

Issues Facing Standardisation of Property Valuation Practices: A case study of Suva, Fiji

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Abstract

Globalisation and increasing foreign property investments are compelling nations to adopt international practices for greater transparency and better governance. However, it is important to recognise that a number of smaller countries struggle to implement international frameworks and practices. Using a case study of property valuations in Fiji, this paper highlights the institutional, informational and technical issues in implementation of the International Valuation Standards (IVS).

Property Valuations are a source of information for financial reporting as well as crucial investment decisions. However, valuation is regarded as a “matter of opinion subjective to an individual’s assessment of different factors” (Isaac, 2002, p. 7). As a result, valuation standards at national and international levels play important roles in the promotion of ethics, integrity and impartiality in valuers (Hemphill, Lim, Adair, Crosby, & McGreal, 2014). Controversy surrounding the field of valuation calls for a critical analysis of valuation theory and the creation of frameworks for members of the valuation profession to adhere to in their normal practices (Australian Property Institute, 2007). Anecdotal evidences found in Fiji highlighted the needs for standardisation to be implemented in the valuation sector (Myers, 2013). Not on par with international practices, the valuation profession in Fiji had been administered by the Valuers Registration Act 1986, which was only responsible for determining the suitability of approved persons for registration as valuers (ACT No. 7 of 1986, 1986). The Act lacked in-depth information on day-to-day valuation practices, code of conduct and standards. Thus there had been calls for the implementation of formal valuation practice standards in the country (Myers, 2013).

This research was undertaken in an attempt to identify fundamental practices within current market valuations of residential properties in Fiji and identify issues hindering the adoption of IVS. The IVS is the most common framework of valuation standards adopted by many countries. It has over 85 institutional members in 58 member countries, making it the most widely followed valuation standard in the world (International Valuation Standards Council, 2014). Moreover, this is followed by the Royal Institute of Chartered Surveyors Valuation - Professional Standards (Red Book) which fully adopts the IVS and is used in the United Kingdom and member countries (Hemphill, Lim, Adair, Crosby, & McGreal, 2014). These standards contain key terms upon which the bases for valuation practices are formed. These terms are globally understood and provide guidance to valuers.

This study is essentially constructed using the pragmatic approach to research known as the mixed methods approach (Whittemore & Knafl, 2005). It uses quantitative data collection techniques and qualitative techniques to further understand valuer behaviour. A host of behavioural studies were utilised to understand valuers' behaviour and subjective practices starting from Diaz (1990). Quantitative studies were utilised to identify the key value parameters used for the sales comparison, income and replacement cost approaches. The research employed questionnaires collected from 17 respondents of which 13 were registered valuers and four graduate valuers. In-depth structured interviews of four participants who were employed by government bodies, private organisations or institutions tasked with registration and administration of valuers in Fiji complemented questionnaire results. An unstructured informal interview was conducted with a civil engineer who had a quantity surveying background. A total of eight case studies were collected through involvement at a well-known valuation firm that was accepted into the valuation panel of all major banks in Fiji. These ensured comprehension of actual valuation practices, including difficulties faced from lack of available information databases in Fiji. Review of internationally recognised valuation standards and literature on valuation were used to identify gaps in local valuation practices where actual practices potentially deviated from any suggested normative standards in published practice guidelines. The objective was to identify gaps in valuation practices that could potentially hinder efforts towards standardisation i.e. the proposed adoption of IVS.

The research identified the following issues facing standardisation of valuation practices. The first major issue related to the lack of valuation standards which provided valuers with too much subjectivity in justifying any valuation figure. Introduction of valuation standards would provide some form of methodology and guidelines in performing valuations. Furthermore, ethical standards would restrict valuers from deviating much from normative practices. Overall, standards would encourage compliance and provide a basis for measuring against valuers' performances. However, this field will still require automation in its processes to improve standards of practice. Automation or software must be designed to suit Fijian valuation practices and made available to all practicing valuers to ensure uniformity in the processes and reporting of valuations.

The second major issue facing standardisation was availability of adequate market transactions information. To support standardised practices in line with IVS requirements, information needs to be made readily available to valuers. This information must be collected, analysed and stored in information databases. In the presence of databases, valuers will use actual data therefore there will be fewer assumptions in valuations. It is envisioned if all valuers are provided one set of analysed market transactions information, then any adjustments made to that data by valuers will have to be justified. Therefore, in the presence of information databases, the onus will be on valuers to support valuations with factual data. To support easy flow of information, and database management, institutions that have property related information will be required to share data. For instance, institutions such as the Ministry of Lands, Fiji Revenue and Customs Authority, Real Estate Agents Licencing Board, Titles office, Reserve Bank of Fiji, and other institutions in possession of data will be required to contribute to the information databases. However, this requires significant investments in development of integrated information infrastructure as well as continued support from Government and its agencies for maintenance of systems and their contents.

Thirdly, technical issues were identified as a barrier to standardisation of valuation practices. Technical information must be provided to valuers in the form of training and guidance through manuals, technical workshops and standards. All valuers must attend Continued Professional Development programs offered by the Fiji Institute of Valuation and Estate Management, or equivalent substitutes. Furthermore, users of valuation

reports must be encouraged to demand valuation reports that conform to IVS reporting formats and methodologies. However, a lack of skilled personnel and human capital is deemed to be a hindrance that will persist to hinder the efforts of standardisation.

