

## Opportunities and Challenges of Implementing the International Valuation Standards in Fiji

[https://doi.org/10.33318/jpacs.2020.40\(1\)-3](https://doi.org/10.33318/jpacs.2020.40(1)-3)

Sandeep A. Narayan<sup>1</sup> and Sharlene S. Biswas<sup>2</sup>

### Abstract

In the face of globalisation and changing economies property valuation, standards have evolved immensely over the years with the majority of the countries – including small Pacific island nations – adopting internationally recognised valuation standards. Smaller nations' attraction to this change is understandable given it enhances users' confidence in the reports, especially foreign users who have or are looking to make significant investments in the country. However, the data infrastructure and technical expertise in these countries differ significantly from the larger countries that were involved in the design of these standards. This raises the question of whether the International Valuation Standards can be effectively implemented in smaller, Pacific nations. This paper aims to contribute to this discussion by highlighting three key categories of challenges faced by property valuation firms in Fiji, and then discussing how addressing these issues presents an opportunity for the valuation field to implement the International Valuation Standards more effectively, resulting in better property valuation practices.

**Keywords:** Challenges; Implementation; International Valuation Standards; Opportunities; Small Pacific Island Nations

---

<sup>1</sup> Assistant Lecturer, School of Land Management and Development, The University of the South Pacific, Fiji, email: sandeep.narayan@usp.ac.fj, ORCID ID: <https://orcid.org/0000-0003-2270-6672>

<sup>2</sup> Lecturer, Department of Accounting and Finance, The University of Auckland Business School, Auckland, New Zealand, email: s.biswas@auckland.ac.nz, ORCID ID: <https://orcid.org/0000-0002-1661-3835>

## **Introduction**

Globalisation and increasing foreign property investments are compelling nations to adopt international valuation practices for greater transparency and better governance. Valuation standards at national and international levels play important roles in the promotion of ethics, integrity, and impartiality in valuers (Hemphill et al., 2014).

Anecdotal evidence found in Fiji highlighted the need for valuation standards to be implemented in the valuation sector (Myers, 2013). Not on par with international practices, the valuation profession in Fiji had been regulated by the Valuers Registration Act 1986, which was only responsible for evaluating the suitability of approved persons for registration as valuers and assessing complaints against registered valuers (ACT No. 7 of 1986, 1986). The Act lacked in-depth information on day-to-day valuation practices, codes of conduct and standards, leading to the adoption of the International Valuation Standards (IVS) from 1<sup>st</sup> January 2016. While this was meant to set good practices for members of the Fiji Institute of Valuation and Estate Management, it brought to the forefront issues faced by property valuers in small island nations that also hindered the implementation of the IVS in Fiji.

Using case studies of property valuations in Fiji, this paper identifies the key challenges and corresponding opportunities in the implementation of IVS in Fiji. The findings are classified into three key categories, Institutional, Informational, and Technical, that can form the basis of a future framework to guide implementation of international standards in small developing countries, making the process more efficient and seamless.

The following sections outline the evolution of the international property valuation field, while specifically describing the property valuation field in Fiji, thus, set the scene for this research. Subsequent sections outline the research methodology, followed by the results and a discussion of the results. Finally, the paper concludes with a summary of the findings, limitations of this study, and avenues for future research.

## **Literature Review**

### ***Developments in the Field of Property Valuation***

In simple terms, valuation is only an estimate of the price at which an asset can

exchange for in a market transaction (Jenkins, 2002). However, according to Moore (2009), this field faces as much ambiguity in methods, principles, techniques, standards, and procedures today as it had from the time the first paper on proposed standardised procedures was presented to the Social Science Association of Philadelphia on March 28, 1874.

Property valuation has many definitions, though its underlying fundamentals remain as “procedures aimed at determining the value of a property, by a licensed person authorised by legislation to carry out property valuations” (Trojanek, 2010, p. 35). Though the tasks of property assessment dates back to pre-biblical days (Jefferies, 1991), scholars began to examine and record the best means of identifying property value in the late nineteenth and early twentieth centuries (Moore, 2009). Developments in this field continue to date, with advancements in technology resulting in computerised valuation models that assist in ensuring fair, efficient, and accurate reporting (Valentine, 1999). Over the years, many valuation standards have been produced, and many countries have either adopted international standards or developed national standards for practicing valuers based on needs (Parker, 2016). Changing economies caused increased attention on property markets, thus countries began recognising valuation as a separate field from accounting standards. Thereby, countries increasingly began introducing codes of ethics and practice guidelines from the early 1940s (New Zealand Institute of Valuers, 1995).

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

cited in Moore, 2009). Recognition for the use of all three methods and reconciliations of value indications from each model was first encouraged in training manuals published by the Appraisal Institute in 1938 (Moore, 2009).

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

Most international standards had been brought about through the recognition of the need for ensuring consistent valuation standards and procedures across borders. The Royal Institute of Chartered Surveyors, founded in 1792 (Royal Institute of Chartered Surveyors, 2014), first published its appraisal and valuation manual in 1976, in response to the United Kingdom property crash in the 1970s (Gilbertson & Preston, 2005). It is today widely referred to as the RICS Red Book and incorporates the IVS (Royal Institute of Chartered Surveyors, 2014). Additionally, the

International Valuation Standards Council was founded in 1981 under the banner of “International Asset Valuation Standards Committee”. It was later renamed to International Valuation Standards Council in 2008, though member countries had started to be included from late 1990s (International Valuation Standards Council, 2020). The International Valuation Standards published by the IVSC is now widely accepted as the forefront of convergence towards consistent global valuation practice standards. The reason for such standardisation is owed to the demand for consistent and transparent valuations as well as to avoid valuation induced finance or property market crises in the future (Gilbertson & Preston, 2005).

