variance, valuer fees, consequences, valuer gender and valuer experience. The data collected in the surveys and follow-up interviews carried out with industry professionals supports this, and also reveals that levels of client influence do exist in South Africa. What was established is that valuers in South Africa are aware of possible influences and that they are a reality in the industry, but most are ethical and do not knowingly make adjustments to their outcomes.

The survey was used to extract pertinent data in this study and supporting information was extracted using the unstructured interviews – complementary to the survey. The first part of the survey dealt with the profiling of respondents; the second part with the actual client interaction

pertinent to this study and the research problem. It was revealed in the profiling part of the survey – with the support of the client interaction part – that:

- A majority of the industry is male –
 - This could mean that most valuers, although being pressurised by clients, would not succumb to value adjustments in a male-dominant industry. Ethics and credibility issues are major contributors to this stance. A Chi-square test for independence revealed significant relationship between gender and experience in the industry and indicates that male valuer are more experienced
- The size of the valuation company/organisation matters –
 - Larger companies rely on credibility in the market to keep business and would have a “zero tolerance” stance when addressing client influence. A possibility might exist whereby smaller companies/individual valuers might succumb to client pressures so that they can keep their business. This issue was touched on in Q11, where reduction in valuation fees was addressed, indicating that valuers could reduce fees to keep client numbers up, illustrating an indirect influence on the valuer by the client. Chi-square tests for independence revealed a significant association between the size of a company and clients withholding vital information in order to influence valuation outcomes.
- Banks and private property owners are the major client type being serviced by most property valuers –
 - Although numerous other client types do exist, banks and private property owners were the prominent response in the study. This was found to be consistent with previous research studies carried out and described in the analysis.

The survey then delved into valuation issues in variables that were derived from previous literature presented and examined in Chapter 2. Previous research studies, as specified and stipulated again throughout the analysis, are what drove the survey questions in a South African context.

The balance of the survey questions revealed – in conjunction with the interviews – that:

- Extensive experience of 7 years or more in practising valuers in South Africa is found –
 - In the in-depth interviews, it was established that the respondents were particular in their viewpoint regarding experience. Although the surveys could not establish the relationship between experience and client influence, the respondents in the interviews felt that valuers who have worked longer in the industry were possibly more aware of ethics and credibility as well as the damage that could be done by succumbing to client influences.
- Multiple valuations of the same property produce more accurate and reliable results than individual valuations –
 - This further substantiates previous research, stipulated in the analysis, on this topic. More valuers valuing a property was seen to negate potential client influence from entering the valuation process.
- An acceptable range in variance from the eventual market value is seen by South Africa valuers to be 6% to 12% -
 - This elaborated on previous international research, described and specified in the analysis, where it was found that an acceptable range in variance is 10% to 22%. Although a range in values is a universal feature of valuation, it clearly provides room for an opportunity for “subtle” client influence to take place.
- Major reasons for varying valuation results for the same property include –
 - Behaviour and/or ethical standards of the valuer, lack of skills and/or knowledge of the profession, and lack of familiarity of the location/area/market. Furthermore, it was established that a significant reason for varying results was actual client pressure on the valuer, clearly supporting the research hypothesis.
- Fifty-four percent of the valuers responding to the survey questionnaire indicate that they have revised valuations after interaction with the client –
 - This was further confirmed in the follow-up interviews and supports the research hypothesis that client influence is prevalent in South Africa.

- Potential influential powers exerted by clients on valuers include –
 - Incentivising for more work, adding or removing from preferred valuer lists, refusal to pay fees and the threat of loss of contract. Previous research on this topic, as described in the analysis, formed the basis of this question, giving names to the client powers as follows: coercive power, information power, reward power and expert power.
- More than 49% of valuers feel that clients withhold vital information on the property so as to influence valuation outcomes.
- Draft valuations are called for by some clients for discussion purposes –
 - Twenty-eight percent of valuers indicated that they do get requests from client to submit draft valuations for discussion purposes. Sixty-one percent of valuers indicated that they do not get into discussion around their processes at all. Just under 21% of valuers indicated that they do submit draft valuations, then indicated that vital information is presented by the client so as to influence the valuation outcome.
- Valuers revise valuations after an interaction with a client when vital information is presented by the client –
 - A Chi-square test for independence reveals that there is a significant association between these two variables and that valuers revise their results after interaction with clients in these situations.
- Damaging the industry credibility, actual existence of valuers/valuer necessity, damaging property indices/performance or financial loss to property investors are seen to be consequences of valuers adjusting outcomes to their valuations after client interaction.

