



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

Papers downloaded from AgEcon Search may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

Property Valuation Theory: Implications for Policy and Practice in Zimbabwe

¹Ronald Mpofu, ²Charles Chavunduka, ³Innocent Chirisa

¹Ronald Mpofu, Faculty of Engineering and the Built Environment, University of Zimbabwe,
ronmpofu123@gmail.com, Harare, Zimbabwe

²Charles Chavunduka, Faculty of Engineering and the Built Environment, University of Zimbabwe,
cmchavunduka@yahoo.com, Harare, Zimbabwe

³Innocent Chirisa, Acting Vice Chancellor, Zimbabwe Ezekiel Guti University,
chirisa.innocent@gmail.com, Bindura, Zimbabwe

ABSTRACT

Context and background

There is a reciprocal relationship between theory, policy and practice. Property valuation as practiced today is elucidated by certain standards and policies which are based on theoretical foundations. The axioms of value have been postulated throughout history, from pre-classical times to the present, with succeeding theorists, some adopting the former's reason with adjustments and some refuting. The necessity for exploring the historical development of the value theory is because, "theories are the building blocks of scientific knowledge" and it makes the explanation of reality possible (Mooya, 2016). The current processes and practice of property valuation can be traced to the economic value theory reasoning (Appraisal Institute, 2022). Changing times entail evolving and new demands on professions to answer emerging challenges. The valuation profession is no exception hence the need for continued research and postulations of the property valuation theory, and amendment of policies to the improved practice.

Goal and Objectives:

This article seeks to map the property valuation policy and practice in Zimbabwe, show the possibility of accord between the property valuation theory, policy and practice, and identify areas that need improvement in the valuation practice in Zimbabwe. The article also contributes to the ongoing discussions on property valuation theory and practice.

Methodology:

The article was based on a literature review approach. Extant literature in the form of books and journal papers was explored to discover the implication of the property valuation theory to practice and its evolution. Legal and policy documents were also consulted in search of the existence of property valuation theory in legal prescriptions.

Results:

The article found that value is a product of its time and place, which should be understood contextually. It also established that, though property value is illustrated as a numerical figure, there are processes for value determination that emanated from the economic value theory reasoning to the effect that, the present value understanding is a contextualized deduction of the past reasoning. Further, the article argues that the value theory is evolving slowly at the expense of the valuation profession in the face of contemporary challenges such as economic crises, pandemics and compensations after expropriation. Additionally, the standard economic value theory seems to be found wanting in answering the property valuation questions within some contexts such as the expropriation of communal and customary lands. Also, the Zimbabwean practice, as much as it embraces the Western-based property valuation theory, the policy is obscure and sketchy indicating an incoherent relationship between theory, policy and practice.

Keywords

Property valuation, Value, Economic value theory, Property valuation approaches

1. INTRODUCTION

Property valuation is the process of attaching value to a property. Property valuation is the opining of a property's value, worth or price, by a trained practitioner, at a certain point in time, given relevant market information (Millington, 2000; Peca, 2009 and Blackledge, 2009). Property values are pivotal in individual, cooperate and national decision-making processes, hence the importance of property valuation (Baum & Hartzell, 2021; Jones & Trevillion, 2022; Nichiforeanu, 2021; Mooya, 2016). The practice of property valuation seeks to estimate those prices generated in the marketplace. Property valuation practitioners are mostly concerned with how market players measure value (Wyatt, 2013). Value can be both economic and social. As an economic concept, value is the interaction between the supply and demand of property, generating exchange prices. It is basically understood as an amount of money, goods or services that are considered equivalent to something else. As a social concept, it is a quality that makes something desirable.

Isaac (2002) asseverates that property values are not exact and are often adjusted according to the purpose for which they are used. Under the subject of study, value is discussed as an economic concept, but it should be acknowledged that it developed from a moral philosophy reasoning. The discipline of property valuation combines and draws upon a number of separate disciplines, primarily economics, philosophy and psychology (Mooya, 2017). The being of value is purely a philosophical question, the form of value, is a social enigma and the quantum of value accentuates the economics of value. Answering these questions appears complex, but it is crucial to the evolution and improvement of the property valuation profession. The questions of being, form and quantum of value form a broad spectrum of consultations, bringing us to the near assumption of the necessity, validity and integrity of the practice as well as its applicability to different societies with different perceptions of land, property and tenure systems.

Property valuation has evolved to become an important economic strategy and dispute-resolution tool for individuals, public institutions and private corporations. Extensive real estate literature has indicated that property values can become a great motivation for investment and can establish the basis of negotiation for compensation. Less study, however, has investigated the impact of value theories on the property valuation practice and its implication to land policy in the Zimbabwean context. Researchers assume that theories are the building blocks of scientific knowledge, which, if applied, result in regular practice and principle. This article explores the property valuation theory evolution and its implication to the property valuation practice. It notes that value is a product of its time and place and should be understood contextually. The present understanding is a contextualised deduction of past reasoning. It can be assumed that since value is illustrated in a numerical figure, there are processes for value determination that emanated from value theory reasoning. Further, the article argues that value theory is evolving slowly at the expense of the valuation profession in the face of contemporary challenges such as economic crises, pandemics and compensations after expropriation. The issues are important in the general evolution of property valuation practice and national debates involving practices like expropriation and compensation.