All in all, this research is a pioneering study in the field of valuation in Fiji. It sheds light on the existing practices relating to current market valuations of residential properties and the issues facing adoption of IVS. It is expected that this study will be used by relevant authorities as a basis for further investigation and improvements in property valuation practices in Fiji. Moreover, it is envisaged this research will trigger more researches into how valuations are currently performed and how improvements can be made as well as how international standards are adopted in smaller country nations with limited resources and technical capabilities.

Subject of the topic: Property Valuation

Issues Facing Standardisation of Property Valuation Practices: A case study of Suva, Fiji

Property Valuations are a source of information for financial reporting as well as decision making in land governance. Globalisation and increasing foreign property investments are compelling nations to adopt international practices for greater transparency and better land governance.

However, a number of smaller countries struggle to implement such international frameworks and practices. Likewise, Fiji has long struggled with finding common ground concerning the standardisation of valuation practices. Some challenges facing the valuation industry to date include lack of information sources, guiding principles or standards, the need for automation, as well as legislative support to bring about improvements in land governance measures.

Using a case study of property valuations in Fiji, this paper categorises key challenges as institutional, informational and technical issues in implementation of the International Valuation Standards (IVS). It is essentially constructed using the pragmatic approach to research known as the mixed methods approach (Whittemore & Knafl, 2005). It uses quantitative data collection techniques and qualitative techniques to further understand valuer behaviour. A host of behavioural studies were also utilised to understand valuers' behaviour and subjective practices (Diaz, 1990).

Findings from this paper helped build recommendations towards improving land governance procedures targeting institutional, informational and technical issues highlighted within.

Keywords: standardisation; valuation; institutional; informational; technical

1: Introduction

The lack of valuation standards specific to the Fiji property market has resulted in subjective practices in residential valuations. Unavailability of information databases have added to much variability in valuer performances. In the context of residential properties valued for current market valuations, this study was aimed at identifying gaps prevalent in existing valuation practices in Fiji.

Valuation is regarded as a “matter of opinion subjective to an individual’s assessment of different factors” (Isaac, 2002, p. 7). As a result, valuation standards at national and international levels play important roles in the promotion of ethics, integrity and impartiality in valuers (Hemphill, Lim, Adair, Crosby, & McGreal, 2014). Controversy surrounding the field of valuation calls for the critical analysis of valuation theory and the creation of frameworks for members of the valuation profession to adhere to in their normal practices (Australian Property Institute, 2007). Anecdotal evidences found in Fiji highlighted the needs for standardisation to be implemented in the valuation sector in Fiji (Myers, 2013). Not on par with international practices, the valuation profession in Fiji had been administered by the Valuers Registration Act 1986, which was only responsible for determining the suitability of approved persons for registration as valuers (ACT No. 7 of 1986, 1986). The Act lacked in-depth information on day-to-day valuation practices, code of conduct and standards. Thus there had been calls for the implementation of formal valuation practice standards in the country (Myers, 2013).

Recent developments in the field have assured adoption of the IVS from 1st January, 2016 and the proposed creation of an Act of Parliament to regulate valuation practices post registration. Yet, the field will still face issues preventing it from fully

standardising its practices. This paper therefore outlines challenges that will remain, categorised into institutional, informational and technical.

1.1: Research Problem

The researcher gained first-hand experiences of the differences in valuation practices in Fiji and New Zealand. However, the researcher had not located any latest research conducted or papers published studying the techniques, practices, or standardisation in the field of valuation in Fiji. The ambiguous nature of the field meant a comprehensive study of valuation practices had not been carried out. As a result, gaps existing between globally accepted valuation standards and local valuation practices have not been formally identified. The problem had been highlighted in several valuation forums including the Fiji Institute of Valuation and Estate Management (FIVEM) Annual Conference 2013 (Nadi) when the key note speaker (Sayed-Khaiyum, 2013) emphasised the need for a “set of criteria and objective tests” by valuers. It was pointed out that valuers “should act as professionals since they have fiduciary duty towards the people” and the institutions were asked to “promote the use of technology and to work towards developing standards for the industry”. Myers (2013) further requested for the adaptation of International Valuation Standards in Fiji to substantiate valuations performed and the need to regulate ‘measurement standards’ to cut down on subjectivity in the valuations performed locally.

1.2: Data Collection

Information for this research was sourced from various publications and textbooks on valuations including journal articles to determine influences on valuation practices. Primary data of a quantitative nature were collected via questionnaires personally administered to a sample of registered valuers selected from the gazetted list of

registered valuers operating in Suva. Qualitative data were collected from case studies composed by the researcher through valuation works performed around Suva. Further information was collected via structured interviews with key valuation and property professionals selected using purposive sampling method. A critical analysis of collective information allowed the researcher to assess local valuation practices.

2: Introduction

In simple terms, valuation is only an estimate of the price at which an asset can exchange for in a market transaction (Jenkins, 2002). However, according to Moore (2009) this field faces as much ambiguity in methods, principles, techniques, standards and procedures today as it had from the time the first paper on proposed standardised procedures was presented to the Social Science Association of Philadelphia on March 28, 1874.

