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Factors Contributing to Valuation Inaccuracies and Variances in Kenya's Real Estate Sector

Brian Nabutola Wanjala^{1*} & Phoebe Mueni Nzuki²

¹ Standard Chartered Bank, P. O. Box 30033-00100, Nairobi, Kenya.

² Technical University of Kenya, P. O. Box 52428-00200, Nairobi, Kenya.

* Author for Correspondence ORCID ID; <https://orcid.org/0009-0006-5861-6133>; Email: nabutolaw@gmail.com

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Valuation,
and Continuous
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Development (CPD).*

Real estate valuation inaccuracies and variances pose a significant challenge globally, particularly in regions characterized by inadequate and unreliable market data. This study investigates the key factors contributing to valuation discrepancies in Kenya, identifying valuers' misconduct, client influence, inappropriate application of heuristics, valuation task complexity, and the unavailability of trustworthy data as primary contributors. A survey research design was adopted, utilizing structured interviews and self-administered questionnaires distributed via Google Forms to collect data. Quantitative data was analyzed using IBM SPSS Version 26, with findings presented through frequency distribution tables, percentages, means, and standard deviations. Qualitative data was thematically analyzed and presented in narrative and verbatim form. The study's respondents included practising valuers in Kenya, financial institutions, the Valuers Registration Board, and the Institution of Surveyors of Kenya. Findings indicate that inadequate and unreliable real estate data remains the most significant factor driving valuation inaccuracies and variances in Kenya, aligning with previous studies conducted in Kenya and other Sub-Saharan African countries. Additionally, client influence and valuers' misconduct were found to have a comparable impact on valuation discrepancies, as statistical analysis showed no significant difference between these factors. The study further highlights that while the margin of error concept is widely acknowledged among valuation practitioners, there is no consensus on an acceptable percentage threshold between valuers and the regulatory authority. To enhance valuation accuracy, the study recommends stronger collaboration between the Institution of Surveyors of Kenya and the Valuers Registration Board in regulating valuation practices. Furthermore, it advocates for stronger partnerships between universities and industry professionals to ensure that valuation training aligns with industry needs, equipping practitioners with the necessary expertise to improve accuracy levels in real estate valuation.

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INTRODUCTION

Property valuation is a fundamental aspect of real estate practice, providing the basis for key decisions in the surveying and valuation profession worldwide. According to Wurtzebach (1994), valuation plays a critical role in various contexts, including asset exchange for money and credit, ownership transfer, taxation, investment advisory, accounting, property transactions, insurance assessments, compulsory acquisitions, and investment performance evaluation. Given these diverse applications, achieving a high level of accuracy in valuation is essential to provide a credible basis for decision-making.

The real estate market is inherently diverse and fragmented, comprising a wide range of property types and market conditions, as highlighted by Ajibola (2006). Unlike other asset markets, real estate lacks a singular, unified marketplace, making the determination of market value inherently complex. The heterogeneity of real estate markets has contributed to valuation discrepancies, inconsistencies among valuers, and uncertainties between valuation estimates and actual market prices (Aluko, 1998; Bretten & Wyatt, 2001). The occurrence of significant variations in valuation outcomes where different valuers, assessing the same property for the same purpose, produce

different estimates is often regarded as a form of valuation uncertainty (Kucharska-Stasiak, 2013).

Valuation uncertainty is further exacerbated in less developed property markets characterized by low transaction volumes, limited transparency, and inadequate market data (Damodaran, 2006). In such environments, valuation estimates become more uncertain, and the range of discrepancies among different valuers tends to widen. Consequently, valuation is often considered more of an art than an exact science, requiring valuers to make informed assumptions, gather and analyze data meticulously, and apply professional judgment to ensure accuracy (Babawale, 2012). However, the inherent subjectivity in valuation practice makes it susceptible to external influences, including client pressure and the inappropriate use of heuristics, potentially leading to biased or inaccurate estimates.

Several studies have sought to establish an acceptable margin of error in property valuation, acknowledging the inevitability of some degree of variance. Kiptoo (1999) suggested that valuation estimates should fall within a 20% confidence interval, beyond which inaccuracies may indicate issues related to data reliability, analytical methods, or valuation assumptions. Syagga (2014) proposed a stricter margin of 10% on either side, while Konyimbi (1997) recommended a 15% threshold.

The Royal Institution of Chartered Surveyors (RICS) Global Standards (2022) also recognize that valuation remains an estimate rather than an absolute fact. Consequently, the critical question is not whether variance exists, but rather what degree of variance is acceptable and under what circumstances (Damodaran, 2006).

Given the significant role of valuation in real estate decision-making, it is imperative for practitioners to understand the factors that contribute to valuation inaccuracies and variances. Addressing these challenges systematically can enhance valuation reliability and ensure the credibility of valuation outcomes in Kenya's real estate sector.

Problem Statement

Real estate valuation is a fundamental aspect of the real estate sector, underpinning property transactions, investment decisions, and financial reporting. In many instances, valuation serves as a proxy for transaction prices, influencing lending, taxation, insurance, and investment appraisal (Oduyemi et al., 2016). Given its central role, the accuracy and reliability of valuation reports is of paramount importance. However, persistent concerns regarding valuation inaccuracies pose significant challenges to market transparency, investor confidence, and the overall stability of the real estate sector. When valuation estimates are perceived as unreliable, they may lead to mispricing of assets, suboptimal investment decisions, and, in severe cases, financial losses. Furthermore, valuation inaccuracies undermine public trust in the profession and erode the credibility of valuation professionals, which can have far-reaching implications for regulatory compliance and market efficiency (Kucharska-Stasiak et al., 2018).