The International Valuation Standards is the most common framework of valuation standards adopted by many countries. It has over 140 institutional members operating in over 150 member countries, making it the most widely followed valuation standard in the world (International Valuation Standards Council, 2020). This is followed by the Royal Institute of Chartered Surveyors Valuation - Professional Standards (Red Book), which fully adopts the IVS and is used in the United Kingdom and member countries (Hemphill et al., 2014). These standards contain key terms upon which the bases for valuation practices are formed. These terms are globally understood and provide guidance to valuers with the objectives of providing confidence to the users of valuation reports.

A review of the evolution of property valuation standards as outlined above highlights that the initiation and design of these standards are generally driven by larger developed countries that have better data infrastructure and technical expertise. As has been well documented in the valuation literature, the process of deriving property value is not pure science (Warren-Myers, 2016), but is influenced by factors such as valuer’s knowledge and experience (Babawale & Omirin, 2012; Ayedun et al., 2012), client influence (Levy & Schuck, 1999; Levy & Schuck, 2005; Kucharska-Stasiak, 2013; Wilkens, 2015) and availability and accuracy of market data (Havard, 2001; Ajibola & Ogungbemi, 2011; Babawale & Omirin, 2012; Aliyu et al., 2014). Therefore, it is argued that valuation outcomes are always exposed to uncertainties and errors in human judgement. This leads to the question of whether the International Valuation Standards designed in larger developed countries could be successfully implemented in smaller nations where the number of registered valuers and properties changing hands is far less. So, as outlined below, this paper examines property valuation practices in Fiji.

### ***Property Valuation in Fiji***

In Fiji, most rules of law and governing procedures have been adopted from

neighbouring countries Australia and New Zealand. This is largely due to geographical proximity and similarity in historical governance during the Colonial era (Lal, 1992). Much of the older legislation governing real estate are to do with statutory rating valuation purposes, namely the Local Government Act 1972 that to date requires properties to be valued on an Unimproved Capital Value method (Hassan, 2001). The task of administration and regulation of valuation for non-statutory purposes is entrusted with the Valuers Registration Act of 1986 (ACT No. 7 of 1986, 1986).

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

The Valuers Registration Act of 1986 provides criteria for the registration of valuers and requirements for the functioning of the Valuers Registration Board. It sets fees and training requirements for graduate valuers for the process of qualifying as registered valuers.

The Fiji Institute of Valuation and Estate Management (FIVEM) was advocated to promote the general interest of the profession (Fiji Institute of Valuation and Estate Management, 2014). Despite having no legal authority to implement or enforce any regulations, the Institute undertakes professional development activities for members of the valuation and estate management fraternity. Calls were made by members for introduction of valuation standards to promote consistency in practices, adopt internationally recognised building measurement standards, and introduce mandatory, continued professional development programs for registered valuers to maintain a level of learning and competence (Myers, 2013). In its Special General Meeting 2015, the Institute obtained majority votes from its members to adopt the IVS as a good practice, with plans to implement the change from 1<sup>st</sup> January 2016. Since then, FIVEM had organised a technical workshop on IVS for members in October 2016. However, it has not undertaken further activities to promote use of IVS, and lacks authority to implement the IVS or any regulations.

The Department of Lands and Surveys facilitates the management and development of land resources in Fiji. Its Valuation Department is in authority for acquisitions of land for public purposes, assessments, and reassessments of rental on state leases, verification of rental on Crown land, and serves as the official valuers for towns and

cities for reassessments of property rates. One of its key functions is to provide land sales data for the whole country, which is used as a basis for property valuations by government and private valuers in the absence of publicly accessible sales information databases (Department of Lands, 2013).

The University of the South Pacific's School of Land Management and Development, whose main campus is in Suva, Fiji, offers courses in valuation that act as prerequisites for graduates willing to attain registration under the Valuers Registration Act, 1986 (The University of the South Pacific, 2014).

All in all, these institutions are tasked with the administration of valuation practices in Fiji. In particular, the VRB is tasked with controlling valuers' registrations and on-going monitoring of performances. However, no evidence of valuation standards to regulate practices were found until the adoption of the IVS at the FIVEM Special General Meeting 2015. Furthermore, apart from Hassan (2001), and Narayan (2002), who studied unimproved capital value rating systems, no research other than earlier versions of this paper has been conducted in Fiji on valuation practices, or efforts towards standardisation that could guide the implementation of IVS.<sup>1</sup> Hence, the aim of this study is to start the conversation around implementation of IVS in Fiji, by focusing particularly on the issues faced by property valuers.

## **Methods**

The constructive nature of the research required the researcher to obtain deeper understandings of valuation practices in Fiji. Hence, a mixed method approach (Whittemore & Knafl, 2005) was adopted utilising both qualitative and quantitative research methods to obtain a holistic view of valuation practices in Fiji. The use of this approach is further justified due to the inclusion of qualitative and quantitative nature of data across different phases of the valuation research process (Johnson & Onwuegbuzie, 2004).