2. THEORETICAL FRAMEWORK

2.1 Property valuation theory and its evolution

A number of writers agree that the property valuation theory is a derivative of the economic value theory, which is entrenched in the classical economics tradition, having evolved from the pre-classical times and extended by neoclassical economists (Alemu, 2013; Mooya, 2016 & Sewal, 1901 and Appraisal Institute, 2022). Studies show that, in the pre-classical period, it was Aristotle who interpreted the riddle of value, by opining that the value of a good is in its use or exchange (Long, 2000 and Barnes, 1991). Aristotle is credited for being the first one to distinguish between value in use and value in exchange. Aristotle's principle contributed to the understanding of two bases of value, thus, the utility-based and quantitative relationship of goods for exchange (Mooya, 2016). The challenge to valuation practitioners in using the Aristotelian principle of value in exchange is determining the proportion in which things are to be exchanged, for instance, how much money is equivalent to the value of a certain landed property. To solve this valuation problem, Aristotle posited the idea of just price for all goods, which reflected the labour input into the production of such goods. This meant that a good can only be exchanged for a good or goods with the same equivalent labour input (Mooya, 2016). The just price notion shows that to Aristotle, economic value thought was subject to ethical considerations.

William Petty deviated from Aristotle's value in use, and value in exchange thinking and postulated that an object has a natural value, and its price fluctuates on its natural value (Petty, 1690). Petty reasoned that land and the input of labour is the main source of value. This supports the idea of intrinsic value in land. The assumption was further forwarded by Petty's follower Cantillon who said,

"If the Farmers in a State sow more corn than usual, much more than is needed for the year's consumption, the real and intrinsic value of the corn will correspond to the Land and Labour which enter into its production; but as there is too great an abundance of it and there are more sellers than buyers the Market Price of the Corn will necessarily fall below the intrinsic Value. If on the contrary, the Farmers sow less corn than is needed for consumption there will be more buyers than sellers and the Market Price of corn will rise above its intrinsic value." (Cantillon & Van den Berg, 2015).

Cantillon's assertion was that, *ceteris paribus*, the value of a product does not fluctuate from its value except at the incidence of discrepancies between the production and consumption of commodities. The only challenge in William Petty's natural or intrinsic value is that value cannot be independently defined without the input of something else. Further to his intrinsic value assertion, Petty is also probably and unintentionally, the originator of the 'Year's Purchase' concept in the traditional income method of valuation. He proposed that the land value or purchase price should depend on the number of years a land buyer and his succeeding three generations of 21-year life spans are likely to enjoy the rent (Petty, 1690).

The classical economic value theorists are famous with the main attributes of value being, the cost of production-based value theory (Smith, 1999 (1776) and Dooley, 2005), scarcity (Ricardo, 1820) and utility (Jevon, 1957 (1821); Mooya, 2016 and Biswas, 2020). The cost-based value theorists suggested that land, capital and labour constitute value (Smith, 1999 (1776) and Appraisal Institute, 2022). This can be assumed as the basis of the cost approach to property valuation. David Ricardo was one of Smith's contemporaries and a follower as expressed in his Principles of Political Economy

and Taxation. He was much concerned with the exchange value thought. He slightly disagreed with Smith on the measure of value and claimed that utility can never be a measure of the value of a commodity, but its usefulness which translates to scarcity, and demand (Ricardo, 1821). His land rent theory is claimed as the foundation of the residual theory of land value and a contribution to market value thought from his concept of the highest and best use of land (Mooya, 2016).

According to Alemu (2013), there is a distinction between the production costs-based value and the market price-based value. The production cost-based value was rooted in the labour theory of value and the market price-based value was determined by demand. However, the neoclassical economic value theorists tried their best to combine the two classical value determinants to the production of the supply and demand curve. This implied that, at the point of equilibrium, the property price was fixed and the value was approximated. The foregoing gave a sense that the market price is a proxy of market value, which is considered the most important of different types of value (use value, investment value, assessed value and so on), and the focus of the majority of valuation practitioners' assignments (Mooya, 2016).

Alfred Marshall was one of the towering and celebrated figures of economic thought of the neoclassical period. He is credited for reconciling the classical labour theory of value which had concentrated on the supply side of the market, with Jevon's and his friends' marginal utility theory which concentrated on the demand side to the production of the famous supply and demand graph (Marshall, 1920). He insisted it is the intersection of both supply and demand that produce an equilibrium of price in a competitive market. Marshall put forward the idea of rational consumer behaviour which makes people in the marketplace buy more if the price is low and reduce the quantity as the price increases (Mooya, 2016), meaning, it is both supply and demand that determines a commodity value and this value is reflected in the price which the market offers. Appraisal Institute (2022) acknowledges Marshall as the property valuation theorist as he is thought to have developed the three valuation techniques; thus; market, cost and income approaches.

From the times of Aristotle to the 21st century, societies have shaped their cultures, and the cultures can be expressed in perceptions, behaviours and expressions of feelings and or attitudes. These elements can also be derived, put or expressed towards a commodity such as property but they cannot be exactly measured to give a numerical figure for mathematical tabulation. On the other hand, physical commodities such as machinery, land and buildings can be measured, weighed and counted to give an exact numerical figure. Biswas (2020) posited that the observation of perceptions, behaviours and so on towards a commodity such as landed property in the market can give us an approximate truth and through it, a hypothesis to understand a phenomenon can be developed in the absence of measurable data. This indicates that value can be a result of a combination of measurable data and approximate truth or measurable data alone or approximate truth alone, depending on circumstances.