In Kenya, disputes arising from valuation inconsistencies have increasingly found their way into the courts, exposing the magnitude of the problem. A particularly striking case, Nairobi Milimani Commercial and Tax Division, Civil Case No. E032 of 2019, underscores the gravity of the

issue. In this case, a local valuation firm accused a staff valuer of professional negligence after valuing a property at Kshs. 55 million, whereas a subsequent valuation from another firm placed the property's market value at only Kshs. 6 million. The court was informed that the initial valuation erroneously included a nonexistent building, leading to the gross discrepancy. Such extreme valuation variances raise fundamental concerns about professional integrity, technical competency, and the robustness of valuation methodologies. More broadly, they contribute to market confusion, distort investment decisions, and expose financial institutions, developers, and individual investors to undue risks (Bretten & Wyatt, 2001).

Extensive research on valuation variances and inaccuracies has been conducted globally. Wyatt and Bretten (2001) examined the influence of valuers' behavioural characteristics and professional conduct on valuation inconsistencies, emphasizing the role of subjective judgment in valuation outcomes. More recently, Cheloti and Mooya (2021) categorized valuation challenges into three broad areas: market-related problems (such as inadequate and unreliable data), valuers' misconduct, and systemic market inefficiencies. Their study identified poor data availability and the lack of standardized valuation practices as critical factors driving valuation inaccuracies in Kenya. Despite these contributions, research on valuation inconsistencies remains limited in the context of developing countries, particularly in Kenya. Given the dynamic nature of the real estate market, evolving valuation standards, and emerging risks such as climate change and economic volatility, a deeper understanding of the root causes of valuation inaccuracies is crucial.

This study, therefore, seeks to bridge the existing knowledge gap by conducting an in-depth investigation into the key factors contributing to real estate valuation inaccuracies and variances in Kenya. By identifying the underlying causes and assessing their implications for the real estate

market, this research aims to provide valuable insights that will enhance valuation accuracy, strengthen professional standards, and improve regulatory oversight within the Kenyan real estate sector.

Objectives of the Study

General Objective

To identify and analyze the key factors contributing to real estate valuation inaccuracies and variances in Kenya.

Specific Objectives

- To examine the impact of client influence on valuation inaccuracies and variances in Kenya's real estate sector.
- To determine the acceptable margin of error in real estate valuation practice in Kenya.

Research Questions

- How does client influence affect valuation accuracy and consistency in Kenya's real estate sector?
- What constitutes an acceptable margin of error in real estate valuation practice in Kenya?

VALUATION DISCREPANCIES IN KENYA'S REAL ESTATE SECTOR: CHALLENGES, CAUSES, AND REGULATORY IMPLICATIONS

The real estate valuation sector in Kenya, like in many other developing economies, faces persistent challenges that undermine its credibility and reliability (Cheloti&Mooya, 2021). Despite its critical role in property transactions, mortgage financing, taxation, and investment decision-making, valuation inaccuracies and variances remain a significant concern. These inconsistencies often lead to disputes, financial losses, and legal proceedings that cast doubt on the professionalism and integrity of valuers. While the Institution of Surveyors of Kenya (ISK), a self-regulating body registered under the Societies Act, is responsible for

maintaining professional standards through the enforcement of the Kenya Valuation Standards (KVS, 2021), continuous professional development, and research, challenges persist. Additionally, the Valuers Act (Cap 532) provides the legal framework for valuation regulation, with the Valuers Registration Board (VRB) overseeing the registration and licensing of valuers.

At an international level, ISK is a signatory to the International Valuation Standards Council (IVSC), which aligns Kenya's valuation practices with global standards. However, despite these regulatory efforts, valuation discrepancies continue to raise concerns among industry stakeholders, eroding public trust in the profession. The problem is further amplified by numerous legal disputes arising from inconsistencies in valuation reports, particularly in cases involving real estate financing and loan collateral valuation. A notable example is Civil Case No. 007 of 2020, which involved Othaya Villas Limited as the plaintiff and Victoria Commercial Bank and two others as defendants. In this case, an initial valuation conducted in June 2015 estimated the market value of a property at Kshs. 680 million. However, just two months later, in August 2015, the same valuer revised the estimate downward to Kshs. 500 million. A third valuation, conducted by a different firm, returned an even lower estimate of Kshs. 300 million.

The valuers attributed these discrepancies to the unique nature of the property, which was a new concept in Kenya, high maintenance costs, and specialized technical support requirements that were not initially accounted for. Additionally, market fluctuations were cited as a reason for the declining property prices during the valuation period. However, the plaintiff disputed these explanations, arguing that the valuers had a conflict of interest, having previously consulted for his company. Similar valuation disputes frequently arise in cases where borrowers default on loan repayments, forcing banks to auction properties used as collateral. According to Section 97(2) of the

Land Act (2012), financial institutions must commission a second valuation before proceeding with an auction. However, the significant discrepancies between initial and subsequent valuations often indicate potential corruption, client influence, lack of expertise, or the use of inappropriate valuation methodologies (Njoka, 2021).