Three data collection methods were used in this study: case studies, structured interviews, and a questionnaire, as described below.

## ***Case Studies***

A case study is a "detailed examination of a single person, group, institution, social

---

<sup>1</sup> Earlier versions of this paper titled "Issues Facing Standardisation of Property Valuation Practices: A Case Study of Suva, Fiji" were peer-reviewed and presented by the primary author at the World Bank Conference on Land and Poverty in 2017 and the Pacific Rim Real Estate Society Conference in 2018.

movement, or event” whereby the researcher can become a participant-observer to record actual activities performed over a duration of time (Thomas & Brubaker, 2008, p. 114). Case studies are extensions of qualitative data collection methods, which allow for in-depth study of people, groups, an industry, or an organisation (Remler & Van Ryzin, 2014). In this research, the case studies were used to narrow the scope of the study to gain in-depth understanding of valuation practices. A multi-case method was used where the cases selected would assist the researcher in deriving real-life valuation practices in Fiji (Ghauri & Gronhaug, 2002).

Over the duration of this research, the researcher was allowed to observe the valuation practices and reports of three well-known valuation firms, which were on the panel of all major lending institutions in Fiji. Valuation projects observed within the three case firms were selected using purposive sampling whereby the researcher opted to be involved in valuation instructions relating to market valuations for residential properties in Suva. This allowed the researcher to observe valuation practices attributed specifically to such instructions. Case studies were conducted over a duration of six months. It is noted that in Fiji there are only a small number of valuation firms operating, and an even smaller number of firms that are approved on the panels of all major banks operating in the country. Further limitations faced due to indemnity insurance covers and concerns over information security restricted access to more firms for the case study. Nonetheless, observing practices of the three selected firms, which are amongst the most well-known, provided the researcher valuable insights into valuation practices in Fiji and on the implementation of IVS.

### *Questionnaires*

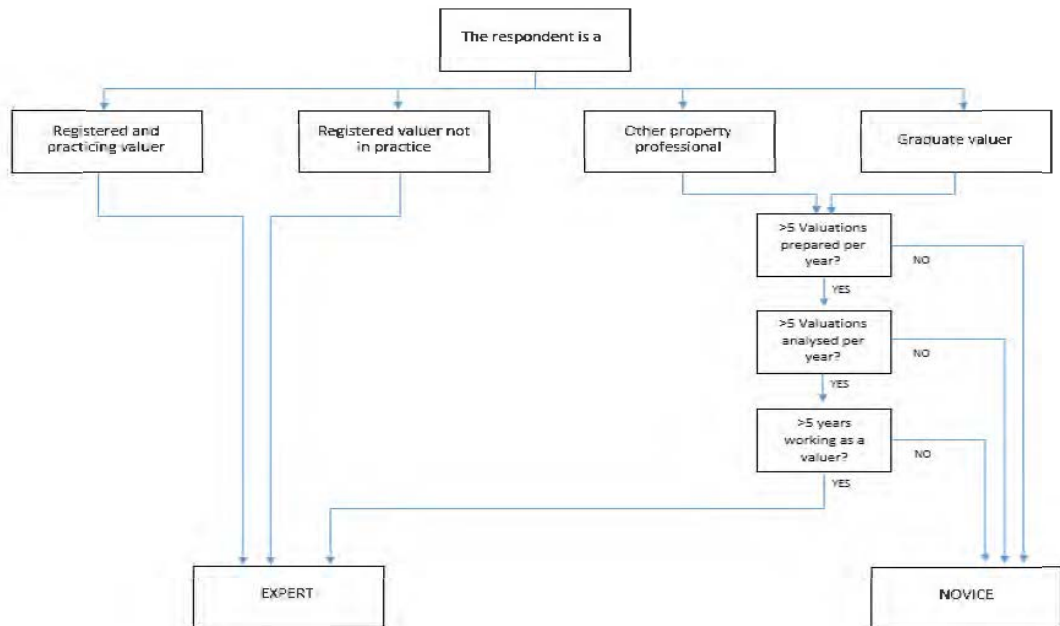
Questionnaires provided easier access to a larger audience of valuers based in Fiji. The population of interest were registered valuers, or graduate valuers with enough experience to provide insights into valuation practices in Fiji. Registered valuers were individuals with relevant qualifications in the field of property with a minimum of two years’ experience in valuation and who had satisfied the requirements to be qualified as registered valuers under the requirements of the VRB (ACT No. 7 of 1986, 1986).

While selecting a sampling frame for graduate valuers was not feasible due to lack of information on the number of graduates working as valuers, the sampling frame for registered valuers was selected from the list of registered valuers approved by the VRB and published in the Government of Fiji gazette (Fiji Government, 2014). From the 74 registered valuers identified, probability sampling technique of systematic sampling (Thomas & Brubaker, 2008) was identified to screen registered valuers



who were located in Fiji and still practicing as valuers. It was found that 31 registered valuers were either based, or had at least one branch, in Suva. Registered valuers were then contacted to identify the number of graduate valuers working in their firms and to confirm their willingness to participate in the research by filling out questionnaires. In addition to the 31 registered valuers, eight graduate valuers screened to be with sufficient experience to qualify for participation in this research were identified as per the selection criteria demonstrated in Figure 1.<sup>2</sup>

Figure 1. Selection Criteria Used for Classification as Expert vs. Novice Valuers.