Property valuation has many definitions though its underlying fundamentals remain as “procedures aimed at determining the value of a property, by a licensed person authorised by legislation to carry out property valuations” (Trojanek, 2010, p. 35). Though the tasks of property assessment dates back to pre-biblical days (Jefferies, 1991), scholars began to examine and record the best means of identifying property value in the late nineteenth and early twentieth centuries (Moore, 2009). Developments in this field continue to date with advancements in technology resulting in computerised valuation models that assist in ensuring fair, efficient and accurate reporting (Valentine, 1999). Over the years, many valuation standards have been produced and many countries have either adopted international standards or developed national standards for practicing valuers based on needs. Changing economies caused increased attention on property markets thus countries began recognising valuation as a separate field from

accounting standards. Thereby, countries increasingly began introducing code of ethics and practice guidelines from early 1940s (New Zealand Institute of Valuers, 1995).

The basic understanding of terms used in real estate valuation practices and principles continue to evolve with changing social, economic and political forces. Nineteenth century valuations were predominantly based on rent capitalisation or investment approaches due to its inception from economic concepts but during the twentieth century the sales approach and replacement cost methods were introduced and their use has become widespread since. The income approach to valuation were first proposed in a ground breaking paper on valuation for taxation purposes by Cochran in 1874 (as cited in Moore, 2009) though the author used 'market approach' to describe present value of future benefits. Much later, the first documented book on property valuation by Hurd in 1903 referred to income approach as the only method (as cited in Moore, 2009). This view from an economic standpoint shifted after the 'Great Depression' years where the real estate market suffered severe downturn in prices from reduced demand (Nicholas & Scherbina, 2013). It was then that valuation moved from only a supply and demand perspective to cost approaches earlier proposed by Pollock and Scholz in 1926 (as cited in Moore, 2009), more widely referred to as summation or replacement cost approaches today, and later the sales comparison approaches by Mertzke in 1927 (as cited in Moore, 2009). Recognition for the use of all three methods and reconciliations of value indications from each model was first encouraged in training manuals published by the Appraisal Institute in 1938 (Moore, 2009).

After the initial phase of approaches being formalised with the advent of the three main valuation methods of today, the attention shifted to regulating the field with changing course of world events. National and global crisis exposed variations in valuation practices between different valuers in the same country that had major

implications on property markets. Gilbertson and Preston (2005) stated that most national market and property crises “exposed wide variations in valuation approaches that often led to vastly different or even unrealistic estimates of similar assets and potentially fraudulent, dishonest or incompetent conduct whereby valuers were not properly trained or regulated” (p. 124). They further stated that “the concern to avoid such collapses led to the emergence of valuation standards firstly on national levels, and then progressed to international levels” (Gilbertson & Preston, 2005, p. 124). Evidence of objectives to regulate, standardise and instil ethics in the field dates back to early 1930s with the formation of the Appraisal Institute in the United States of America in 1932 (Appraisal Institute, 2014) and the International Association of Assessing Officers (IAAO) in 1934 (International Association of Assessing Officers, 2013). The Appraisal Institute’s objectives to date are to advance professionalism and ethics, global standards and valuation methodologies towards its members (Appraisal Institute, 2013). Similarly, the IAAO strives towards training and educating assessment professionals (International Association of Assessing Officers, 2013). Australian and New Zealand valuers are regulated by joint standards published by the API and PINZ. New Zealand first published its valuation standards for practicing valuers in the country in 1985 (New Zealand Institute of Valuers, 1995) and now publish joint standards with the Australian Property Institute due to the similarity in valuation practices and markets in these countries (Australian Property Institute, 2012). In the UK, valuers follow the RICS Red Book on valuation standards, though this has wider global acceptance outside the UK (Royal Institute of Chartered Surveyors, 2014).

Most international standards had been brought about through the recognition of the need for ensuring consistent valuation standards and procedures across borders. The Royal Institute of Chartered Surveyors, founded in 1792 (Royal Institute of Chartered

Surveyors, 2014), first published its appraisal and valuation manual in 1976, in response to the United Kingdom property crash in the 1970s (Gilbertson & Preston, 2005). It is today widely referred to as the RICS Red Book and incorporates the IVS (Royal Institute of Chartered Surveyors, 2014). Additionally, the International Valuation Standards Council was founded in 1981 under the banner of ‘International Asset Valuation Standards Committee’. It was later renamed to International Valuation Standards Council in 2008, though member countries had started to be included from late 1990s (International Valuation Standards Council, n.d.). The International Valuation Standards published by the IVSC is now widely accepted as the forefront of convergence towards consistent global valuation practice standards. The reason for such standardisation is owed to the demand for consistent and transparent valuations as well as to avoid valuation induced finance or property market crises in the future (Gilbertson & Preston, 2005).

2.1: Globally Accepted Standards on Valuation

The International Valuation Standards is the most common framework of valuation standards adopted by many countries. It has over 85 institutional members in 58 member countries, making it the most widely followed valuation standard in the world (International Valuation Standards Council, 2014). This is followed by the Royal Institute of Chartered Surveyors Valuation - Professional Standards (Red Book) which fully adopts the IVS and is used in the United Kingdom and member countries (Hemphill, Lim, Adair, Crosby, & McGreal, 2014). These standards contain key terms upon which the bases for valuation practices are formed. These terms are globally understood and provide guidance to valuers.