In short, the above-given short briefs on value theories from the pre-classical period to the present show that value is a product of its time and place and should be understood contextually. The pre-classical value theorists had a defined understanding of value based on use and/ or exchange, anchored on morality. The succeeding students of the value theory inserted a new understanding of an object's natural value, arguing that, the use value or exchange value fluctuates on the natural value,

meaning, it is the natural value that acts as an orbit of value understanding. Smith and his classical period contemporaries suggested that the value of an object, whether it is intrinsically valued, has use value or exchange value is determined by the labour and capital imputed to it. The Smithian value thinking, which is cost-based is the one which was disputed by Ricardo's marginal utility insertion, which is demand-based. Both the demand-based and cost-based were combined by Marshall's supply and demand hypothesis. This shows that the present value understanding is a contextualised deduction of past reasoning. It can be assumed that since value is illustrated in a numerical figure, there are processes for value determination that emanated from the moral philosophy of value reasoning. With changing times, philosophies, ideologies, theories and even the belief system seem to change so as to relate to the prevailing codes of virtues.

2.2. The conventional understanding of value and the definition of market value

From the value theory discussions, it can be deduced that value is a conjectural concept. Appraisal Institute (2008) identifies four reciprocal factors which are considered necessary for the outcome of economic value, which are, scarcity, effective purchasing power, desire and utility. The interaction of these four factors, as indicated in the demand and supply curve, create value. At the point of equilibrium, a price of a product is assumed and such price is considered a proxy of value. However, Robinson (1972) argued that value is not price but an explanation of how prices are arrived at. Mooya (2016) thinks that it is due to the intangibility of the value concept that, property valuers do not use value as a standalone but refer to different types of value like, use value, investment value, market value, fair value and so on. It is market value that dominates the activity of many property valuation practitioners (Appraisal Institute, 2022; RICS, 2019; Shapiro, et.al., 2013 and Fischer, 2002).

Parker (2016) is convinced that the concept of market value is based on a judicial architecture which contributed to the property valuation theory through the provision of a legal construct of the interaction of economic market forces and market participants. Market value is an opinion amount at which both a prudent and knowledgeable buyer and seller of property are prepared to agree, at a given point in time (RICS, 2017; IVSC, 2019; Appraisal Institute, 2008; Isaac, 2002; and Blackledge, 2009). A property valuer must have an understanding of the market conditions as well as the best and highest use of the property in order to formulate a market value opinion (Appraisal Institute, 2022). Therefore, there is a need for competent data analysis of the market forces by valuation practitioners. Market characteristics are a reflection of people's attitudes and actions as influenced by economic, social, legal and political forces (Appraisal Institute, 2022). The assertion marries the legal and economic basis of market value. It will now become the responsibility of the property valuer to opine an informed estimate amount, using tried techniques and processes.

3. CONCEPTUAL FRAMEWORK

3.1. Property valuation

Property valuation is the process of estimating the value of a commodity. Armed with market knowledge and a commodity's characteristics, a practitioner can give an informed guess on how much a commodity can fetch on the market. With any commodity, it is mostly a matter of analysing the market, but with landed property, the process becomes a bit complex. This is due to a number of reasons. One of the reasons is the heterogeneity characteristic of landed property and its market.

Landed property is a complex commodity. Unlike other commodities which can be absolutely owned and sold as a whole without huddles, landed property is a bundle of rights. This necessitates the practice of valuation. The services of a valuation practitioner identify an interest in a property and form a value opinion based on the intended use of the value advice.

Valuation practitioners advise property owners on the price or rent, buyers and tenants on the price or rent they may offer, expropriated landed property owners on the value of compensation for their property and many advisory services related to the landed property (Shapiro et al. 2013). Shapiro further opinionated the essentiality of valuation practitioners' services due to; landed property market imperfection, the heterogeneity nature of the landed property, the complexity of related legal interests as well as the complexity of laws relating to landed property. The IVSC (2019) identifies a valuation practitioner as "an individual, group of individuals or a firm who possesses the necessary qualifications, ability and experience to execute a valuation in an objective, unbiased and competent manner." Such a person or persons should be equipped with a range of skills which include, measurement, report writing, research methods, negotiation, a working knowledge of economics and politics, and knowledge of building construction and law among others (Blackledge, 2009).

A valuation practitioner, equipped with professional, legal and market knowledge employs one or various approaches to estimate landed property value and should act objectively, independently and with integrity (RICS, 2019). Given the severity of landed property value, before embarking in the process of value determination, a valuation practitioner should have established facts on the person(s) giving valuation instructions and their intention(s), the purpose of valuation, the subject property, including all legal interests related to it. Because valuation is a process of opinion formation, background data sets a strong foundation for a reliable opinion or estimate. According to Fischer (2002), the property valuation paradigm is a professional practice, founded on the basis of law, economics and hard stuff (construction, town planning, architecture and so on), that is used for property price determination.

The interdisciplinary character of the valuation profession requires an understanding of the economic principles, an appreciation of the legal precepts and a grasp of some techniques of the built environment. There are a number of given definitions of property valuation by various studies and academics, but a more comprehensive definition was given by Millington (2014), who defined it as "the art, or science, of estimating the value for a specific purpose of a particular interest in the property at a particular moment in time, taking into account all the features of the property and also considering all the underlying economic factors of the market, including the range of alternative investments." This definition reflects market value estimation. It is briefed by Wyatt (2007), as a process of forming an opinion of value-in-exchange under defined assumptions.

When carrying out a valuation, valuation practitioners are required to adopt inspection practices as guided by the RICS Practice Standards and or national inspection guidelines. Having received a valuation instruction, the valuation practitioner is expected to make a careful inspection and discover all necessary and relevant information about the property to be valued and choose an approach that suits the basis of value and purpose of valuation (Scarret, 2008). The IVSC (2019), admits that no one method is suitable for every situation. Therefore, in selecting the valuation approach, the valuation practitioner should consider the appropriate basis and premise of value, the advantages and

disadvantages of the possible approach, and the availability of reliable information needed for the application of the approach, among many considerations.