The determination of an acceptable margin of error in valuation remains a contentious issue in Kenya. Scholars have proposed varying thresholds beyond which valuation discrepancies become questionable. Kiptoo (1999) suggested that valuation estimates should be within a $\pm 20\%$ confidence limit, arguing that variances exceeding this range indicate potential issues with data quality and valuation methodology. In contrast, Syagga (1999) advocated for a stricter $\pm 10\%$ margin of error, emphasizing the need for higher valuation precision, while Konyimbi (1997) proposed an intermediate $\pm 15\%$ range. Hutchison et al. (1996) recommended a $\pm 10\%$ margin, asserting that deviations beyond this threshold raise concerns about the valuer's competence and professional credibility. Larger-than-expected valuation discrepancies often lead to legal challenges, as dissatisfied clients seek judicial intervention to contest reports perceived as biased or inaccurate (Kiptoo, 1999).

Several factors contribute to valuation inaccuracies and variances in Kenya's real estate sector, which can be broadly categorized into professional, market-related, and systemic challenges. Among the professional challenges, client influence is one of the most significant, as valuers often face pressure from clients to manipulate property values in their favour, whether to secure higher loans, reduce tax liabilities, or influence financial reporting (Njoka, 2021). Ethical misconduct, including corruption, also plays a role, leading to intentional overvaluation or undervaluation of properties. Furthermore, a lack of expertise and experience among valuers results in inconsistencies,

particularly for complex properties that require specialized knowledge. The selection of inappropriate valuation methods further exacerbates the issue, as the wrong approach whether income, cost, or market can lead to inaccurate estimates.

Market-related factors also contribute significantly to valuation discrepancies. Unreliable and limited data, as identified by Cheloti and Mooya (2021), is the primary cause of valuation inaccuracies in Kenya. The country's opaque property market and the underreporting of transactions hinder the development of reliable property indices. Additionally, market fluctuations, driven by economic trends, interest rates, inflation, and investor sentiment, further complicate valuation accuracy. Unique and specialized properties, such as mixed-use developments and smart buildings, also pose challenges due to the lack of sufficient comparable data, making valuation highly subjective.

Systemic challenges further compound the problem. Regulatory gaps remain an issue, as enforcement of professional standards by ISK and the Valuers Registration Board is often weak, allowing inconsistent practices to persist. Judicial interpretation of valuation disputes is another challenge, as courts frequently rely on multiple valuation reports to establish a property's true value, further highlighting inconsistencies in professional practice.

Despite the existing regulatory frameworks and professional oversight, valuation inaccuracies and variances continue to undermine confidence in Kenya's real estate sector. These discrepancies arise due to a combination of professional misconduct, market uncertainties, and systemic weaknesses. While scholars have proposed varying acceptable margins of error, the lack of a universally accepted standard contributes to ongoing valuation disputes and legal battles. Addressing these challenges requires stronger regulatory enforcement, improved data transparency, enhanced valuer training, and

stricter adherence to valuation standards to restore credibility and trust in the profession.

Practical Implications of the Study

The study's findings have important practical applications for real estate practitioners, educators, and policymakers in Kenya. Valuation firms can use the insights to strengthen internal quality controls, improve report consistency, and manage client influence more effectively. Financial institutions can apply the findings to better interpret discrepancies in valuation reports, especially during loan assessments and foreclosure processes. Regulatory bodies such as the Valuers Registration Board (VRB) and the Institution of Surveyors of Kenya (ISK) can reference the identified causes of variance when handling professional misconduct cases or reviewing complaints.

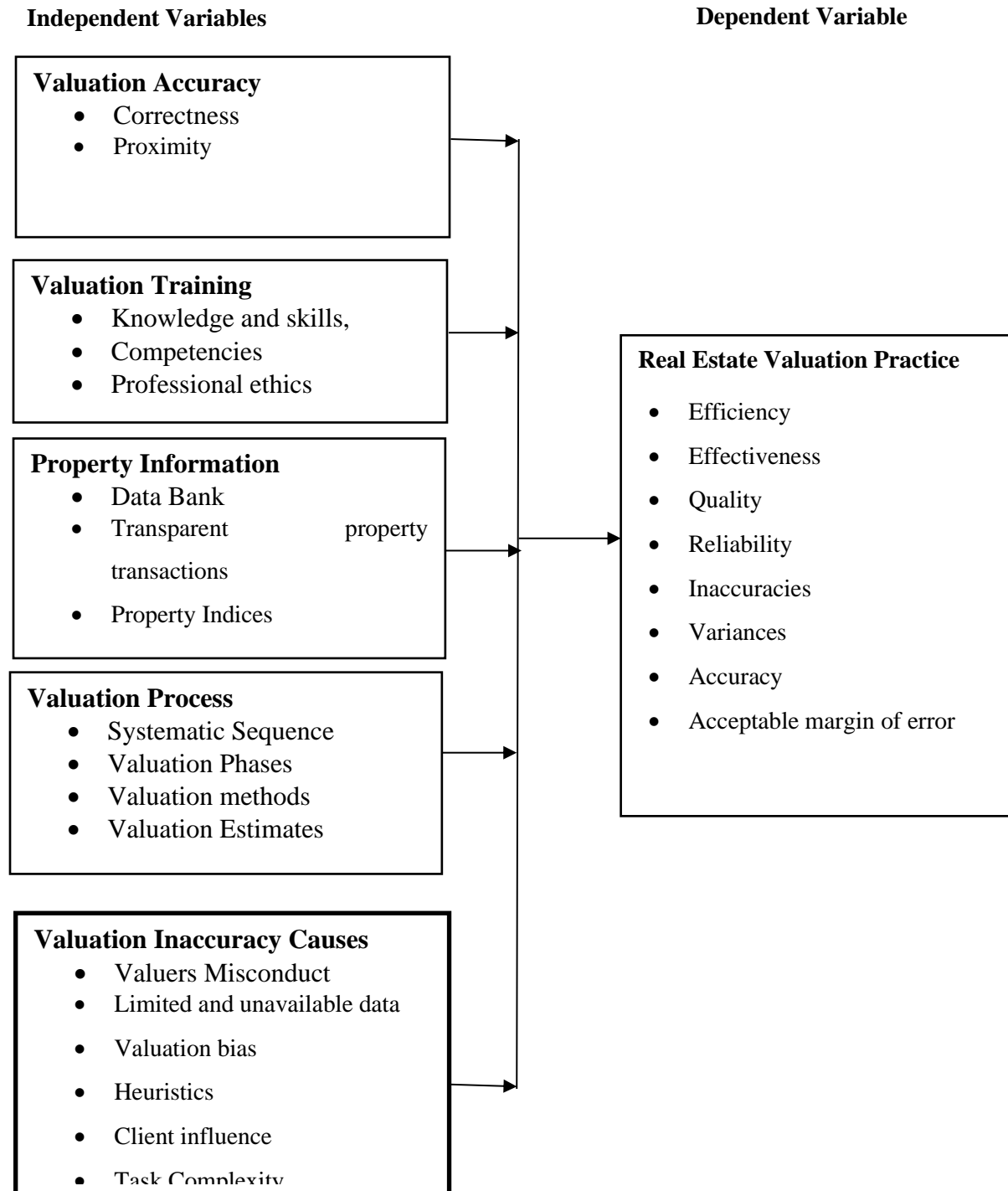
In education and professional training, the results provide practical content for revising curricula and designing scenario-based learning that addresses real-world challenges, such as selecting comparable sales or responding to client pressure. Legal practitioners and courts can also utilize the study to contextualize acceptable valuation variances when adjudicating disputes. Overall, the study supports improved professionalism, regulatory oversight, and education in the valuation industry.