Source: Author

***In-depth Interviews***

The complexity of the issues, ranging from valuation methods and techniques, to valuation standards meant the researcher had to rely on more in-depth information than those obtained through questionnaires and case studies. Interviews are considered the best source of information collection where information is complex and not easily obtained from quantitative methods (Ghuri & Gronhaug, 2002). The information sought from structured interviews were to clarify valuation practices not detailed enough in questionnaires, or to understand the logic behind certain practices

<sup>2</sup> 28 responses were received out of the 39 questionnaires distributed. Some respondents did not answer all questions provided in the questionnaire. The number of responses for questions posed are specified in the results section.

noted during case studies. Furthermore, interviews provided understanding on the status of valuations with regards to valuation standards and information sources. Implications of any issues identified, and potential solutions were also discussed.

Purposive sampling was applied in that interview participants and case studies were selected using the researcher's judgement on the most relevant persons and cases for the research (Cavana, 2001). The researcher selected four senior members from the four key institutions involved in administration of valuation in Fiji, including an executive member of FIVEM, senior member of the Department of Lands Valuation Division, senior member of the Real Estate Agents Licensing Board, and board member of the Valuers Registration Board. Three of the four members were registered valuers, but all participants chose to remain anonymous.

## **Results**

The research methods were aimed to better understand the current status of valuations in Fiji and the challenges in implementing the IVS. Early observations of the case studies identified three, broad issues: inconsistency in application of IVS reporting standards (institutional issues), challenges of availability and reliability of data (informational issues), and inconsistency in application of valuation methodology (technical issues). Hence, further investigations via interviews and the questionnaire focussed on these broad topics. The results from the research are presented below.

### ***Inconsistency in Application of IVS in Reporting***

The IVS General Standards 103 on reporting sets out the minimum information that must be communicated in a valuation report to the intended user (International Valuation Standards Council, 2017). Although the IVS recognises that the purpose of valuation will ultimately determine the level of details and complexity of individual reports, IVS 103 sets out the minimum that must be reported to communicate the scope of the valuation assignment.

Using data collected during case studies, the researcher identified numerous variances in the report contents of the three firms that were the subjects in the case studies. The results are summarised in Table 1.

Table 1. Minimum Report Contents Covered in Contrast to IVS 103.

| <b>IVS</b>  | <b>FIRM 1</b>       | <b>FIRM 2</b>    | <b>FIRM 3</b>    |
|---|---------------------|------------------|------------------|
| <b>General Standards – IVS 103 Reporting</b>                                    | <b>Case Studies</b> | <b>Anonymous</b> | <b>Anonymous</b> |
| Identification and status of the valuer   |                     |                  |                  |
| Identification of the client and any other intended users                       |                     |                  |                  |
| Purpose of the valuation  | ✓                   | ✓                | ✓                |
| Identification of the asset to be valued  | ✓                   | ✓                | ✓                |
| Basis of value  | ✓                   | ✓                | ✓                |
| Valuation date  | ✓                   | ✓                | ✓                |
| Extent of investigation   | ✓                   | ✓                |                  |
| Nature and source of information relied upon                                    | ✓                   | ✓                | ✓                |
| Assumptions and special assumptions   |                     |                  |                  |
| Restrictions on use, distribution or publication                                |                     | ✓                | ✓                |
| Confirmation that the assignment has been undertaken in accordance with the IVS |                     |                  |                  |
| Valuation approach and reasoning  | ✓                   | ✓                | ✓                |
| Amount of the valuation or valuations   | ✓                   | ✓                | ✓                |
| Date of valuation report  | ✓                   | ✓                | ✓                |

Source: Author

The results clearly indicate that the three well-established firms in the country failed to fully meet the minimum reporting requirements of IVS 103. While certain aspects of the prescribed IVS report contents may not be applicable to Fiji, an overview confirms variances in reporting content between firms.

When asked on possible reasons for such variances, one of the registered valuer interviewees stated:

Most valuations done by private valuers are for mortgage purposes and banks have their own standard of reporting. But if the institute or the [Valuers] Registration Board set a standard valuation report for Fiji which is regulated then all valuers will follow one standard and all stakeholders can expect that one same standard.

Another registered valuer responded by saying that, “half the time we do not know

what the IVS wants. As long as our clients and banks accept our reports, that's fine." A third interviewee, who was a senior staff at the Department of Lands, suggested that without a legal framework or demands for compliance from key stakeholders such as banks, FIVEM had no powers to implement the IVS or any such changes.

The case study findings and reasoning provided by the interview participants suggest a lack of understanding on the requirements of the IVS on the part of valuers and users alike. This could potentially be addressed through further training provided to valuers and stakeholders on the implementation and benefits of the IVS. Additionally, the findings identified the need for legal support to fully implement the IVS, something that the FIVEM lacked, making it unable to fully implement the IVS. Hence, this is an *institutional* challenge that would require significant institutional changes to bring practices in line with IVS requirements.

### ***Data Availability and Reliability***

Anecdotal evidence in Fiji and literature suggested the need for availability and reliability of data. IVS 102 on Investigations and Compliance required valuers to consider the credibility and reliability of information, giving consideration to the purpose of valuation.