The output of the valuation process is a valuation report or valuation advice. This refers to the presentation of the valuation practitioner's estimated value, on a definite date, including all investigations, assumptions and all relevant information, in a clear logical manner and readable language to the parties of interest. Wyatt (2013) identifies the minimum elements of a valuation report. These include the client's identity, purpose and subject of valuation, property type and property interest(s) under consideration, the basis of value, dates of inspection and valuation, special assumptions, reservations, special instructions and departures, valuation practitioner's status, the extent of investigations and source of information relied on, valuation amount and currency of expression, the approach used and finally but not least, the valuation practitioner's signature.

3.2 Property valuation approaches

Property valuations are required for different property interests in different types of property for different purposes (Shapiro et al., 2013). Given the various requirements, the procedure of value determination varies by circumstance. The understanding justifies the use of different approaches on one property or the use of one approach on different properties. Context is the one that sets the parameters. Valuation approaches are procedures and instruments that guide and are used for landed property value determination which also acts as a link between the economic value theory and the practical aspect of measuring that is required to facilitate transactions (Mooya, 2016). Some writers agree that there are three approaches to valuation that may lead to market value determination (Fischer, 2002; IVS, 2019). These are the market approach, investment approach and cost approach. But others like Shapiro (2013) and Blackledge (2009), recognise five methods, which, in addition to the above-mentioned, include the profit and residual method.

The market approach is often called the comparison method. It is based on the economic principle of price equilibrium and its significance depends on the availability of identical or similar assets for which price information is available (Parker, 2016). The subject property is directly compared with similar properties, in the same locality, which have been transacted in the most recent time, and a value estimated on the basis of such comparison. A competent practitioner is expected, in addition to the value determinants characteristics of the subject property, to identify and understand the submarket and its transaction conditions, select the best sample comparable properties, make adjustments taking into account the subject property characteristics and weigh the adjustments (Fischer, 2002).

The market approach is the quickest and easy method as well as fundamental in the practice of landed property valuation. In the process of value determination, the valuation practitioner identifies those elements of the subject property to be valued, which in his/her assessment affect value. He/she then looks for other properties having some or all of those value-affecting elements which he then compares with the subject property. The IVSC (2019) encourages the use of the market approach to valuation if; the subject property has recently been sold in a transaction appropriate for consideration under the basis of value; the subject property or similar properties are actively publicly traded and if there are frequent recent transactions in similar properties. The prices which have been

actually paid for similar properties should reflect the balance of supply and demand for that type of property and the competition between buyers.

Consistent results of analysed transactions indicate conformity to the principles of supply and demand thereby signalling market value (College of Estate Management, 2005). The more consistent the results, the more reliable the source becomes. By its reliance on market data, the market approach becomes more suitable for standardised and frequently sold types of landed property such as freehold interests, residential, commercial and industrial property. This approach achieves its potential if there is sufficient data for comparison and with the absence of such data and applicable conditions, it becomes a less reliable method of value determination. Landed properties are unique. Despite them being nearly identical, the fact that they are on different land sites means each property is unique in its own right. If this unique gap becomes larger and comparable elements become less, the market approach becomes a weak method of valuation.

The investment approach is most suitable to value investment landed properties (Wyatt, 2007). An investment is understood as an exchange of capital today in anticipation of future benefits in the form of income, in this instance, rents or capital (Baum et al., 2011). It is based on the economic principle of anticipation of benefits (Parker, 2016), meaning that, the capital value of landed property relates directly to the income it generates. Landed property investment is distinguished from other forms of investment due to its geographical location fixity. When using the market approach, the quality of location, accessibility, current land uses and interrelationship with competing and complementary properties plays a significant role in the value determination of the subject property. In addition to the given factors, in assessing value, the quality of legal interest is essential (Baum et al., 2011).

Using the investment approach, the capital value of a property is arrived at by multiplying the annual income by a multiplier, which is the cumulative present value factor (Blackledge, 2009). Buyers of investment landed property want a good return on their money. This return or yield should be adequate for compensating the risk of exchanging money now in today's purchasing power for future income with a future uncertain purchasing power. But to establish the amount of yield, the investment approach depends on the comparison approach (Wyatt, 2007). Landed property is a distinguished commodity and one of its distinguishing characteristics is its appreciation in value. When valuing other commodities, because they depreciate in value, the depreciative-centred methods are used, but for land, especially investment properties, capitalisation methods are employed. The income approach can essentially be applied if, from the interested parties' perspective, the income-producing ability of the property is the critical element affecting value and also if reasonable projections of the amount and timing of future income are available for the subject asset (IVS, 2019).

For broad categories of property, valuation practitioners have developed valuation approaches that reflect the market's behaviour. However, in the case of some specialised properties such as base stations, and public buildings like libraries, schools and hospitals, for which there is no market, the most applicable method is the cost approach. It is sometimes called the contractor's method or depreciated replacement cost (DRC) and is considered the method of last resort. It is based on the principle of substitution. This approach is based on the supposition that the buyer in the market would not pay more for the existing property than the cost of purchasing or constructing an

equivalent property (IVSC, 2019). It computes the replacement cost for the improvements on the land such as buildings (Alemu, 2013). It seeks to estimate value in use instead of value in exchange. The property value is estimated by calculating the current cost of constructing the landed property, less allowances for age and depreciation of the building, and then adding the site value (Blackledge, 2009). It equates cost to value. It is therefore fundamentally different from the valuation methods described so far. Because of an almost complete lack of comparable market transaction information, the method seeks to estimate replacement cost rather than exchange price. It does not produce a market valuation (value-in-exchange) as such because cost relates to production rather than exchange, and it is often regarded as the method of last resort for this reason. Though it depends much on estimates from the construction practitioners, it however has some information that is market-based, such as the alternative site price, cost of construction materials and labour.