Limitations of the Study

The study faced several limitations that may affect the breadth and generalizability of its findings. First, the response rate, though satisfactory at 60%, may not fully represent the views of all registered valuers in Kenya. Second, the study's geographic focus leaned toward urban areas, potentially underrepresenting rural valuation experiences. Third, the use of self-reported data introduced the risk of bias, particularly on sensitive issues like professional misconduct. Additionally, the limited number of interviews with regulatory officials may not capture the full scope of institutional perspectives. Lastly, the study's cross-sectional design limits its ability to assess changes in valuation practices over time or in response to evolving market conditions. These limitations suggest that while the study provides a valuable foundation, future research could benefit from longitudinal approaches and broader geographic representation.

Conceptual Framework

According to Orodho (2008), a conceptual framework is a model representation where an investigator represents the associations between variables in the study and shows the relationship graphically and diagrammatically. Figure 1 presents the conceptual framework of the study.

Figure 1: Conceptual Framework

Source: Author (2024)

Theoretical Implications

The study contributes to valuation theory by reinforcing the idea that real estate valuation is

influenced not only by technical expertise but also by behavioural and institutional factors. It affirms that cognitive biases, such as heuristics and

susceptibility to client pressure, play a significant role in valuation outcomes, supporting existing behavioural valuation models. The research also highlights the conceptual ambiguity surrounding the acceptable margin of error in valuation, exposing a theoretical gap in how accuracy is defined and measured within the profession. Furthermore, it points to the need for curriculum theory to evolve by incorporating ethical reasoning and decision-making frameworks into valuation education. Finally, the study engages with institutional theory by revealing how weak enforcement mechanisms and fragmented regulatory oversight contribute to inconsistent practices, emphasizing the role of governance structures in shaping valuation reliability.

MATERIALS AND METHODS

Target Population and Sample Size

The target population for this study comprised 508 individuals, including registered valuers, as listed in the *Kenya Gazette* (Vol. CXXIV No. 31, February 18, 2022), and representatives from financial institutions. These groups were selected due to their critical role in the real estate valuation process, ensuring that the study captured diverse perspectives on valuation inaccuracies and variances in Kenya.

To facilitate comprehensive data collection, a mixed-methods approach was employed, integrating both quantitative and qualitative research techniques. Structured and open-ended questionnaires were designed to gather detailed insights from key stakeholders, including representatives from the Valuers Registration Board (VRB) and the Institution of Surveyors of Kenya (ISK). These questionnaires served as the foundation for structured interviews, allowing respondents to provide both standardized responses and in-depth qualitative insights.

Data collection was conducted in two phases to enhance response rates and ensure robust data quality. First, electronic questionnaires were

administered via Google Forms to all identified respondents within their professional settings. This digital approach was adopted to improve accessibility, minimize logistical constraints, and facilitate timely responses. Second, in-depth interviews were conducted with representatives from financial institutions, VRB, and ISK using a structured questionnaire. These interviews provided deeper insights into industry practices, regulatory challenges, and factors contributing to valuation discrepancies.

To determine an appropriate sample size, the study applied the formula recommended by Mugenda and Mugenda (1999) for cases where the population size is known. This formula ensured that the selected sample was statistically representative, thereby enhancing the reliability and generalizability of the study findings.

$$n = \frac{(z^2 z) (p^* q) N / e^* e (N-1) + (z^2 z) (p^* q)}{}$$

Where n = sample size

z = standard deviation (1.96)

p = % target population assumed to have

Similar characteristics (say taken as 90%, the higher the % above 50% the higher the reliability)

q = 1-p (0.1)

N= population size

e = confidence interval (margin of Error (0.05))

The formula was adopted in selecting a sample size of 105 registered Valuers from a population of 450 gazetted valuers and 17 from a population of 43 Banks regulated by the Central Bank of Kenya.