2.2: Administrators of Valuation in Fiji

In Fiji, most rules of law and governing procedures have been adopted from neighbouring countries Australia and New Zealand. This is largely due to geographical proximity and similarity in historical governance during the Colonial era (Lal, 1992). Much of the older legislation governing real estate are to do with statutory rating valuation purposes, namely the Local Government Act 1972 that to date require properties to be valued on an Unimproved Capital Value method (Hassan, 2001). The task of administration and regulation of valuation for non-statutory purposes is entrusted with the Valuers Registration Act of 1986 (ACT No. 7 of 1986, 1986). Despite growing calls for standardisation of valuation practices, no evidences of research in this field is noted. Literature on valuation practices to date relate to unimproved capital value rating systems (Hassan, 2001; Narayan, 2002).

Collectively, four key institutions are directly involved in the administration of valuation for real estates in Fiji. These institutions include the Valuers Registration Board (VRB), Department of Lands and Surveys under the Ministry of Lands and Mineral Resources, the Fiji Institute of Valuation and Estate Management, and the School of Land Management and Development at the University of the South Pacific (Narayan, 2002).

The Valuers Registration Act of 1986 provides criteria for the registration of valuers and requirements for the functioning of the Valuers Registration Board. It sets fees and training requirements for graduate valuers for the registration process of being qualified as a registered valuer. To get registered, graduate valuers are required to submit to the four member panel of the Board 10 valuation reports completed over two years after completing a university degree in the relevant field of study. The applicants are then required to submit two test reports to the Board for assessment and interviews to be recognised as a registered valuer in Fiji (ACT No. 7 of 1986, 1986).

The Fiji Institute of Valuation and Estate Management (FIVEM) was advocated to promote the general interest of the profession (Fiji Institute of Valuation and Estate Management, 2014). Currently FIVEM is working towards a new valuer's decree called for in its 2013 annual conference in Nadi whereby it intends to adopt parts of the IVS and guidance notes for Fiji. It also aims to formalise building measurement standards and mandatory continued professional development programs for registered valuers to maintain a level of learning and competence. (Myers, 2013). In its Special General Meeting 2015, the Institute obtained majority votes from its members to adopt the IVS. This marked a significant development in the field of valuation. The IVS was implemented for valuers to comply with from 1st January, 2016.

The Department of Lands and Surveys facilitate the management and development of land resources in Fiji. Its Valuation Department is in authority of acquisitions of land for public purposes, assessments and reassessments of rental on state leases, verification of rental on native owned land, and to be the official valuers for towns and cities for reassessments of property rates. One of its key functions is to provide land sales data for the whole country which is used as basis for property valuations by government and private valuers in the absence of detailed sales information (Department of Lands, 2013).

The School of Land Management and Development offer courses in valuation that act as prerequisites for graduates willing to attain registration under the Valuers Registration Act, 1986 (The University of the South Pacific, 2014).

All in all, these institutions are tasked with the administration of valuation practices in Fiji. In particular, the VRB is tasked with controlling valuers' registrations and on-going monitoring of performances. However, no evidences of valuation standards to regulate practices were found until adoption of the IVS in the FIVEM

Special General Meeting 2015. Furthermore, apart from Hassan (2001) and Narayan (2002) who studied unimproved capital value rating systems, no researches in Fiji on valuation practices, or efforts towards standardisation, were found. This is despite numerous calls for standardisation at relevant forums.

3: Data Collection

The research setting was within the residential suburbs of Suva City from which the study sample was drawn. The constructive nature of the research required the researcher to obtain deeper understandings of valuation practices in Fiji. Hence qualitative methods of data collection, namely case studies and structured interviews, were preferred. Case studies allowed the researcher to obtain first-hand information on valuation practices while interviews assisted in obtaining deeper understanding on valuation practices not attainable through case studies and questionnaires. Data of quantitative nature required objective data collection through questionnaires. Questionnaires provided easier access to greater audience of registered valuers based in Suva.

3.1: Questionnaires

The population of interest were valuers, in particular registered valuers or graduate valuers with enough experience to provide insights into valuation practices in Fiji when performing market valuations for residential properties in Suva. Registered valuers were individuals with relevant qualifications in the field of property with minimum two years' experience in valuation and had satisfied requirements to be qualified as a registered valuer under requirements of the VRB (ACT No. 7 of 1986, 1986).

While selecting a sampling frame for graduate valuers was not feasible, the sampling frame for registered valuers were selected from the list of registered valuers

approved by the VRB and published in the Government of Fiji gazette (Fiji Government, 2014). From the 74 registered valuers identified, probability sampling technique of systematic sampling (Thomas & Brubaker, 2008) was identified to screen registered valuers who were located in Suva. It was found that 31 registered valuers were either based, or had at least a branch, in Suva (M. Anand, personal communication, July 15, 2014). Registered valuers were then contacted to identify the number of graduate valuers working in their firms and to confirm their willingness to participate in the research by filling out questionnaires. Altogether, eight graduate valuers screened to be with sufficient experience to qualify for participation in this research were identified as per the selection criteria demonstrated in Figure 1.

The sample size was calculated from the total of 31 registered valuers practicing in Suva and eight graduate valuers, giving a total population of 39. Using 95% confidence level and 5% confidence interval, the sample was calculated at 35. This was deemed to be valid and precise for quantitative method of data collection due to a relatively small population (n=39) of registered valuers and graduate valuers operating in Suva.