This issue was observed during case studies and reported by respondents during interviews, and in questionnaires when asked about limitations faced in their practice as valuers. All interview participants and 64% ( $n = 28$ ) of questionnaire respondents highlighted that the unavailability of sales data, market rentals, and construction costs were the key reasons for disparity in valuation assessments. When asked to elaborate, the common responses were that the lack of reliable market data were one of the key challenges that valuers faced that could limit their ability to comply with IVS 102. All four interview participants confirmed that the profession needed market data to raise proficiency and the data available needed to be more detailed to be reliable.

One of the interviewees who was not a registered valuer but was a key figure in the administration of the Real Estate Agents Licensing Board stated that:

Accessibility of data is lacking. Data is not readily available. Delay in releasing of data. Apart from [just] sales, data needs to be further categorised for example which property [was] sold by real estate agents, companies, private sale, etc. Lot of data analysis needs to be done regarding sales for example by cities, divisions [and] areas. Categorise according to zoning for example commercial, industrial

[and] residential. Sales data lacks detail on properties for example no data is given on specifications of property such as size, [number of] bedrooms, etc. Implications [on] valuations as [they] do not get actual details.

The registered valuer interviewees explained challenges they faced with accessibility of reliable market data. One of the interviewees stated that:

Current data source gives description of property like sale price and age. But we have lot of previous information that we search manually. Then we combine [them] sometimes. Since sales data lacks a lot of information we rely on old valuations for plans, engineers certificate, title, etc. [Otherwise we ask] all details for the [property] owner to provide. Everything is in hard copy.

A registered valuer stated that:

[We] get raw sales data at the moment. It has no description on improvements. Its only when we get to do valuation [on any] particular property then we go out and inspect the property briefly. Not just briefly, it's from the kerb. You can call it kerbside inspections. You only see whatever is in the front. But we don't know what is inside because from the road we don't get to see inside.

A member from the Department of Lands, which is the department that currently provides sales data to various stakeholders, stated that:

In Fiji we are provided raw data. Valuers do their own analysis. If three valuers analyse one sale they get different results. So if we can have one central body analysing then valuers [are] going to use one set of analysed data that central body is using. Instead of providing raw data one should be getting analysed data. We have all the data but you have to go to different agencies like [for] sale history you go to titles office, for plans you go to city council [but there is] no central place to get good analysed data. All data is raw. Most valuers don't have time to analyse raw data so they assume a lot of things.

Citing the need for accurate data for accurate valuation assessments, the issue of unavailability of reliable data is classified as an *informational* challenge in the effective implementation of the IVS.

### ***Inconsistency in Application of Valuation Methodology***

IVS 105 on Valuation Approaches and Methods lists the Market Approach, Income Approach, and Cost Approach as the three traditional valuation approaches

(International Valuation Standards Council, 2017). Consistent with IVS 105, case studies and structured interviews identified the three approaches to be widely used in Fiji. One of the interview participants reflected this finding and stated that, “we use all three methods [market, income and cost approaches] because it gives you a basis to compare and you’re more comfortable in finalising a value.”

However, the issue identified during research was the application of the valuation methodologies that were sometimes significantly inconsistent between valuers. Although IVS does not specify details on application of the approaches, it is understood that for small island nations with limited market activity, variations in application of methodology between valuers should be managed. One of the interview participants mentioned that “methodology comes from the textbooks, like the sales comparison, summation, income and DCF. In the application of methods, because there are a few assumptions in it, this is where the practice is... where valuers can play around with the practice!”

Questionnaire results and case studies showed large variances in application of methodology. For instance, on the application of the market approach, questionnaire participants were asked about the number of comparable sales they generally analysed. Out of the 17 respondents to this question, six suggested they used five comparable sales (35%), while four suggested they used eight sales (24%). Two suggested using only four sales, while two suggested they used over 10 sales. When asked further on the reasons for using the number of comparable sales, 12 of the 15 respondents (80%) stated it depended on the number of relevant sales data available, while three (20%) stated it depended on if the sales met their judgement of market activity. In contrast, when asked on the basis of making adjustments to sales data, 41% of valuers ( $n = 17$ ) mentioned making adjustments to sales data using their own “intuition” or “previous experience”, while only 18% mentioned they based adjustments on “available market data”. Similarly, when asked about the basis of calculating vacancy and outgoings in the Income Approach, 36% of valuers ( $n = 17$ ) stated using “available market data”, 20% used data provided by clients, 16% relied on past performance of subject property, 12% stated they used a “fixed rate for all properties”, while 8% “estimated” vacancy and outgoings. When using the Cost Approach, participants were asked about the methods of calculating depreciation and sources of building cost data. Of the 17 respondents, 50% used the straight-line method, as this was the prescribed method in most textbooks; however, 23% stated they “estimated” depreciation. On sources of building cost data, respondents yielded six basis of measuring building costs ( $n = 17$ ). Most respondents selected council data (37%) as the main basis of estimating building costs per unit of measurement.

This was followed by Rawlinsons' cost guidelines (23%), and building contractors' costs (17%). Other measures were "estimation of costs" (9%), "own analysis" (9%), and costs from quantity surveyors or architects (6%).

