

# VALUERS: VALUE INVENTORS OR ASSESSORS?

By:  
Jonathan AYITEY  
Frank GYAMFI-YEBOAH

16/03/2006

J.AYITEY & F.GYAMFI-YEBOAH-KNUST

## VALUATION DEFINED

VALUATION IN THE PROPERTY MARKET IS SAID TO BE THE BEST *ESTIMATE* OF THE TRADING PRICE OF A PROPERTY

- NOT A SCIENCE BUT AN ART.
- PRODUCTS NOT EXPECTED TO BE PRECISE AND ARE ASSOCIATED WITH A DEGREES OF UNCERTAINTY.

16/03/2006

J.AYITEY & F.GYAMFI-YEBOAH-KNUST

WE ARGUED THAT THIS ART, IS A PROCESS OF AN ASSESSMENT AND NOT AN INVENTION.

BEFORE A VALUER COMES IN, THERE ALREADY EXISTS A MARKET VALUE DETERMINED BY MARKET VARIABLES AND PLAYERS.

16/03/2006

J.AYITEY & F.GYAMFI-YEBOAH-KNUST

VALUERS ROLE THEN IS

- GATHER
- SYNTHESISE
- ANALYSE -existing data and trends
- EXPRESS OPINION ON PROBABLE VALUE

16/03/2006

J.AYITEY & F.GYAMFI-YEBOAH-KNUST

## THE VALUATION PROCESS

- Physical and Legal Identification
- Identify Property Rights to be Valued
  - Specify the Purpose of the Appraisal
  - Specify Effective Date of the Appraisal
- Gather and analyse market data
- Apply techniques to estimate value

16/03/2006

J.AYITEY & F.GYAMFI-YEBOAH-KNUST

The method used in estimating value should therefore attempt to reflect how buyers in the market would assess the worth of the asset and identify what probably will be the highest and best bid



16/03/2006

J.AYITEY & F.GYAMFI-YEBOAH-KNUST

## DISCUSSION

### TO INVENT

- CREATE
- MAKE UP
- COME UP WITH
- DREAM OF
- ORIGINATE
- FABRICATE

### TO ASSESS

- ESTIMATE
- APPRAISE
- COMPUTE
- DETERMINE
- EVALUATE
- WEIGH
- VALUE

16/03/2006

J.JAYITEY & P.GYAMFI-YEDDAH-KNUST

## WHICH ARE WE INTO?

### NOTE!

VALUE IS FOUND IN THE MARKET PLACE NOT IN THE HEAD OR AT THE WHIM OF A VALUER.

RULES AND ETHICS OF THE PROFESSION MUST BE ADHERED TO.

16/03/2006

J.JAYITEY & P.GYAMFI-YEDDAH-KNUST

## CONCLUSION

In assessing Market Value, the approach should express the thought process of the players in the market. Since the market is very uncertain, assessment of value is a process involving managing and reporting probabilities.

16/03/2006

J.JAYITEY & P.GYAMFI-YEDDAH-KNUST

To do this genuinely and avoid value invention, we **recommend** the following:

-An increase in the use of the Sales Comparison approach in most cases, especially when it comes to price/value assessment. Capitalization should be mainly used for worth assessment whilst Cost method is rarely resorted to.

16/03/2006

J.JAYITEY & P.GYAMFI-YEDDAH-KNUST

-A shift toward modern/DCF techniques but not complete closure to the traditional methods. A collaborative approach will be ideal

-More and comprehensive information needs to be given to clients about the valuation exercise. The process and levels of uncertainty hidden in the figures must be made known to clients.

16/03/2006

J.JAYITEY & P.GYAMFI-YEDDAH-KNUST

-At least two methods should be used in estimating value and the result must be expressed as a range of possible obtainable figures. If possible such range of figures should be accompanied by probabilities. As much as possible valuation reports should be very comprehensive.

***To build confidence in the profession, lets be value estimators/assessors rather than inventors.***

16/03/2006

J.JAYITEY & P.GYAMFI-YEDDAH-KNUST

**ARE YOU A VALUE  
INVENTOR  
OR  
ASSESSOR?**

***Thanks very much***

16/03/2006

JAYITEY & F.GIAMPFIREDOAH-KNUST