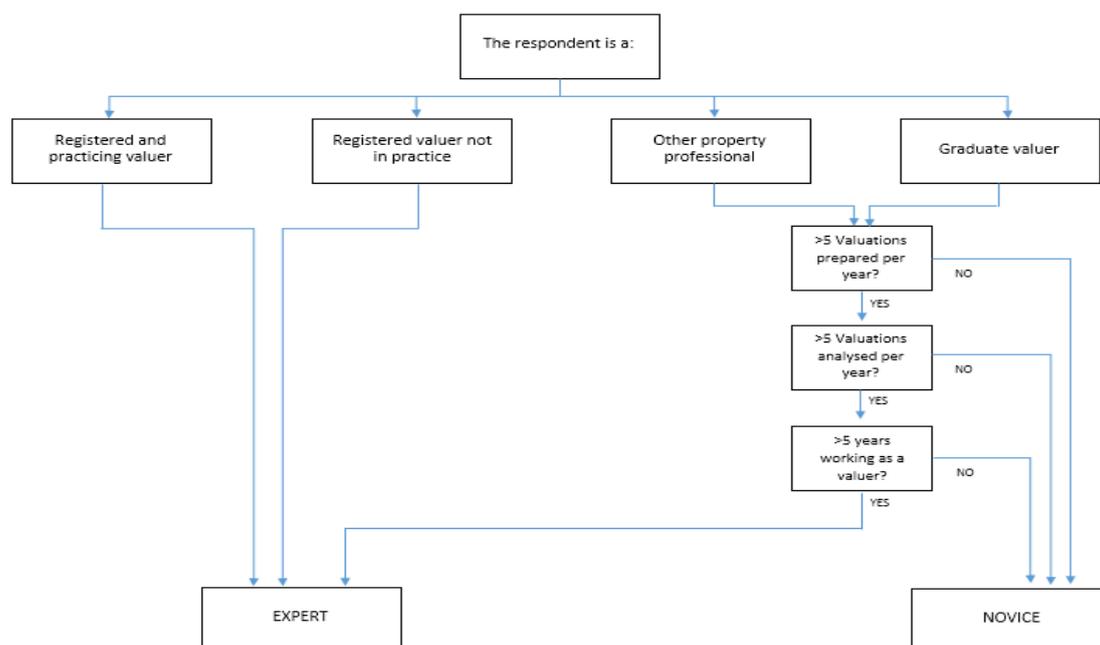


Figure 1 – Selection criteria used for classification as expert vs novice valuers

3.2: Case Studies

Case studies were also selected using purposive sampling whereby the researcher opted to be involved in valuation instructions relating to market valuations for residential properties in Suva. This allowed the researcher to observe valuation practices attributed specifically to such instructions.

3.3: Interviews

Purposive sampling was involved in that interview participants and case studies were selected using the researcher's judgement on the most relevant persons and cases for the research (Cavana, 2001). The researcher selected participants who were involved in the key organisations relating to valuation and sales information sources in Fiji.

4: Results

In order to ascertain subjective practices prevalent in valuation practices, respondents were requested to state their practices on numerous aspects of the Sales, Income and Replacement approaches to valuation. Results from case studies, questionnaires and interviews indicated considerable subjective practices prevalent within the valuation practices amongst valuers in Fiji. An overview of a selection of results from practices under the Sales comparison, Income and Replacement approach confirmed this perspective. An example of subjective practices from each of the three methods and selected views on valuation standards are provided.

Figure 1: Number of Variables Used in Sales Analysis

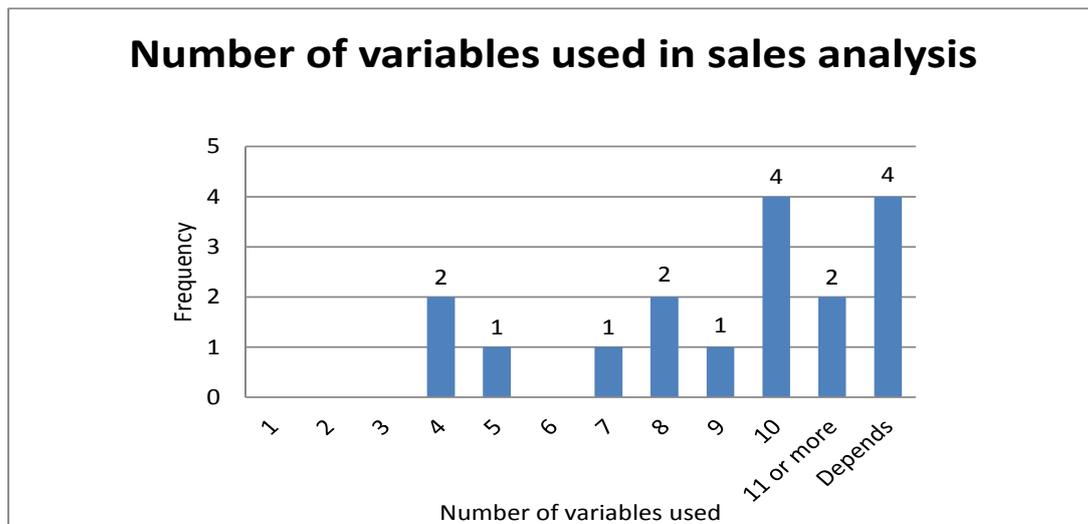


Figure 2: Number of variables used in sales analysis

Figure 1 reveals that variables used were negatively skewed with the ‘10 variables’ being the most recurring result (n=17). The average number of variables used was nine while the median was 10 variables. The range was from four to greater than 11.