Apart from the above-discussed internationally recognised approaches to valuation, there are others which are of significant use in a number of jurisdictions. The two, profits and residual methods add up to the above three to make the famous five traditional methods of valuation. The residual method is used for the valuation of development land (Scarret, 2008). This estimates the output value in terms of the price which are expected from completed buildings. Costs such as site preparation costs, building costs, and finance costs are then deducted. If the resultant amount is in surplus, then the developer is motivated to bid for the land, subject to an allowance for profit and risk. Some properties are linked to their businesses and their characteristics and location cannot be distinguished from their enterprising capabilities. These properties cannot be sold independently of their businesses. Examples of such monopolistic and unique properties are casinos and hotels. The best valuation approach for such is the profits method. This method relates landed property value to the receipts and expenditures incurred and the profit that can be made from occupying the property for business reasons (Blackledge, 2009). The method is based on the assumptions, that the enterprise is making a profit and that rent is a surplus paid out of this profit (Wyatt, 2013). Like the cost approach, these two methods' reliance on market data is almost minimal.

With a closer look at the discussed valuation approaches, one can deduce that their development can be traced to the value theory development. For example, applying Biswas' deduction of Davy's plural values theory, by using measurable data alone, the cost approach of valuation can be deduced and by using approximate truth alone, elements of the market approach are visible. The market approach is based on fundamental economic theory principles namely, utility, supply, demand and substitution. It can be said that it is a summation of the Marshallian hypothesis. The investment approach, like the market approach, is based on assumptions of neoclassical economics with the only difference being that it only applies to a submarket of a larger market (Mooya, 2016). Also, an analysis of each valuation approach shows that, no matter how unique a property can be, or what purpose it is being valued for, some elements of comparison are present, which makes the comparison method the backbone of valuation. Though it is a distinct method on its own and its underlying principles are present in all the valuation methods (Mooya, 2016).

4. Property valuation: The international best practice

International best practices are basically value-based and empirically-based practice related principles (Osburn, et.al., 2011). The concept of best practice is widely and relevantly discussed across disciplines but it maintains constant factors of being ethically sound, relevant, efficient, effective and lead to the desired outcomes. Property valuation is a complex practice. The credibility of the property value opinion is subject to the professional's expertise, knowledge and experience, backed by relevant data analysis (Appraisal Institute, 2022). Across the globe, property valuers' practice progresses under the advice of international standards organisations as well as individual countries' statutes guiding property valuations. Such organisations include but are not limited to the International Valuation Standards Council (IVSC), Royal Institute of Chartered Surveyors (RICS), Appraisal Institute's Standards of Valuation Practice (SVP) and Australian Property Institute (API). Professional standard bodies recommend property valuation professional ethics, processes and procedures to be adhered to when property valuers are executing their duties.

The Appraisal Institute is a global community of property valuers, founded in 1932 with the objective to enhance property valuation professional ethics and practice (The Appraisal Institute, 2023). Presently, it prides itself on a total membership of 16000 professionals operating in 50 countries globally (The Appraisal Institute, 2023). Property valuation practitioners affiliated with the Appraisal Institute undergo meticulous training and testing and should demonstrate understanding, knowledge and ability in property valuation matters. The Australian Property Institute is an Australian property valuation standards board. Having been founded in 1926, its main agenda is to develop, implement and maintain professionalism and consistency within the property valuation profession (The Australian Property Institute, 2022). Like the Appraisal Institute, API also has membership across the American, European and Asian regions.

The Royal Institute of Chartered Surveyors is the oldest of the mentioned organisations with over 140 years of existence, having been founded in 1868. Priding itself on a membership of 134000 professionals across the globe, RICS promotes professional standards in the broad real estate spectrum, including property valuations. As a commitment to supporting its objective of promoting high standards in property valuation, RICS issues a publication named 'Red Book', that details the professional, technical and performance standards to the outcome of quality and globally acceptable valuation advice (RICS, 2021). In a bid to foster uniformity and reduce valuation errors, RICS has adopted the International Valuation Standards in its Red Book. However, there is a minimal relationship between the property valuation practice and the international best practice evidenced by a minimal number of property valuation practitioners registered with such organisations as RICS (Paradza, 2015), bringing to question the impact of the international best practice on the property valuation practice in Zimbabwe.

The IVSC was formed in 1981. It is a voluntary organisation that recommends and standardize property valuation practice across the globe. A number of countries and corporate organisations have affiliated themselves with this internationally recognised organisation, including the three mentioned above. The main thrust of the IVSC is to encourage transparency, consistency, and confidence and foster a commendable professional code of conduct in the valuation profession (Currin, et.al., 2014). It has at least 180 member organisations operating in 137 countries (IVSC, 2023). There are fourteen core principles of valuation upheld by the IVSC. These are ethics,

competency, compliance, the basis of value, date of valuation, assumptions and conditions, intended use, intended user, the scope of work, identification of subject valuation, data, valuation methodology, communication of valuation and record-keeping (IVSC, 2021).

All these international organisations acknowledge the vitality of reliable property valuation advice from individual use to the greater economy, as it contributes to decision-making, financial stability and sustainable economic growth. Their influence in the property valuation practice cannot be disputed, especially the IVSC and RICS. Due to their experience, resourcefulness and having operated and regulated property valuation professionals across the globe, they ensure that valuation advice users get a reliable and ethical valuation opinion. The IVSC regularly publishes the International Valuation Standards for reference by practitioners across the world which have been adopted by a number of regional and national valuation bodies. The RICS, apart from publishing its regular edition of the RICS Valuation-Global Standards (Red Book), also trains and regulates property valuation practitioners across the globe. Moreover, the transparent and consistent professional conduct advocated for by these organisations guarantees quality valuation products to the end users.