Data Collection Instruments and Procedure

The primary research instrument employed for data collection was the questionnaire. Questionnaires were chosen for their effectiveness, as they are easy to administer and comprehend (McMillan & Schumacher, 2006). They were distributed to Registered Valuers to obtain relevant insights.

Additionally, in-depth interviews utilizing semi-structured questionnaires were conducted with representatives from the Valuers Registration Board (VRB), the Institution of Surveyors of Kenya (ISK), and financial institutions. The researcher personally distributed the questionnaires to valuers via the Google Forms survey platform and conducted in-person and telephonic interviews with representatives from ISK, VRB, and financial institutions involved in collateral assessment and lending based on valuation reports.

Data Analysis Procedure

Data analysis is the process of bringing order, structure and meaning to the mass of information collected. This investigation was anchored on a quantitative methodological approach by utilizing

descriptive and inferential research methods in analyzing and presenting data by use of Statistical Package for Social Sciences (IBM SPSS statistics version 26 application). Descriptive statistics included the use of mean, mode, standard deviations and ranges. The researcher utilized tables displaying frequency, means and standard deviations. Bar and pie charts were also used whereas textual representation was adopted for reporting qualitative data.

RESEARCH FINDINGS AND DISCUSSION

Survey Response Rate

The researcher administered data collection instruments to a sample of 105 valuers from a target population of 450 registered and licensed valuers.

Table 1: Valuers Sample Survey Response

	Frequency	Percentage %
Target Population size	450	100
Sample Size	105	100
Valid Response Rate	63	60

Source: *Field Survey, 2024*

A total of 63 questionnaires were completed and returned, while one was excluded due to incompleteness, yielding a response rate of 60%. This rate is considered sufficient for analysis and drawing meaningful inferences about the population. Mugenda and Mugenda (1999) recommend a 60% response rate as satisfactory for data analysis.

Profile of the Respondents

The researcher sought to determine the positions held by the respondents. Table 2 presents the distribution of valuers' positions within their respective firms.

Table 2: Valuers' Position in the Firm

Position Held	Frequency	Percentage %
Director	13	20.6
Senior Valuer	25	39.7
Assistant Valuer	25	39.7
Total	63	100.0

Source: *Field Survey, 2024*

Table 2 indicates that the majority of valuers (39.7%) held positions as senior valuers or assistant senior valuers, while 20.6% served as directors within their firms. These findings are significant for

the study, as senior valuers and directors play a critical role in shaping valuation practices, decision-making, and adherence to professional standards. Their insights enhance the study's understanding of

industry challenges, regulatory compliance, and factors contributing to valuation discrepancies. Additionally, understanding the distribution of roles helps assess the respondents' level of experience and

authority, ensuring that the data collected reflects well-informed professional viewpoints.

Factors Contributing to Valuation Inaccuracies

Valuation Education Adequacy and Training

Table 3: Valuation Training Quality

	Frequency	Percentage
Strongly Disagree	3	4.8
Disagree	2	3.2
Neither agree nor Disagree	2	3.2
Agree	19	30.2
Strongly Agree	37	58.7
Total	63	100.0

Source: *Field Survey, 2024*

The respondents provided varied perspectives on the adequacy of valuation training and education. While valuation training is designed to equip valuers with essential knowledge, including valuation theory, processes, techniques, practice challenges, and potential solutions, opinions on its effectiveness differ. A majority of the respondents (58.7%) strongly agreed, and 30.2% agreed that they had received adequate training to handle real estate valuation assignments. These findings align with Ashaolu (2015) and Amidu (2011), who emphasize that valuers undergo extensive training before being professionally recognized. However, 3.2% of respondents were neutral, and 3.2% and 4.8% disagreed and strongly disagreed respectively with the adequacy of their training. These findings support Amidu (2011), who advocated for revising valuation education to address areas where valuers encounter judgment errors and decision-making

challenges, such as comparable sales selection, analysis processes, valuation methodologies, biases, and client influence.

These findings underscore key factors contributing to real estate valuation inaccuracies. Challenges such as biases, client influence, inadequate data, and valuation process inconsistencies indicate gaps in both training and professional practice. Integrating judgment and decision-making criteria into valuation education would better prepare valuers to handle real-life challenges, including client pressure and cultural influences, as highlighted by Gallimore and Wolverton (2000) and Worzala et al. (1998). Without such enhancements, valuers may struggle to consistently apply standardized valuation processes, as observed by Diaz (1990), leading to continued discrepancies and diminished confidence in real estate valuation outcomes.

Table 4: Continuous Professional Development Impact on Value Estimates Accuracy

Level of Agreement	Frequency	Percent
Strongly Disagree	4	6.3
Disagree	1	1.6
Neither agree nor Disagree	4	6.3
Agree	21	33.3
Strongly Agree	33	52.4
Total	63	100.0

Source: *Field Survey, 2024*

Table 4 presents respondents' views on the role of Continuous Professional Development (CPD) in enhancing valuation accuracy. A significant majority (52.4%) strongly agreed and 33.3% agreed that CPD plays a critical role in upholding professional standards. These findings align with Syagga (2014), who emphasized the importance of CPD in reinforcing professional competencies through regular seminars and institutionalized research in universities (Nzioki et al., 2006). However, a small minority (1.6%) disagreed, 6.3% strongly disagreed, and 6.3% remained neutral indicating some divergence in perspectives.