The presence of client influence on valuer behaviour in South Africa has a significant impact on the valuation industry, and consequences of influences are pertinent to this study. The respondents in the study indicated that they feel that the major impact and consequence of valuers adjusting their values after client interaction would be the damage done to the valuation industry as a whole. This question addressing the issue revealed that, overwhelmingly, damage to industry credibility was the main consequence of client influence on valuers. Clearly client

influence on valuer behaviour exists in South Africa; however, the individual valuer and his or her ethical standpoint determine whether or not he or she would be susceptible to changing the valuations after this influence. Influence exists, but most valuers feel that their credibility needs within the valuation industry prevent them from succumbing to that influence.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

This study aimed to explore the existence of client influence on valuer behaviour in South Africa. The research conducted sought to establish the nature, prevalence and consequences of this behaviour in a South African context.

The valuation industry in South Africa, as in the rest of the world, plays a significant role within the property markets. Valuers are therefore an important part of the property markets, and any negative or inconsistent behaviour displayed by valuers could be detrimental to the functionality of these markets. It is therefore vitally important to address the potential existence of client influence on valuer behaviour, as well as the possible consequences thereof. Studies relating to this problem have been undertaken globally; however, no research into this phenomenon had been conducted in South Africa.

The study therefore set out to answer the following question:

1. Does client influence on valuer behaviour exist in South Africa?

Also, taking the research question into account, the study set out to answer the following sub-questions:

2. What is the nature of the clients' influences on valuer behaviour in South Africa?
3. Is there significant prevalence of client influence on valuers in South Africa?
4. What are the consequences of value adjustments to valuers' results after client interaction?

Literature was gathered and analysed as a basis for understanding the background of this topic on a global level. This analysis was presented in Chapter 2, bringing forward the fact that, internationally, clients do pressurise valuers, and that levels of influence do exist. The literature revealed that issues relating to accuracy and variance in valuation results are prevalent in the global arena, and also that clients are contributors to levels of variance from accurate results.

The main empirical findings of the study were brought forward through the use of qualitative and quantitative methodologies. This mixed method approach was used to uncover data to address and elaborate on the research problem and answer the research question. First, a survey questionnaire was conducted to extract data from a large sample population. This population consisted of a database of property valuers registered with the South African Institute of Valuers. Secondly, follow-up interviews were conducted, where practising valuers were interviewed to extract data and information to support the empirical findings produced by the survey. The empirical data extracted revealed clearly that property valuers in South Africa are of the opinion that client influences and pressures are prevalent, and that these pressures come in various forms. The findings were significant in this study as they revealed what the research set out to establish.

The survey questionnaire was brief and to the point, and focussed on revealing what the research question put forward. Pertinent to the research study and in support of the research question, the survey revealed that nearly 55% of the valuers in the study indicated that they had adjusted their valuations after interaction with clients.

This is seen as a significant finding in the context of this study, and directly addresses and answers the research question about the existence of influence in South Africa. This was further elaborated on in the qualitative interviews conducted to support the survey. Property valuation companies and individuals revealed in the interviews that they are aware of client pressures and influences exerted upon valuers, which supports the research hypothesis. They revealed that a majority of practising valuers in South Africa could be susceptible to clients influencing their valuation results, but that very few valuers are open to making adjustments to their end values after clients have influenced or pressurised their processes. Ethics and credibility considerations are the main reasons for most valuers not adjusting their values after client pressures or influences.

Furthermore, the interviews revealed additional findings that were a clear indication of the existence of client influence and a clear answer to the research question. One significant finding

was the revelation presented by Respondent B, where the Royal Institute of Chartered Surveyors addressed a conference in South Africa and openly suggested that it believes that valuers in South Africa are succumbing to client influences when performing their valuations. This clearly supports the research problem.

This study was aimed at uncovering research into possibilities that client influence or pressures on property valuers exists. A significant amount of international research uncovers variables involved in the client/valuer relationship and in particular the pressures and influences involved. The behaviour of valuers after client interaction needed to be brought forward in a South African context, which this study aimed to do. This study brings forward the sensitive topic of client influence on valuer behaviour in South Africa, and will hopefully create awareness of the prevalence thereof, essentially opening up avenues for further research on the topic.