5. FINDINGS

5.1 Property valuation policy and practice in Zimbabwe

Anecdotal evidence indicates that property valuation practice can be traced to the colonial era in Zimbabwe. The existence of a strong property market, evidenced by a robust pre-independent Deeds Registry point to the vast need for property valuation services, mostly to advise on property transactions, mortgage financing, taxation and compensation after expropriation. It can be assumed that the current valuation practice was influenced by the British valuation standards as Zimbabwe was a British colony. The existence of British-founded property consultancy organisations in Zimbabwe like Knight Frank also adds to the assumption. The Real Estate Institute of Zimbabwe (REIZ), which was founded as the Southern Rhodesia Institute of Estate Agents and Valuers (IEAV), more than 75 years ago exists to promote continuous education and training of real estate professionals in the country (The Real Estate Institute of Zimbabwe (REIZ), 2020). The existence of this organisation indicates a robust valuation system long before the independence of Zimbabwe in 1980. With the existence of a robust land market in Zimbabwe since independence, the property valuation practice progressed well until the inception of the Fast Track Land Resettlement Programme (FTLRP) and exit of Zimbabwe from the Commonwealth in 2003. Since then to date, the practice has been marred with controversy.

Property valuation in Zimbabwe is premised both in the country's laws and the best international practice. The Constitution of Zimbabwe Amendment (No. 20) Act, 2013, subject to other legal guidelines, gives every person the right to property. Section 71 of the constitution provides for market value determination for compensation after expropriation. Section 71 of the constitution is subject to Section 72 and Section 295 of the constitution, which advises on the compensation assessment for expropriated agricultural land, which is referenced to the Land Acquisition Act (20:10). On the urban and rural development front, the Regional, Town and Country Planning Act (29:12) provides for market approach-based valuation for compensation after expropriation. It also mentions the professional guidance of the Chief Government Valuer in the process. The Urban Councils Act (29:15) and the Rural District Councils Act (29:13) inform of the procedures to be

followed when valuing properties for rating purposes. These two acts mostly use the rating units system to assign values to properties.

Along with the given acts of parliament providing for property valuations is the Communal Land Act (20:04). The act applies the Land Acquisition Act (20:10) on the valuation for compensation after expropriation. Whilst all other acts seem to be cursory on the valuation elements, the Land Acquisition Act (20:10) appears to do justice in legally informing the valuation practice in Zimbabwe. The act provides for property valuation after expropriation. Schedule 29C and 50 of the Land Acquisition Act (20:10) lays out the heads of claim, methodology, process and value determinants when carrying out property valuation for compensation. It spells out the cost approach as the preferred method of valuation for land and improvements. For biological assets such as plantations, it recommends the income approach method of valuation. The market approach's influence on both the cost approach and income approach is present on the per square meter rates (cost approach), as they are calculated from the construction industry market and per hectare rates (income approach) on plantations, which are formed from the market data. It also establishes a Compensation Committee, which fixes compensation values.

For regulation of the valuation practice in Zimbabwe, the Valuers' Act (27:18) comes into play. It exists to ensure high standard practices by property valuers in the country. It establishes a registrar of valuers and sets minimum qualifications for one to practice. The act also has disciplinary powers over the practitioners. It should be noted that, from the literature discussions, property valuation as an opinion, is susceptible to disputes relating to property values. When such happens, and parties fail to resolve the disputes, all the above-given legal prescriptions refer to the Administrative Court for resolutions. In addition to the legal guidelines on property valuation. Practitioners in Zimbabwe adhere to the international best practice recommendations by organisations such as the Royal Institute of Chartered Surveyors (RICS). This is evidenced by 12 Zimbabwean registered valuers by RICS and 3 RICS-regulated firms as of April 2023 (RICS, 2023).

However, despite the plethora of statutory guidance and professional advice on property valuations in Zimbabwe, challenges have still risen to the question of the validity and credibility of the practice in the country possibly due to the above-mentioned minimal relationship between the local practice and the best international best guidelines and lack of local property valuation standards. Problems of property value variation have dominated the public media debates. In 2016, the Government of Zimbabwe was taken to court by Interfresh (Private) Limited over a compensation dispute over the expropriated farms belonging to Interfresh (The Herald, 2016). The Government of Zimbabwe had offered US\$5.5 million against Interfresh's claim of US\$27 million showing a huge gap, despite both parties using the same method of valuation. Again in 2017, in a case brought before the Harare magistrate court, relating to a National Social Security Authority (NSSA) property transaction, another property value variation of US\$12 million between two valuers, was cited as a basis of the problem, despite the property valuations having been carried out within the same period of time and using the same valuation methods (Newsday, 2017). Apart from the compensation and sales-related valuation variation problems, the insurance sector added its complaints by citing inconsistencies in property values leading to difficulties in decision-making by insurance companies (The Herald, 2021).

6. DISCUSSION AND CONCLUSION

The major finding of this research is that property valuation as a practice is based on the property valuation theory, which is a derivative of the evolved economic value theory. Discussions in the literature show that the economic value theory, as put forward and developed by the pre-classical, classical and neo-classical economic value thinkers established the market, cost and income approach methods of property valuation, with Smith, Ricardo and Marshall being the major voices of reason on the economic value theory discussions. The research further found that the formation of a value opinion is a product of various factors such as the market conditions, the nature of the subject property, the intention of use of value, and individual perceptions. This gave rise to the various definitions of value, like market value, fair value, and forced value, with the market value opinion formation being the most prevalent of the property valuers' activities. This shows a strong influence of the different angles as postulated by past economic value theorists.