Results from case studies and structured interviews had indicated that valuers chose variables based on ‘availability’ in most instances. This was especially the case due to lack of databases on analysed sales. Citing observations made during case studies, it was noted variables used to analyse sales were generally obtained from the Lands Department’s sales data, title copies and ‘kerbside’ inspections. One interview participant indicated valuers had to rely on ‘kerbside inspections’ to ascertain whatever variables visible from outside due to unavailability of analysed sales data.

The broad nature of the property market meant no two valuers would agree on the number of variables to use, or the amount of adjustment made to each variable (Diaz III, 1990). However, due to a lack of guiding principles and information available, the range of variables chosen between valuers was reasonably large. In a relatively small market with predominantly similar building structures, the number of variables selected to analyse sales data is deemed to be non-standardised practice.

Table 1: Alternative Sources of Rental Data

ALTERNATIVE SOURCES OF RENTAL DATA		
SOURCE	FREQUENCY	PERCENTAGE (%)
Rental on comparable properties	17	100%
Database on market rentals	0	0%
Own database of rentals	0	0%
TOTAL	17	100%

Table 1: Alternative sources of rental data

Case studies sufficiently provided evidence of ascertaining gross income from lease agreements of the subject property. However, in the absence of formal lease agreements, lease agreements of comparable properties were perused. Similar to findings on the sales comparison approach, there were no findings of any standards regulating how comparable properties were sought for market rental data. Furthermore, no available databases meant valuers had to analyse rental data based on their own skills and judgement. This again resulted in much subjective practices as to which comparable rental properties were selected and how rents were estimated if formal lease agreements were unavailable for comparable properties.

Figure 2: Sources of Building Cost per unit of Measurement

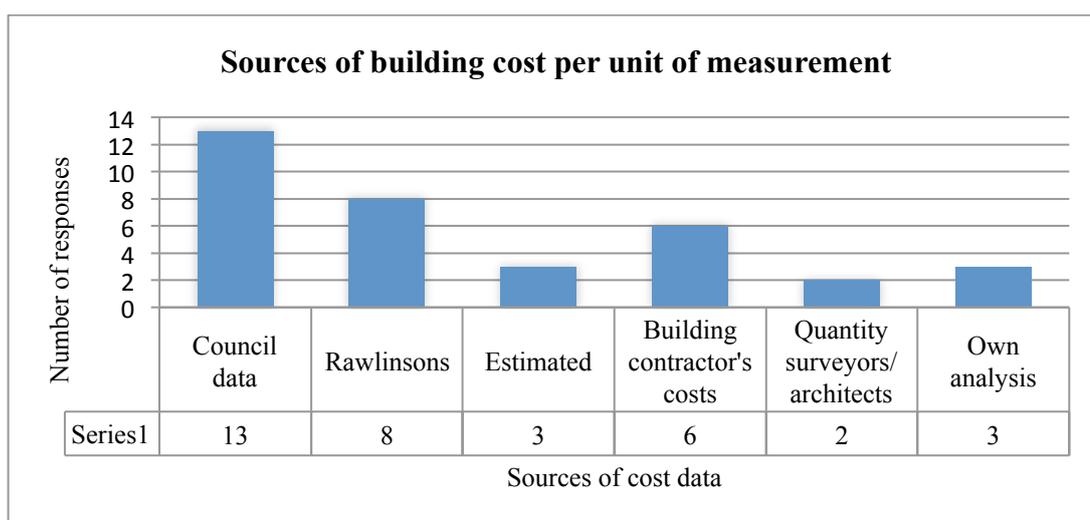


Figure 3: Sources of building cost data per unit of measurement

Figure 2 reveals respondents yielded six basis of measuring building costs (n=17). Most respondents selected council data (37%) as the main basis of estimating building costs per unit of measurement. This was followed by the Rawlinsons cost guidelines (23%) and building contractors' costs (17%). Other measures were 'estimation of costs' (9%), 'own analysis' (9%) and costs from quantity surveyors or architects (6%). Overall, all respondents selected more than one basis of measuring costs.

All methods of obtaining costs were in line with literature. However, different methods of obtaining costs meant variations in cost data were a possibility. An interview participant who was a building engineer and cost estimator claimed that costs obtained from council data had major drawbacks. Firstly, he mentioned cost data submitted to council were only a formality therefore data submitted by builders and owners were not verified. Secondly, valuers using council data had to manually analyse data to abstract costs per building component. As valuers were not trained building professionals, there were possibilities valuers erroneously abstracted costs. Commenting on the Rawlinsons cost data, the interviewee explained figures provided were only estimates. Those figures had to be adjusted for individual properties based on location, age and other relevant factors. In some cases, values had to be adjusted by up to 15% to bring it on par with local building costs.

The findings suggest there is a need to standardise methods valuers can use to ascertain cost data. Furthermore, provision of analysed cost data within databases can minimise variances in the cost data used by valuers. This will ensure more consistency in valuations performed under the cost method.