The results confirm much variations in application of the approaches. While the IVS does not dictate on application of approaches, it does outline good practices for valuation of various classes of assets, notably IVS 400 – Real Property Interests. The variation between valuers in application of approaches due to uncertainty and unavailability of reliable data resulted in subjective practices and heuristics. This contradicts the need for objectivity outlined in the IVS Framework, which states "the process of valuation requires the valuer to make impartial judgements as to the reliability of inputs and assumptions. Judgement used in valuation must be applied objectively to avoid biased analyses, opinions and conclusions" (International Valuation Standards Council, 2017). The IVS Framework further suggests the need for appropriate controls and procedures to ensure the necessary degree of objectivity in the valuation process so that results are free from bias. It therefore recommends the IVSC Code of Ethical Principles for Professional Valuers as a framework for professional conduct.

Hence, it is concluded that valuers' practices varied largely when faced with uncertainty such as in the Market and Income Approaches, but valuers displayed uniformity in application of methodology where they were well versed in such as in the calculation of depreciation. It is derived that if valuers are well versed with the principal methodologies cited in the IVS, the variance in application of the methods will be reduced. This calls for further training to be provided to valuers on application of methodologies and IVS, and the need for continuous professional development to deal with these *technical* challenges.

### **Key Opportunities and Challenges in Implementing the IVS in Fiji**

The research obtained in-depth data on how valuers undertook valuation assignments in Fiji, identifying issues hindering the adoption and implementation of IVS. As outlined above, there are three key challenges: Institutional, Informational, and Technical. In the following sub-sections, we discuss some improvement opportunities that may help alleviate these issues and assist with effective implementation of IVS.

#### ***Institutional Issues***

For a change such as adoption of IVS to be effective, changes need to be made to the

realm of actions, the rules and routines, and the institutions governing the practices (Burns & Scapens, 2000). In the property valuation field, institutions are influenced by organisations like FIVEM and USP. These organisations, similar to other professional bodies in other technical fields such as the Fiji Institute of Accountants, ought to offer more training and guidance to their members and stakeholders, including users of valuation reports such as banks and students. While students are assessed continuously during the course of a program, practicing valuers need to attend training programs provided by relevant organisations such as the Fiji Institute of Valuation and Estate Management or the University of the South Pacific. To make trainings compulsory, these institutions may introduce monitoring systems such as Continued Professional Development (CPD) points and penalise members who fail to meet minimum point requirements.

Key institutions, such as those identified in this paper as directly involved in the administration of valuation in Fiji, may also offer workshops at a fee for industry participants and stakeholders, such as members from banks and insurance companies, on the minimum reporting requirements to expect from their valuation firms. It is understood that users of valuation reports mandate trust and confidence when relying on valuation reports, which is one of the main objectives of the IVS. More awareness of the objectives of IVS for valuers and stakeholders alike will ultimately raise the standard of practice whereby complying firms will become more recognised for a higher standard of reporting over time. This will encourage other firms to improve on compliance.

Additionally, it is recommended that legislative support is sought to empower either of the key institutions identified in Fiji as custodians of the valuation profession to implement IVS. The introduction of CPD requirements is recommended for better collusion between FIVEM and VRB to monitor compliance, which will lead to improvements in the availability of information as well as the technical skills of valuers as discussed below.

### ***Informational Issues***

It is noted that due to the unavailability of data, practices relating to heuristics are much prevalent in this field. Such practices undoubtedly have an impact on valuation assessments; therefore, the main objective of the IVS, which is to increase the trust and confidence of users of valuation reports, is not entirely fulfilled. It is suggested that information databases are created for practicing valuers by government organisations in possession of relevant market data. It is envisaged that information databases will also reduce current subjective practices of valuers when selecting and



analysing data. Such databases present an opportunity for the public sector to collect, analyse, and store market data in a usable form that can be accessed for a fee.

### ***Technical Issues***

Relevant institutions can offer technical workshops for practicing valuers on the main valuation methodologies. Such workshops will raise the technical skills of valuers. The University of the South Pacific is specifically noted as an institution that may offer short courses to practicing valuers, in addition to its existing valuation courses to students, at a fee. If affiliated with the FIVEM and VRB to count towards members' CPD points, the courses offered by the University will carry an accreditation that will also make its valuation programs and short courses more sought after.

The Valuers Registration Board may consider publishing practice guidelines to assist valuers stay up to date with valuation methodologies.

Table 2 summarises the opportunities and challenges facing the implementation of IVS in Fiji.

All in all, it can be argued that identification of the issues faced in the property valuation field in Fiji presents the opportunity for the valuation field to action changes, especially at the institutional level, that would in turn help deal with the informational and technical issues leading to better implementation of IVS. This in turn would signal better valuation practices.