These findings underscore key factors contributing to real estate valuation inaccuracies, emphasizing the critical role of CPD and curriculum revision in fostering continuous skill development and enhancing valuation accuracy. Without regular training and updates, valuers may struggle to apply evolving valuation methodologies, leading to inconsistencies and errors in property assessments. Moreover, the resistance or uncertainty regarding CPD and curriculum updates suggests a potential gap in awareness or institutional support for professional development. Addressing these challenges through structured CPD programs, curriculum revisions, and industry-academic collaborations would enhance valuation accuracy, minimize discrepancies, and strengthen confidence in real estate valuation practices.

Client Influence on Value Estimates Returned by Valuers

Client influence in property valuation, as defined by the Appraisal Institute of Canada (2010), refers to situations where valuers face pressure to act

contrary to professional ethics, compromising their independence, objectivity, and integrity. According to the Kenya Valuation Standards (KVS, 2021), such actions constitute professional misconduct as they violate key principles, including independence, confidentiality, and conflict of interest regulations.

Table 5 presents the primary reasons behind client influence on valuation estimates. The most cited factors were valuers' inability to defend their valuation opinions and the existence of weak disciplinary frameworks to hold offenders accountable, both of which recorded a mean score of 3.8730. The fear of losing future business was also noted as a significant factor, with a mean score of 3.8571. These findings align with Kucharska-Stasiak et al. (2018), who identified valuer skills, experience, age, and professional self-esteem as key determinants of how valuers respond to client pressure.

Similarly, Mooya (2016) highlights that valuers often struggle to uphold their professional judgment due to personal stakes in valuation outcomes or client demands that prioritize favourable results over objectivity. A notable case reported to the Valuers Registration Board (VRB) further illustrates this issue, where a valuer undervalued a property at Kshs. 40 million, whereas an independent assessment placed its market value at Kshs. 130 million pointing to a clear conflict of interest.

Addressing client influence in valuation requires stronger regulatory enforcement, enhanced ethical training, and a robust disciplinary framework to uphold professionalism and restore confidence in valuation practices.

Table 5: Reasons for Value Estimates Influence by Clients

Why Clients succeed in influencing Valuation Estimates	N	Mean	Std. Deviation
Client with Property Knowledge	63	2.8889	1.21961
Lack of a diverse database	63	3.6984	1.10183
Competition for valuation jobs	63	3.5238	1.29337
Non-adherence to valuation standards	63	3.5397	1.05991
Fear of losing client and future workflow	63	3.8571	1.06039
Dwindling revenue base	63	3.4127	1.10183
Lack of a strong disciplinary mechanism	63	3.8730	0.85179
A lack of laws to regulate client influence	63	3.5873	1.17274
Valuers Feel helpless when pressured hence give in	63	3.8730	0.85179
Minimal pay or under-compensation	63	2.9048	1.31633
The size of the firm	63	3.4286	1.24063

Source: *Field Survey, 2024*

The findings indicate that the lack of clear regulations governing valuer-client relationships significantly contributes to client influence, with a mean score of 3.5873. Without explicit legal frameworks, valuers struggle to uphold their independence when faced with pressure from clients. These results align with Kucharska-Stasiak et al. (2018), who emphasize the complexities of the valuer-client business environment, often leading to noncompliance with professional standards.

A lack of comprehensive property data further exacerbates the issue, ranking fourth with a mean of 3.6984. In the absence of reliable valuation data, valuers may be swayed by client opinions, compromising their professional objectivity. This finding supports Levy and Schuck (2005), who argue that clients with access to extensive market information may exert undue influence on valuers, pushing them toward predetermined valuation outcomes. However, the respondents' low mean score of 2.8889 on the impact of client property knowledge contradicts prior studies (Kucharska-Stasiak et al., 2018; Levy & Schuck, 2005; Nwuba et al., 2015), which suggest that client expertise enhances their ability to manipulate valuation estimates.

Further, non-adherence to valuation standards and competition for valuation assignments, with mean

scores of 3.5397 and 3.5238 respectively, reinforce findings by Crosby et al. (2004) and Kinnard et al. (1997) that client influence is more prevalent in competitive markets. The fear of losing future valuation assignments may lead to value manipulation to satisfy client demands. These findings also align with Kucharska-Stasiak et al. (2018), Nwuba et al. (2015), and Achu (2013), who identify breaches of professional ethics as a response to market competition and job insecurity.

Other factors such as a dwindling revenue base (mean = 3.4127), firm size (mean = 3.4286), and under-compensation or minimal pay (mean = 2.9048) further contribute to client influence. Interestingly, Kenyan valuers attributed client influence more to the valuation firms they work for than to their personal financial circumstances. This contradicts Kucharska-Stasiak et al. (2018), who argue that client influence is largely determined by valuer-specific behavioural traits rather than firm characteristics. However, the findings align with Nwuba et al. (2015), who suggest that a valuation firm's structure and policies shape how valuers respond to incentives, threats, or coercion from clients.

These findings highlight key structural and regulatory gaps that enable client influence in real estate valuation. The lack of clear legal guidelines,

inadequate property data, competitive pressures, and firm-level characteristics create an environment where valuers may compromise professional objectivity. Strengthening valuation regulations, establishing comprehensive property data systems, and enforcing strict disciplinary measures are essential to mitigating undue client influence and enhancing valuation accuracy. These findings underscore the need for institutional reforms to uphold professional independence, ensuring that

valuation estimates reflect market realities rather than client-driven biases.