The property valuation practice is regulated by international and local laws and bodies so as to ensure uniformity, independency and competency of the profession and to protect the public good. Such organisations like RICS and IVSC offer advice for high professional practice standards. Definitions of terms and other advisory information in both the Red Book and the International Valuation Standards book show credence to the property valuation theory. The acceptance of various property valuation methods, the definitions of different types of value and the code of measurement standards is an acceptance of the Smithian, Ricardian and Marshallian views of the economic value theories. In various countries, both the law and practice, through the embrace of the different valuation methods, and dependence on the best international practice, highlight that the property valuation practice relies on the property valuation theory. However, the challenges encountered in the property valuation profession seem to be due to the slow evolution of the property valuation theory in the face of a changing world, posing new economic, political, environmental and technological challenges.

In the Zimbabwean context, the property valuation practice is superficially informed by the property valuation theory as empirically exhibited by the challenges and credibility questions raised in the discussions above, indicating the minimal influence of the property valuation theory on the Zimbabwean practice. On the other hand, the limitedness of the local property valuation academic qualifications both in number and content (Paradza, 2015), bring to question the quality of theory understanding by the practitioners and practice output by the local practitioners. This is due to the reason that education underscores theory development. Additionally, the influence of international best practices is evidently limited. In any discipline, competition fosters innovation and effort to improve (Dereli, 2015). The minimum number of internationally affiliated practitioners has an inverse relationship with professional competitiveness. Generally, the valuation practice in Zimbabwe is to an extent isolated from both theory and international best practice, leading to a lack of up-to-date knowledge of both theory development and professional permutations. Such scenarios leave individuals practising as they feel without any thriving national standards and professional regulation. This article seeks to provoke an interest in the improvement of the valuation practice in Zimbabwe and reinvigorate its credibility through the creation of the local national valuation

standards, accrediting the few local academic valuation courses with international organisations like RICS.

Considering all the given discussions, the valuation paradigm is a significant economic concept. It converts tangible assets as well as intangible factors such as attitudes into measurable data in the form of monetary figures. It evolved as an economic theory from the pre-classical era to the present times. As supported by Biswas (2020), it can be concluded that valuation as a doctrine is an outcome of all historical value debates and a product of social discussions and examinations, political economy, and various interactions taking place in the actual world. In relation to landed property, valuation is both an art and a science. Its result is an estimate with an error margin. Different valuation approaches are promoted as the best choices for valuing different properties and rights depending on circumstances, but the market approach is the most celebrated. Challenges are so evident in the practice of property valuation due to differing perceptions and attitudes, incompetency, and legal complexities among many reasons. This calls for further research and improvement in the property valuation theory so as to formulate more sustainable approaches to valuation and minimise the challenges.

7. ACKNOWLEDGMENT

Many thanks to Doctor Charles Chavunduka and Professor Innocent Chirisa for their unwavering support.

8. FUNDING

NO FUNDING

9. AUTHOR CONTRIBUTIONS:

The paper has contributions from by all authors, from proposal, draft writing, reviewing and proofreading.

10. REFERENCES

Alemu, B. Y. (2013). Expropriation, Valuation and Compensation in Ethiopia. Published PHD Dissertation. Real Estate Planning and Land Law Department of Real Estate and Construction Management School of Architecture and the Built Environment. Royal Institute of Technology (KTH). Stockholm. Sweden

Appraisal Institute (2022). <https://www.appraisalinstitute.org/about/>

Appraisal Institute (2022). The Appraisal of Real Estate. Fifteenth Edition. Appraisal Institute. Chicago

Appraisal Institute (2008). The Appraisal of Real Estate. Appraisal Institute. Chicago

Baum, A & Hartzell, D. (2021). Real estate investment strategies, structures, decisions. Second Edition. John Wiley & Sons Ltd. United Kingdom.

Baum, A., Mackmin, D. & Nunnington, N. (2011). The income approach to property valuation. 6th edition. Elsevier Ltd. United Kingdom.

Biswas, S. D. (2020). Land Acquisition and Compensation in India, *Mysteries of Valuation*. Palgrave Macmillan. Springer Nature Switzerland AG. Switzerland.

Blackledge, M. (2009). *Introducing Property Valuation*. Routledge. USA AND Canada.

Cantillon, R. & Van den Berg, R. (2015). *Richard Cantillon's Essay on the nature of trade in general: A variorum edition*. Routledge. United Kingdom. DOI 10.4324/9781315794686.

Currin, B., Msibi, N., Chuene, T. & Kruger, A. (2014). An investigation into the ethical standards and values of registered property valuers. *Journal of Economic and Financial Sciences*. Volume 7. Issue 3. Pp. 853-870.

Dereli, D. D. (2015). *Innovation Management in Global Competition and Competitive Advantage. World Conference on Technology, Innovation and Entrepreneurship*. Elsevier. Social and Behavioral Sciences 195 (2015) 1365 – 1370.

Dooley, P. C. (2005). *The Labour Theory of Value*. Routledge Taylor & Francis Group. London and New York.

Fischer, D. (2002). *Property valuation methodology*. Black Swan Press. Australia.

Government of Zimbabwe (1976). *Regional Town and Country Planning Act (Chapter 29:12)*. Government Printers. Harare.

Government of Zimbabwe (1982). *Communal Land Act (Chapter 20:04)*. Government Printers. Harare.

Government of Zimbabwe (1988). *Rural District Councils Act (Chapter 20:04)*. Government Printers. Harare

Government of Zimbabwe (1992). *Land Acquisition Act (Chapter 20:10)*. Government Printers. Harare.

Government of Zimbabwe (1997). *Urban Councils Act (Chapter 29:15)*. Government Printers. Harare.