Table 2. Opportunities and Challenges of Implementing the IVS in Fiji.

| <b>Challenges</b>  | <b>Institutional</b> | <b>Informational</b> | <b>Technical</b> |
|--|----------------------|----------------------|------------------|
| Inconsistency in application of IVS in reporting   | ✓                    |                      |                  |
| Lack of reliable market data   |                      | ✓                    |                  |
| Inconsistency in application of valuation methodology  |                      |                      | ✓                |
| <b>Opportunities</b>   | <b>Institutional</b> | <b>Informational</b> | <b>Technical</b> |
| Training to be provided by relevant institutions such as FIVEM, USP and VRB  | ✓                    |                      | ✓                |
| VRB to publish guidance notes for local valuers  | ✓                    |                      | ✓                |
| Minimum Continued Professional Development points requirements set by FIVEM to be made compulsory                                    | ✓                    |                      | ✓                |
| CPDs offered by FIVEM and USP to be recognised by the Valuers Registration Board   | ✓                    |                      |                  |
| Educate key stakeholders, including banks, on the minimum requirements of the IVS  | ✓                    |                      |                  |
| Relevant government agency to be tasked with creating information databases or data registers for ease of storage and access to data |                      | ✓                    |                  |
| Government agency may charge subscription fees for access to information databases   |                      | ✓                    |                  |
| Promote sharing of data between government agencies in possession of essential market data   |                      | ✓                    |                  |
| Legislative support / authority to one of the key institutions of valuation in Fiji to implement IVS                                 | ✓                    |                      |                  |

Source: Author

## **Conclusions**

The research forms a pioneering study in the field of property valuation in Fiji. It highlights informational, institutional, and technical challenges as well as corresponding opportunities for effective implementation of the International Valuation Standards in Fiji. Though the research has limitations pertaining to the use of interpretative research methodologies and small sample sizes, the use of purposive sampling has ensured that the views of the key stakeholders in the property valuation field in Fiji have been captured, providing confidence in the findings of this study.

The learnings from this study, though based on Fiji, could also be applied to other small Pacific island countries facing similar difficulties with adoption of international standards. Moreover, it is envisaged that this research will trigger further research into how valuations are currently performed in small Pacific island nations, the challenges they face, and how improvements can be made.

Furthermore, a follow-up study could be conducted after a couple of years to ascertain if any of the suggestions or opportunities towards implementation of the IVS were adopted by relevant institutions. Additionally, the number of local valuers who were able to successfully implement the IVS in their reporting can be studied. Future research could also include a comparative study among several Pacific island countries. Similar studies in Samoa and Tonga could reveal similarities and differences in implementing IVS. Subsequently, the use of heuristics by valuers in Fiji and potentially other Pacific island countries due to facing the institutional, information, and technical challenges identified, its impacts on property values and economic sustainability can be studied.

## **References**

- ACT No. 7 of 1986. (1986, March 21). Valuers Registration Act, 1986. Parliament of Fiji.
- Ajibola, M. O., & Ogungbemi, A. O. (2011). Importance of Accessibility to Reliable Data for Real Estate Practice. *Mediterranean Journal of Social Sciences*, 2(2), 247-256.
- Aliyu, A. A., Bello, M. U., Kasim, R., & Martin, D. (2014). Intangible Elements of Uncertainty in Property Valuation: Theoretical Underpinning. *Journal of Economics and Sustainable Development*, 5(17), 57-63.
- Appraisal Institute. (2013). *Understanding The Appraisal*. Retrieved June 4, 2014, from Appraisal Institute: <http://www.appraisalinstitute.org/assets/>.
- Appraisal Institute. (2014). *Our History*. Retrieved June 4, 2014, from Appraisal Institute: <http://www.appraisalinstitute.org/about/our-history/>.

- Australian Property Institute. (2012). *Australia and New Zealand Valuation and Property Standards* (7th ed.). Australian Property Institute.
- Ayedun, C., Oloyede, S., & Durodola, O. (2012). Empirical Study of the Causes of Valuation Variance and Inaccuracy in Nigeria. *International Business Research*, 5(3), 71-80. doi:10.5539/ibr.v5n3p71.
- Babawale, G. K., & Omirin, M. (2012). An assessment of the relative impact of factors influencing inaccuracy in valuation. *International Journal of Housing Markets and Analysis*, 5(2), 145-160. doi:10.1108/17538271211225904.
- Burns, J., & Scapens, R. (2000). Conceptualising Management Accounting Change: An Institutional Framework. *Management Accounting Research*, 11, 3-25.
- Cavana, R. Y. (2001). *Applied business research: qualitative and quantitative methods*. John Wiley & Sons.
- Department of Lands. (2013, August). About Us. Retrieved June 4, 2014, from Department of Lands Web site: <http://www.lands.gov.fj/Lands/Department%20of%20Lands.html>.
- Fiji Government. (2014, February 7). Register of Valuers. Government of Fiji Gazette, 15(12). Fiji Government Printery.
- Fiji Institute of Valuation and Estate Management. (2014). About Us. Retrieved May 29, 2014, from Institute of Valuation and Estate Management of Fiji: <http://ivemfiji.com/index.php/about-us>.
- Ghauri, P., & Gronhaug, K. (2002). *Research Methods In Business Studies* (2nd ed.). Prentice Hall.
- Gilbertson, B., & Preston, D. (2005). A vision for valuation. *Journal of Property Investment & Finance*, 23(2), 123-140.
- Hassan, A. (2001). Review of Local Government Rating System in Fiji. Pacific Rim Real Estate Society Annual Conference (pp. 1-16). Pacific Rim Real Estate Society .
- Havard, T. (2001). An experimental evaluation of the effect of data presentation on heuristic bias in commercial valuation. *Journal of Property Research*, 11(1), 3-23.
- Hemphill, L., Lim, J. L., Adair, A., Crosby, N., & McGreal, S. (2014). The Role of International and Local Valuation Standards in Influencing Valuation Practice in Emerging and Established Markets. Royal Institute of Chartered Surveyors.
- International Association of Assessing Officers. (2013). About Us. Retrieved June 4, 2014, from International Association of Assessing Officers: [http://www.iaao.org/wcm/About\\_Us/Our\\_Story/wmc/About\\_Us\\_Content/Our\\_Story.aspx](http://www.iaao.org/wcm/About_Us/Our_Story/wmc/About_Us_Content/Our_Story.aspx).
- International Valuation Standards Council. (2017). *International Valuation*

Standards 2017. Page Bros.