The Margin of Error in Determining Accuracy

The respondents' perspectives regarding the acceptable margin of error in valuation practice were also assessed. Table 6 presents a summary of the respondents' views on the acceptable margin of error in this context.

Table 6: The Acceptable Margin of Error in Practice

Acceptable Margin of Error	Frequency	Percentage %
1%-5%	18	28.6
6%-10%	30	47.6
11%-20%	14	22.2
21%-30%	1	1.6
Total	63	100.0

Source: Field Survey, 2024

Table 6 presents respondents' views on the acceptable margin of error in valuation practice. The findings indicate that 28.6% of valuers considered a margin range of 1%–6% acceptable, 47.6% used 6%–10%, and 22.2% applied 11%–20%, while a small minority (1.6%) accepted a margin of 21%–30%. These variations suggest a lack of consensus on the acceptable margin of error, aligning with previous research findings. For instance, Kiptoo (1999) identified a $\pm 20\%$ variance, Konyimbi (1997) proposed $\pm 15\%$, Syagga (1999) recommended $\pm 10\%$, while Ongumba and Iroham (2009) found a range of $\pm 11.1\%$ to $\pm 13.16\%$.

An analysis of valuation-related court cases in Kenya further supports these findings, highlighting significant discrepancies in valuation estimates. For example, in Civil Case No. 007 of 2020 at the High Court of Kenya (Nairobi), involving Othaya Villas Limited vs. Victoria Commercial Bank and others, valuation reports varied by 35% to 55% from the original estimate. Similarly, in Environmental and Land Court Case No. 124 at the Nakuru High Court, involving Seaman Building and Civil Engineering vs. NCBA Bank Kenya Limited (2022), a 25% variance was observed between valuation reports.

These findings indicate considerable inconsistencies in the acceptable margin of error among valuers, reflecting broader valuation discrepancies observed in legal disputes. The absence of a standardized margin raises concerns about valuation accuracy, professional credibility, and the reliability of property assessments in financial and legal contexts. Establishing a universally accepted margin of error and enforcing stricter valuation standards would enhance consistency, reduce disputes, and improve confidence in the valuation profession.

Financial Institution Perspective on Margin of Error

Table 7 presents insights from financial institutions on valuation discrepancies and accuracy disputes. Respondents from these institutions reported handling between three to fifteen cases involving valuation variances.

Discrepancies typically arose when a second valuation report was submitted, with financial institutions often deeming the revised report more accurate, even when the variance exceeded 25%. This finding aligns with the 1.6% of valuers who

considered a margin of error between 21% and 30% acceptable. The results highlight inconsistencies in valuation outcomes and the reliance of financial institutions on comparative assessments to

determine accuracy. These disparities underscore the need for standardized valuation methodologies and clearer regulatory guidelines to enhance reliability and minimize disputes.

Table 7: Margin of error from Financial Institutions Perspective

	First Valuation (KES)	Second Valuation (KES)	Margin of error
1	22,700,000.00	21,000,000.00	7.48%
2	60,000,000.00	42,000,000.00	30%
3	500,000,000.00	350,000,000.00	30%
4	10,000,000.00	7,800,000.00	22%
5	15,000,000.00	10,000,000.00	33%

Source: Field Survey, 2024

Though second valuation reports were frequently required, only five respondents provided actual values returned by different valuers. The responses from valuers and financial institutions reveal a notable discrepancy between the margin of error generally accepted by valuers and the variance financial institutions consider reasonable.

All financial institution respondents (100%) confirmed experiencing challenges with the accuracy of valuation reports. However, their perspective on the margin of error differed. Financial institutions only recognized valuation discrepancies when a second report was required, either due to a client disputing the initial valuation or for auction purposes, as mandated under Section 97(2) of the Land Act 2012. As shown in Table 7, financial institutions reported a margin of error ranging between 7.48% and 33%, which became evident only upon submission of a second valuation report.

Furthermore, financial institution representatives emphasized the need for a comprehensive review of valuation reports, focusing on property identification, description, and legal aspects such as land tenure. They highlighted that accurate value estimates, property descriptions, and proper identification were critical factors in loan approvals. These three elements: value estimate, property identification, and description were also cited as the most common sources of valuation disputes

reported to the Valuers Registration Board (VRB) and the Institution of Surveyors of Kenya (ISK). This underscores the need for greater consistency, accuracy, and adherence to professional standards in valuation practice to minimize conflicts between valuers and financial institutions.

Valuers Registration Board and ISK Perspective on Margin of Error

According to a representative from the Valuers Registration Board (VRB), an absolute 10% variance between two or more valuation reports is the threshold used to assess discrepancies. In contrast, the Institution of Surveyors of Kenya (ISK) applies a range-based approach, categorizing a 10% variance as acceptable (green zone) and a 15% variance as extreme (red zone), warranting further investigation. However, cases related to valuation inaccuracies and variances are rarely reported to ISK. As stated by an ISK representative:

"It may seem like cases reported to the institution on valuation inaccuracies and variances are declining, but this could be because the aggrieved parties feel that ISK does not address their concerns conclusively."

Conversely, VRB has witnessed a steady rise in reported cases over the past decade, attributed to increased awareness among valuation service consumers. Several cases demonstrate significant valuation variances, raising concerns about data

reliability, ethical standards, and professional conduct.