The in-depth interviews, along with some of the survey questions, revealed significantly that the research topic is a sensitive one. The valuation industry is based on ethical practices and guidelines, which ultimately influence the credibility of the industry as a whole. The research uncovers the fact that client pressure or influences on valuers exist in South Africa and that the nature, prevalence and consequences thereof are relevant. The existence of client influence and pressures on valuers, however, was presented by most valuers as a choice between succumbing to and fighting against these pressures – essentially ethical and credibility considerations. The valuers interviewed and surveyed felt that pressures and influences do exist, but that many valuers do not succumb because their professional industry credibility could be affected.

Although the research data extracted reveals that pressures and/or influences from clients on valuers exist, it could not establish how much of this pressure was “direct” or “indirect”. It is interesting to note that the research shows that pressures exist even though respondents do not realise this. The research uncovers examples of where the slightest change to capitalisation rates could make a significant difference to the portfolio value, and the valuer is unaware that the client is influencing these variables. In this example, the client could either influence this through non-disclosure of information or blatantly argue capitalisation rates directly. This indicates levels

of client influence on valuation behaviour, even though the valuer might not be aware that the influence is taking place.

This study revealed that many valuers make adjustments to their values after client interaction or pressure. Most valuers feel that the main reason for the changes in values is the fact that the client presents new information about the property to the valuer after a “draft valuation” has been presented for discussion purposes. This can be clearly construed as client influence on valuer behaviour. Further studies can reveal this finding in more detail and allow for a more in-depth and thorough understanding of this variable of client pressure.

A significant threat to the valuation industry credibility is a real concern should client influences become more prevalent; and this needs to be addressed in order to avoid a degeneration of valuer credibility in South Africa. Valuers play a significant role in the functioning of the property industry. Should client influences on valuers become more of a significant reality in the South African context or globally, the loss in credibility could result in the depletion of the actual need for property valuers.

It is recommended that the governing bodies within the South African valuation industry become more stringent upon professional valuer qualifications for entry. Furthermore, it is recommended that any valuer succumbing to client pressures by adjusting his or her values should be held accountable, and that his or her professional or associate qualification be removed.

This study was undertaken to uncover an important issue within the valuation industry. It is clear that influences on valuer behaviour exist on a global level, and this study has successfully revealed and addressed the prevalence of influences on valuer behaviour in South Africa. The nature, prevalence and consequences of client influence on valuer behaviour were researched,

and important findings established. These findings should assist in further research into the topic and should contribute positively to the valuation industry in South Africa.

5.1 Future Research Needed

This study aims to uncover the nature, prevalence and consequences of client influence on valuer behaviour in South Africa, but does not significantly present an intricate and focused exploration into the specific variables involved. Further research will be needed to establish:

- A quantifiable presentation of the actual levels of client influence and the resulting variance from accuracies of end valuations due to client influences
- A quantifiable study into the levels of differences between direct and indirect client influences
- What significance ethics and credibility hold within the valuation industry when addressing client influence on valuers
- A client's perspective on the issue of influence on valuer behaviour

REFERENCES

- Adams, J., Khan, H. T. ., Raeside, R., & White, D. (2007). *Research Methods For Graduate Business and Social Science Students*. London, UK: Sage.
- Amidu, A.R., & Aluko, B. T. (2007). Client influence in residential property valuations: an empirical study. *Property Management*, 25(5), 447–461.
- API. Australian Property Institute (2012). Code of professional conduct. Retrieved from <http://www.api.org.au/menitem/professional-and-technical-standards/code-of-professional-conduct/> [Accessed September 30, 2013]
- Babawale, G. K., & Ajayi, C. A. (2011). Variance in residential property valuation in Lagos, Nigeria. *Property Management*, 29(3), 222–237.
- Babawale, G. K., & Omirin, M. M. (2011). Valuers' and Valuation Firms' Characteristics as Causes of Inaccuracy in Valuation in Nigeria. *Mediterranean Journal of Social Sciences*, 2(3), 12–23.
- Baker, D. (2008). The housing bubble and the financial crisis. *Real-World Economics Review*, 46, 73–81.
- Baum, A., Crosby, N., Gallimore, P., Mcallister, P., Gray, A., & Street, B. (2000). The influence of valuers and valuations on the workings of the commercial property investment market. Retrieved from <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.202.9617&rep=rep1&type=pdf> [Accessed September 30, 2013].
- Bhattacharjee, A. (2012). *Social Science Research : Principles, Methods, and Practice*, (2nd Edition). Florida, USA: University of South Florida.
- Blake, A., & Eves, C. (2011). Valuers' liability: the impact of torts reform in Queensland. In *The 17th Annual Pacific Rim Real Estate Society Conference*. 16-19 January 2011, Gold Coast, Queensland, Australia. Retrieved from http://eprints.qut.edu.au/46156/1/2011011331_ePrints_Eves.pdf [Accessed March 22, 2014].
- Creswell, J. (2013). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (3rd ed.). Thousand Oaks, CA: Sage.
- Crosby, N. (2000). Valuation accuracy , variation and bias in the context of standards and expectations. *Journal of Property Investment & Finance*, 18(2), 130–161.