Government of Zimbabwe (2006). *Valuers Council Act (Chapter 27:18)*. Government Printers. Harare.

Government of Zimbabwe (2013). *Constitution of Zimbabwe Amendment (No. 20) Act, 2013 (Act 1 of 2013)*. Government Printers. Harare

International Valuation Standards Council (2019). *International Valuation Standards*. International Valuation Standards Council (IVSC). United Kingdom.

International Valuation Standards Council (2021). *International Valuation Standards*. International Valuation Standards Council (IVSC). United Kingdom.

International Valuation Standards Council (2023). *International Valuation Standards*. International Valuation Standards Council (IVSC). United Kingdom. Retrieved from <https://www.ivsc.org/training/> on 30 April 2023.

Isaac, D. (2002). *Property Valuation Principles*. Palgrave. New York.

Jevons, W.S. (1957 [1821]). *The Theory of Political Economy*. 5th edition. Sentry Press. New York.

Jones, C. A. & Trevillion, E. (2022). Real Estate Investment: Theory and Practice. Pelgrave Macmillan. United Kingdom. DOI <http://doi.org/10.1007/978-3-031-00968-6>.

Long, R. T. (2000). Reason and value: Aristotle versus Rand. Objectivist Center. USA.

Marshall, A. (1920). Principles of economics. Eighth Edition. Macmillan & Co. Ltd. London.

Millington, A. (2000). An Introduction to Property Valuation. Fifth edition. Estates Gazette. London. DOI <http://doi.org/10.4324/9781315040363>.

Mooya, M. (2016). Real Estate Valuation Theory: A Critical Appraisal. Springer-Verlag Berlin Heidelberg. DOI http://doi.org/10.1007/978-3-662-49164-5_1.

Newsday Zimbabwe. (January 5, 2017). Former NSSA GM arrested for fraud. Alpha Media Holdings. Zimbabwe.

Nichiforeanu, N. (2021). Interests and Behaviours of Real Estate Market Actors in Commercial Property Valuation. Routledge. New York & London.

Osburn, J., Caruso, G. & Wolfensberger, W. (September, 2011). Best practice usage and shortcomings. International Journal of Disability Development and Education. DOI: [10.1080/1034912X.2011.598387](https://doi.org/10.1080/1034912X.2011.598387).

Paradza, P. (2015). Undergraduate real estate education in Zimbabwe: A comparative study. Unpublished MSc Dissertation. Faculty of Engineering, Built Environment and Information Technology University of Pretoria.

Parker, D. (2016). International Valuation Standards. A Guide to the Valuation of Real Property Assets. John Wiley & Sons Ltd. UK.

Peca, S. (2009). Real estate development and investment: A comprehensive approach. John Wiley & Sons, Inc. New Jersey & Canada.

Petty, William. (1690). Political arithmetic, or, A discourse concerning the extent and value of lands, people, buildings ... as the same relates to every country in general, but more particularly to the territories of His Majesty of Great Britain, and his neighbours of Holland, Zealand, and France. London: Printed for Robert Clavel ... and Hen. Mortlock.

Ricardo, D. (1821). On the Principles of Political Economy and Taxation. 3rd edition, Batoche. Books. Canada.

RICS Valuation Professional Group (2019). RICS Valuation – Global Standards Incorporating the IVSC International Valuation Standards. Royal Institution of Chartered Surveyors (RICS). UK.

Royal Institution of Chartered Surveyors (RICS). (2021). RICS Valuation – Global Standards. Royal Institution of Chartered Surveyors (RICS). UK.

Royal Institute of Chartered Surveyors (RICS). (2023). Is your surveyor qualified? Retrieved from <https://www.rics.org/networking/find-a-member> on the 7th of April 2023.

Robinson, J. (1972). Economic philosophy. First Edition. Routledge. New York. DOI <http://doi.org/10.4324/9781351312486>.

Scarret, D. (2008). *Property valuation: The five methods*. 2nd edition. Routledge. Taylor & Francis. New York & Canada.

Sewall, R. H. (1901). *The theory of value before Adam Smith*. Macmillan. New York.

Shapiro, E., Mackmin, D. & Sams, G. (2013). *Modern Methods of Valuation*. 11th edition. Routledge. USA & Canada.

Smith, A. (1999 [1776]). *An Inquiry into the Nature and Causes of the Wealth of Nations*. edited by Andrew Skinner. Penguin Group. England, USA, Australia, Canada and New Zealand.

The Australian Property Institute. (2022). API Strategic Plan, 2022-24. The Australian Property Institute. Australia.

The Herald. (March 10, 2021). Valuation problems show property sector's state of influx. Zimpapers. Zimbabwe.

The Herald. (January 7, 2016). Government ordered to pay Interfresh \$27million compensation. Zimpapers. Zimbabwe.

The Real Estate Institute of Zimbabwe (REIZ). (2020). REIZ Celebrates 75th Anniversary, REIZ Newsletter. The Real Estate Institute of Zimbabwe. Zimbabwe.

Wyatt, P. (2013). *Property valuation*. 2nd edition. John Wiley & Sons Ltd. UK.

Wyatt, P. (2007). *Property valuation in an economic context*. Blackwell Publishing Ltd, UK & USA.

11. KEY TERMS AND DEFINITIONS

Property valuation: It is the opining of the property value at a given date for a given purpose, taking into account all relevant economic, social and physical factors.

Value: This is understood as the worth, cost or price of something, either be goods or services.

Economic value theory: Refers to a philosophy that seeks to interpret how goods or services' worth, cost or price comes about.

Property valuation approaches: These are procedures and instruments that guide the landed property value determination.