For instance, in 2019, a valuer assessed an undeveloped property in Ngong Town, Kajiado County, at Kshs. 5,000,000/=. However, in 2020, two other valuers, appointed for auction purposes valued the same property at Kshs. 1,500,000/=: reflecting a 70% variance. This discrepancy suggested either flawed data collection or ethical misconduct.

A more severe case involved a 2017 valuation of a 100-acre parcel on the outskirts of Ngong Town, initially assessed at Kshs. 23,000,000/=. In 2020, another valuer appraised the same property for auction at Kshs. 3,000,000/=: revealing a staggering 666% variance. Upon investigation, VRB determined that the initial valuer had used incorrect land sale price comparisons and failed to inspect the site with a survey map, leading to inflated figures. The valuer was subsequently fined and warned under the Valuers Act, Cap 532, for gross misconduct and incompetence.

Another case involved an individual client who reported a valuation discrepancy of Kshs. 120,000,000/= between two separate reports on a commercial property. However, VRB could not determine the case as the complainant failed to provide all necessary documentation per VRB's reporting requirements.

These findings highlight the persistent challenges in valuation accuracy and professional integrity. The increasing number of cases reported to VRB suggests a growing concern over valuation discrepancies, reinforcing the need for stringent regulatory oversight and adherence to ethical and professional standards. Establishing clearer guidelines on acceptable valuation variances and enhancing enforcement mechanisms could mitigate such discrepancies, ultimately improving confidence in valuation practices.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The study concludes that real estate valuation inaccuracies and variances in Kenya are largely driven by limited and unreliable market data, valuation task complexity, heuristic biases, and client influence. The absence of a centralized and credible real estate transaction database forces valuers to rely on expert opinions and unverified sales data, which compromises valuation accuracy. While valuation training in universities is generally adequate, the study suggests incorporating decision-making and judgment criteria to enhance accuracy in data selection and interpretation. Valuation task complexity, particularly at the reporting and client feedback stages, presents further challenges, as valuers struggle with selecting appropriate methods, adjusting key variables such as capitalization rates and depreciation, and responding to client demands for value adjustments. The inappropriate use of heuristics especially anchoring and adjustments was also identified as a critical factor affecting valuation outcomes. Furthermore, client influence manifested through coercion, rewards, and undue pressure, poses a significant challenge, particularly for smaller firms with limited financial stability, which are more susceptible to external pressures. However, while client influence remains a concern, the study suggests that data limitations and methodological inconsistencies are the more pressing issues affecting valuation accuracy in Kenya.

The study also examined the acceptable margin of error in real estate valuation practice, revealing significant inconsistencies in professional and institutional perspectives. Most valuers considered an error margin of 1% to 20% acceptable, yet real-world disputes show variances ranging from 11% to 36.4% between valuation reports. Unlike developed jurisdictions such as the United Kingdom, which recognize a standard margin of error of 15%, Kenya lacks clear regulatory guidelines, leaving room for professional and legal uncertainties. Financial

institutions, as key stakeholders in valuation processes, identified a typical margin of error of $\pm 22\%$ to $\pm 33\%$ in auction-related valuations, while valuation regulatory bodies suggested a more conservative $\pm 10\%$ as acceptable. These discrepancies highlight the need for a standardized and universally accepted margin of error to improve consistency, reduce litigation risks, and enhance investor confidence. Overall, the study underscores the necessity of strengthening Kenya's valuation regulatory framework, establishing a comprehensive real estate transaction database, and improving valuation education and professional ethics to enhance the credibility and reliability of real estate valuations.

Recommendations

To enhance valuation accuracy and mitigate variances in Kenya, this study recommends targeted interventions based on its findings. Limited and unreliable data emerged as a key factor affecting valuation accuracy. To address this, a structured Continuous Professional Development (CPD) program should be established through collaboration between ISK, VRB, universities, and industry practitioners. This initiative would bridge the gap between academic training and real-world application, equipping valuers with advanced data analysis techniques and best practices. Additionally, incorporating judgment and decision-making criteria into training would help valuers handle data quality issues and select appropriate valuation methods.

Valuation task complexity, particularly at the output stage, was identified as a significant contributor to discrepancies. To mitigate this, the study advocates for curriculum improvements to better prepare students for the profession and recommends that ISK and VRB establish a joint committee to address emerging valuation challenges. Furthermore, the lack of a centralized property transaction database remains a major impediment to accuracy. Establishing an independent multiple listing system under ISK and VRB would improve access to

reliable transaction data, reducing reliance on heuristics such as expert opinion and unverified sales data.

Client influence was found to compromise valuation integrity, particularly affecting valuers in smaller firms with limited revenue streams. To safeguard independence, the Valuers Act (Cap 532) should be amended to regulate valuer-client interactions, preventing undue influence while allowing legitimate requests for clarification. Drawing from international best practices, such as the Dodd-Frank Act (2010) and the Home Valuation Code of Conduct (2009) in the U.S., legal safeguards should be introduced to reinforce ethical valuation practices.

Finally, the study identified a lack of consensus on the acceptable margin of error in valuation practice, with variances ranging from 11% to 36.4% in court cases and 22% to 33% in financial institutions. To minimize litigation risks and enhance clarity, the Valuers Act should define an acceptable margin of error within the Kenyan context, aligning professional and regulatory expectations.

By implementing these recommendations, Kenya's valuation framework would be strengthened through improved data reliability, professional ethics, and regulatory clarity, fostering greater transparency, trust, and consistency in real estate valuation.

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