- Crosby, N., Lizieri, C., & McAllister, P. (2010). Means, motive and opportunity? Disentangling client influence on performance measurement appraisals. *Journal of Property Research*, 27(2), 181–201.
- Diaz, J., Gallimore, P., & Levy, D. (2002). *Residential valuation behaviour in the United States, the United Kingdom and New Zealand*. London, UK: Routledge.
- Elliott, P., & Warren, C. M. J. (2005). Valuation profession in Australia: profile, analysis and future directions. In *Proceedings of the Pacific Rim Real Estate Society Conference*. Melbourne, January 24-27, 2005. Retrieved from <http://espace.library.uq.edu.au/view/UQ:9955> [Accessed April 4, 2013].
- Forza, C. (2002). Survey research in operations management: a process-based perspective. *International Journal of Operations & Production Management*, 22(2), 152–194.
- Gallimore, P., & Wolverton, M. (2011). The objective in valuation: a study of the influence of client feedback, (April 2013), 37–41.
- Gwin, C. R., & Maxam, C. L. (2002). Why do real estate appraisals nearly always equal offer price?: A theoretical justification. *Journal of Property Investment & Finance*, 20(3), 242–253.
- Havard, T. (2001). Valuation reliability and valuer behaviour. *RICS Foundation Research Paper*, 4(1), 1–47. Retrieved from <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.201.2137&rep=rep1&type=pdf> [Accessed 22 March, 2014].
- Ivankova, N. V. (2006). Using mixed-methods sequential explanatory design: from theory to practice. *Field Methods*, 18(1), 3–20.
- Kinnard, W. (1997). Client pressure in the commercial appraisal industry: how prevalent is it? *15(3)*, 233–244.
- Levy, D., & Schuck, E. (1999). The influence of clients on valuations. *Journal of Property Investment & Finance*, 17(4), 380–400.
- Levy, D., & Schuck, E. (2005). The influence of clients on valuations: the clients' perspective. *Journal of Property Investment & Finance*, 23(2), 182–201.
- Lorenz, D., & Lützkendorf, T. (2008). Sustainability in property valuation: theory and practice. *Journal of Property Investment & Finance*, 26(6), 482–521.
- McGreal, S., Brown, L., & Adair, A. (2010). List price and sale price variation across the housing market cycle. *International Journal of Housing Markets and Analysis*, 3(2), 89–99.

- McGreal, S., Taltavull, P., & Paz, D. La. (2013). An analysis of factors influencing accuracy in the valuation of residential properties in Spain. *Journal of Property Research*, (April 2013), 37–41.
- Meszek, W. (2013). Property valuation under uncertainty. Simulation vs strategic model. *International Journal of Strategic Property Management*, 17(1), 79–92.
- Miller, N. G., & Markosyan, S. (2003). The academic roots and evolution of real estate appraisal. *The Appraisal Journal*, 71(2), 172-184.
- NZIV. New Zealand Institute of Valuers (1996). New Zealand Institute of Valuers Code of Ethics. Retrieved from <http://www.property.org.nz> [Accessed April 20, 2013].
- Parker, D. (1998). Valuation accuracy – an Australian perspective. In *Proceedings of the 4th Pacific Rim Real Estate Society Conference*. Perth, January 19-21, 1998. Retrieved from <http://www.prres.net/proceedings/Proceedings1998/Papers\Park8Bi.PDF> [Accessed April 4, 2013].
- Punch, K. (2005). *Introduction To Social Research: Quantitative and Qualitative Approaches* (2nd ed.). London: Sage.
- RICS. (2013). About our professional and ethical standards. Retrieved from <http://www.rics.org/za/the-profession/professional-and-ethical-standards/about-our-professional-and-ethical-standards> [Accessed October 02, 2013].
- SAIV. (2009). Constitution of the South African Institute of Valuers. Retrieved from <http://www.saiv.org.za> [Accessed April 14, 2014].
- Worzola, E. M., Lenk, M. M., & Kinnard, W. N. (1998). How client pressure affects the appraisal of residential property. *The Appraisal Journal*, October, 416–427.

APPENDIX A – Survey Questionnaire

APPENDIX B – Research Ethics Clearance