Figure 3: Remarks on Residential Valuation Practices in Fiji

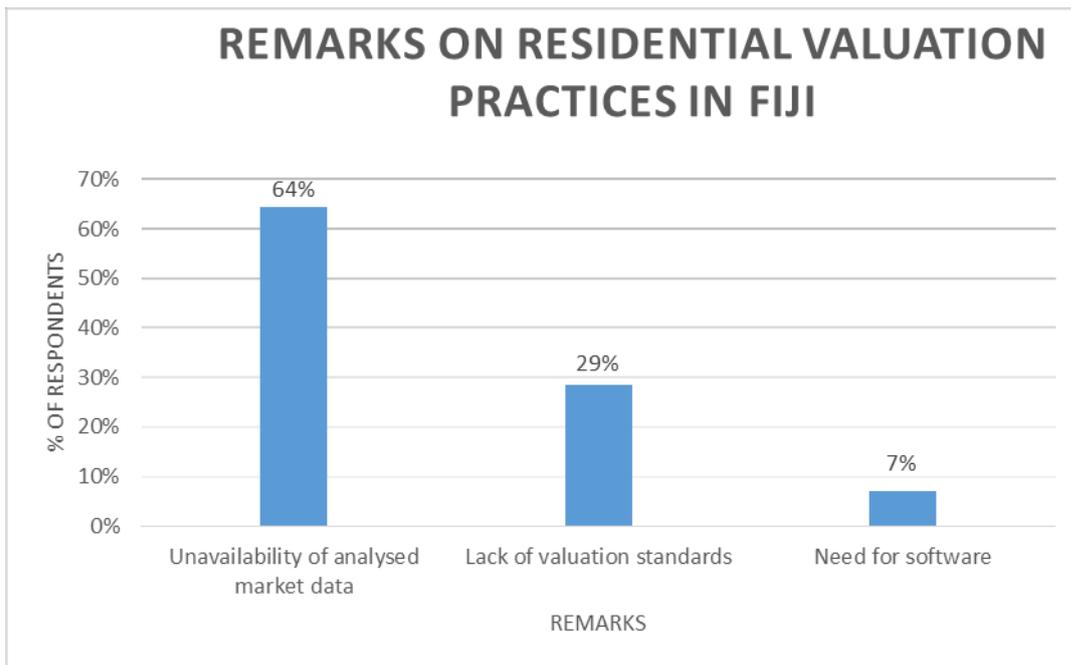


Figure 4: Remarks on residential valuation practices in Fiji

The most noticeable issue observed during case studies, and reported to by respondents during interviews and questionnaires, was the unavailability of analysed sales data. Participants who filled out the questionnaires reported unavailability of analysed sales data as one of the main remarks on residential valuation practices in Fiji.

Figure 4: Need for Valuation Standards in Fiji

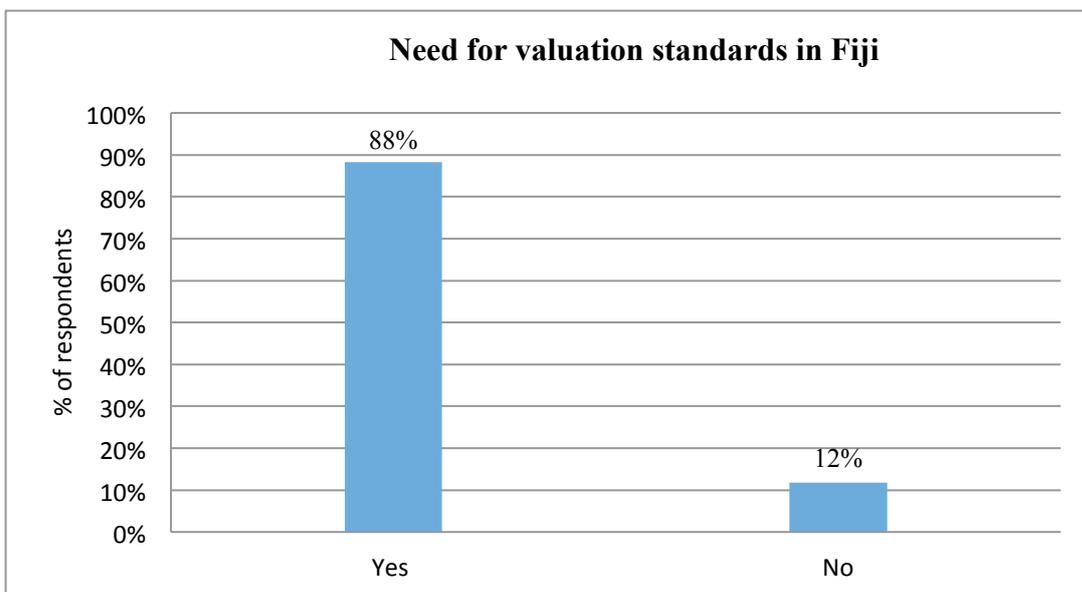


Figure 5: Need for valuation standards in Fiji

The second key issue pertaining to the field of residential valuations in Fiji was the lack of valuation standards specific to Fiji. This was highlighted many times in the FIVEM conference (Nadi) in year 2013 where calls were made to adopt relevant sections of the IVS that would be conducive to the Fiji market (Myers, 2013).

Results obtained (n=17) showed 88% acknowledged the need for valuation standards in Fiji. Only two respondents denied the need for valuation standards. One reasoned that the IVS was sufficient for the Fiji market, while the other demanded a code of ethics instead of valuation standards.

The reasons for needing valuation standards were searched. Analysing results from questionnaires and interview participants pointed to two main reasons. These were 'standardised reporting' and 'consistency in valuation methods used between valuers'.

4.1: Standardised Reporting

The most common response received on the reasons for the requirement of valuation standards was standardised reporting. Of the 15 respondents who agreed valuation standards are needed, 36% claimed valuation standards are required to enforce standardised reporting between valuers.