- International Valuation Standards Council. (2020). About the International Valuation Standards Council. Retrieved June 4, 2014, from International Valuation Standards Council Web site: <https://www.ivsc.org/about/members/our-members>.
- Jefferies, R. L. (1991). *Urban Valuation in New Zealand* (2nd ed., Vol. I). Property Institute of New Zealand.
- Jenkins, D. (2002). *Residential Valuation Theory and Practice* (2nd ed.). Estates Gazette.
- Johnson, B. R., & Onwuegbuzie, A. J. (2004). Mixed Methods Research: A Research Paradigm Whose Time Has Come. *Educational Researcher*, 33(7), 14-26.
- Kucharska-Stasiak, E. (2013). Uncertainty of Property Valuation as a Subject of Academic Research. *Real Estate Management and Valuation*, 21(4), 17-25. doi:10.2478/remav-2013-0033.
- Lal, B. V. (1992). *Broken waves : a history of the Fiji Islands in the twentieth century*. University of Hawaii Press.
- Levy, D., & Schuck, E. (1999). The influence of clients on valuations. *Journal of Property Investment & Finance*, 17(4), 380-400.
- Levy, D., & Schuck, E. (2005). The influence of clients on valuations: The clients' perspective. *Journal of Property Investment & Finance*, 23(2), 182-201.
- Moore, W. J. (2009). A History of Appraisal Theory and Practice Looking Back from IAAO's 75th Year. *Journal of Property Tax Assessment & Administration*, 6(3), 23-49.
- Myers, M. (2013). *International Valuation Standards: Coming Soon to Fiji*. Fiji Institute of Valuation and Estate Management Annual Conference 2013. Fiji Institute of Valuation and Estate Management.
- Narayan, V. (2002). Rating Appraisals In Fiji - Comparative Study of Unimproved Value and Proposed Improved Capital Value Rating Systems. Pacific Rim Real Estate Society Annual Conference (pp. 1-35). Pacific Rim Real Estate Society.
- New Zealand Institute of Valuers. (1995). *The New Zealand Institute of Valuers Valuation Standards*. New Zealand Institute of Valuers.
- Nicholas, T., & Scherbina, A. (2013). Real Estate Prices During the Roaring Twenties and the Great Depression. *Real Estate Economics*, 41(2), 298-309. doi:10.1111/j.1540-6229.2012.00346.x
- Parker, D. (2016). *International Valuation Standards: A Guide to the Valuation of Real Property Assets*. Wiley-Blackwell.
- Remler, D. K., & Van Ryzin, G. G. (2014). *Research Methods in Practice: Strategies*

- for Description and Causation (2nd ed.). Sage Publications, Inc.
- Royal Institute of Chartered Surveyors. (2014). History. Retrieved June 4, 2014, from RICS: <http://www.rics.org/fj/about-rics/who-we-are/history/>.
- Simons, H. (2009). *Case Study Research in Practice*. Sage Publications.
- The University of the South Pacific. (2014, March 6). School of Land Management and Development: About Us. Retrieved May 15, 2014, from The University of the South Pacific Web site: [www.usp.ac.fj](http://www.usp.ac.fj).
- Thomas, M. R., & Brubaker, D. L. (2008). *Theses and dissertations: a guide to planning, research, and writing* (2nd ed.). Corwin Press.
- Trojanek, M. (2010). The Application of Income Approach in Property Valuation in Poland. *Economics & Sociology*, 3(2), 35-47.
- Tversky, A., & Kahneman, D. (1974). Judgement under uncertainty: Heuristics and biases. *Science*, 185, 1124-1131.
- Valentine, L. (1999). Automated valuation models speed the appraisal process. *American Banking Association Banking Journal*, 91(1), 46-47.
- Warren-Myers, G. (2016). Sustainability evolution in the Australian property market. *Journal of Property Investment & Finance*, 34, 578-601. doi:10.1108/JPIF-04-2016-0025
- Whittemore, R., & Knafl, K. (2005). The integrative review: updated methodology. *Journal of Advanced Nursing*, 52(5), 546-553.
- Wilkens, L. J. (2015). Client influence on valuer behaviour in South Africa - nature, prevalence and consequences. University of Cape Town, Faculty of Engineering & the Built Environment, Department of Construction Economics and Management. Retrieved from <http://hdl.handle.net/11427/14124>.

## **Acknowledgements**

The authors wish to thank Professor Stephen Pratt from The University of the South Pacific for his feedback and recommendations on an earlier draft of this manuscript. His input helped structure the results from the research depicted in Table 2. The authors are grateful to the two anonymous reviewers whose comments helped improve this manuscript.