4.2: Consistency in Valuation Methods

The second most common response given to why valuation standards were required in Fiji was consistency in methods used. 36% of respondents who mentioned Fiji needed its own set of valuation standards explained the reason was so that all valuers would use one set of methodology, or one way of applying valuation methods, in forming opinions of value.

5: Discussion

The questionnaire results outlined two major issues facing the valuation industry in Fiji. These were the lack of guiding standards, and the unavailability of databases consisting of analysed market information. Since then, the Fiji Institute of Valuation and Estate Management have adopted the IVS which was implemented on 1st January, 2016. Yet, some challenges still restrict the standardisation of practices.

Issues facing standardisation of valuation practices are summarised into ‘institutional’, ‘informational’, and ‘technical’ issues.

5.1: Institutional Issues

The first major issue related to the lack of valuation standards which provided valuers with too much subjectivity in justifying any valuation figure. Introduction of valuation standards would provide some form of methodology and guidelines in performing valuations. Furthermore, ethical standards would restrict valuers from deviating much from normative practices. Overall, standards would encourage compliance and provide a basis for measuring against valuers’ performances.

However, this field will still require automation in its processes to improve standards of practice. Automation or software must be designed to suit Fijian valuation practices and made available to all practicing valuers to ensure uniformity in the processes and reporting of valuations.

5.2: Informational Issues

Information needs to be made readily available to valuers. This information must be collected, analysed and stored in information databases. In the presence of databases, valuers will use actual data therefore there will be less assumptions in valuations. It is envisioned if all valuers are provided one set of analysed data, then any

adjustments made to that data by valuers will have to be justified. Therefore, in the presence of information databases, the onus will be on valuers to support valuations with factual data.

To support easy flow of information, and database management, institutions that have property related information will be required to share data. As such, institutions such as the Lands Department, Fiji Revenue and Customs Authority, Real Estate Agents Licencing Board, Titles office, Reserve Bank of Fiji, and other institutions in possession of data will be required to contribute to the information databases.

5.3: Technical Issues

Providing improvements in institutional and informational issues, technical issues will persist in preventing standardisation of valuation practices. Technical information must be provided to valuers in the form of training and guidance through manuals, technical workshops and standards. All valuers must attend Continued Professional Development programs offered by the Fiji Institute of Valuation and Estate Management, or equivalent substitutes. Furthermore, users of valuation reports must be encouraged to demand valuation reports that conform to IVS reporting formats and methodologies.

6: Recommendations

Based on the findings of this research, recommendations are made on possible improvements towards standardisation of practices to relevant stakeholders involved in the field of valuation.

6.1: Valuers Registration Board and the Fiji Institute of Valuation and Estate Management

Under the Valuers Registration Act 1986, the Valuers Registration Board is tasked with determining the suitability of candidates for registration, authorise registrations, regulate the conduct of valuers and report to the Minister on valuation activities in Fiji (ACT No. 7 of 1986, 1986). Whereas, the Fiji Institute of Valuation and Estate Management of Fiji facilitates the advancement of valuation knowledge in the country through its Continued Professional Development program, promotes the profession, establishes links with international bodies concerned with valuations and forms good relationships with other professional bodies in Fiji (Fiji Institute of Valuation and Estate Management, 2014). However, existing practices suggest valuer performances are not monitored post registration. Furthermore, deregistration of registered statuses are rarely done except in the cases of criminal misconduct.

Therefore, it is recommended that the New Zealand example of joint administration between the New Zealand Institute of Valuation and Property Institute of New Zealand is followed. Some recommendations are:

- To form an agreement between VRB and FIVEM on administration matters and adopt the ‘Agreement’ under the Valuers Registration Act 1986;
- All Registered Valuers must be members of the Institute;
- The Board to continue its work on registration and discipline of valuers for the protection of the public
- The Institute to set standards and ethics (now IVS) for its members, promote the field and continue with training and guidance (CPD)

- Under the ‘Agreement’ give power to FIVEM to recommend to VRB for deregistration of members due to non-compliance, incompetency, unethical behaviour, and so on;
- Ensure fulfilment of the CPD requirements of the Institute for annual renewal of valuers registration and practicing certificates; and
- IVS Practicing Certificate offered by the Institute to be made compulsory for valuers to practice in Fiji.

6.2: Other Recommendations

Other recommendations to assist in standardisation of valuation practices would be to seek legislative assistance for the following:

- To give legal support to the ‘Agreement’ under the Valuers Registration Act 1986 to ensure compliance with Continued Professional Development requirements, IVS Practicing Certificate and general acceptable performance of valuers as required by the Institute for on-going monitoring of valuers’ performances;
- Ensure contributions are made to information databases by selected organisations that possess data; and
- Analysed information to be made available to all practicing valuers.

7: Conclusion

This paper marks the first research of note on the valuation sector in Fiji on current market valuations of residential properties. It is also the first study of note on prevalent valuation practices and standards in Fiji. It made efforts to model practices with incorporation of excerpts from the IVS. The subjectivity associated with inadequate

standards and market data resulted in no definitive outcome from the models towards implementing standardisation in practices. However, it provided a basis to recommend to relevant authorities certain improvements in valuation practices through potential implementation of standards and information databases.

While the outcome may not suffice to bringing about standardisation of valuation practices, it anticipates to pioneer future researches into the largely unstandardized field of property valuation in Fiji. It is envisaged this research will trigger more researches into how valuations are currently performed and how improvements can be made.

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