

ADDIS ABABA UNIVERSITY

COLLEGE OF TECHNOLOGY AND BUILT ENVIRONMENT

SCHOOL OF BUILT ENVIRONMENT

DEPARTMENT OF URBAN AND REGIONAL PLANNING

INVESTIGATING THE CHALLENGES OF REAL PROPERTY VALUATION PRACTICE IN THE PRIVATE VALUATION SECTOR IN ADDIS ABABA

M.A. THESIS

BY: WEINSHET AMARE

SEPTEMBER, 2026

ADDIS ABABA, ETHIOPIA

Investigating the Challenges of Real Property Valuation Practice in the Private Valuation Sector in Addis Ababa

By:

Weinshet Amare

Advisor: Teshome Tefera (Ph.D)

A Thesis submitted to the School of Graduate Studies of Addis Ababa University in partial fulfillment of the requirements for the Degree of Master of Arts in Urban Land and Property Valuation

School of Built Environment (SBE)

Addis Ababa University

September, 2026

Addis Ababa, Ethiopia

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BY: WEINSHET AMARE

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Approved by Examining Board, Chairman,

Graduate Committee

_____ Signature _____ Date _____

Advisor

_____ Signature _____ Date _____

Internal Examiner

_____ Signature _____ Date _____

External Examiner

_____ Signature _____ Date _____

Chair Person

_____ Signature _____ Date _____

Department Head

DECLARATION

I declare that this research work entitled “INVESTIGATING THE CHALLENGES OF REAL PROPERTY VALUATION PRACTICE IN PRIVATE VALUATION SECTOR IN ADDIS ABABA” is my original work. The study has not been submitted for assessment and award of any Degree/Diploma in any other Institution.

WEINSHET AMARE	_____	_____
Name	**Signature**	**Date**

ACKNOWLEDGMENT

Above all, I thank the Mighty God and His mother, St. Mary, for the grace, pardon, and mercies through which I have been maintained to the completion of this work.

I am very grateful to my advisor, Dr. Teshome Tefera, for his full support, valuable advice, and helpful comments during this study. It is significantly more than a material counterpart.

My special thanks also go to my husband, Ato Adanane Temesgen, and my family members for the continuous encouragement, advice, and facilitation of the entire activities of this work.

Lastly, I have to extend my gratitude towards all participants, assistance of my friend, private property owners, property valuation companies, valuers, and the project representatives for their kind cooperation by sparing their precious time and sharing all necessary information; without them, my work would have been impossible.

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LIST OF ABBREVIATIONS

ANEVAR	Asociația Națională a Evaluatorilor Autorizați din România (in English: the National Association of Authorized Romanian Valuers)
CBE	Commercial Bank of Ethiopia
EMF	European Mortgage Federation
FITA	Federal Integrated Tax Authority
GIS	Geographic Information Systems
IAAO	International Association of Assessing Officers
IFRS	International Financial Reporting Standards
ISPRS	International Society for Photogrammetry and Remote Sensing
IVS	International Valuation Standards
IVSC	International Valuation Standards Council
LTV	Loan-to-Value
MLS	Multiple Listing Service
NBE	National Bank of Ethiopia
QC	Quality Control
RICS	Royal Institution of Chartered Surveyors
RNCV	National Association of Certified Valuers in Romania
SD	Standard Deviation
SE	Standard Error
SPSS	Statistical Package for the Social Sciences
SRS	Simple Random Sampling
SSA	Sub-Saharan Africa
UN	United Nations
US	United States

ABSTRACT

Accurate real property valuation is important for property transactions, lending, investment, taxation, compensation, and urban development. This study examined the challenges affecting private real property valuation practice in Addis Ababa, Ethiopia, with particular attention to the valuation approaches used, factors affecting valuation practice and perceived valuation accuracy, their implications, and possible measures for improvement. A mixed-methods approach was employed, using questionnaire data from private valuation practitioners and semi-structured interviews with experienced professionals, supported by relevant secondary sources. The findings show that the cost approach was the most frequently used valuation approach (66.3%), followed by hybrid (54.5%), market (52.5%), and income (33.7%) approaches. Limited access to reliable and up-to-date property information and the absence of a centralized property database were identified as major challenges. Multiple regression analysis showed that the selected valuation approaches did not have a statistically significant relationship with perceived valuation accuracy ($R^2 = .047$, $p = .318$) indicating that accuracy cannot be explained by method selection alone. The study concludes that improving private property valuation requires better market information, stronger professional capacity, appropriate technology, and improved institutional coordination. It recommends evidence-based selection of valuation approaches and phased improvements in property information, professional, and regulatory systems to strengthen the accuracy, consistency, and transparency of property valuation practice in Addis Ababa.

Keywords: Real Property Valuation; Valuation Practice; Valuation Approaches; Valuation Accuracy; Market Information; Addis Ababa; Ethiopia

1 CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Across the world, real property valuation serves as a foundation for effective decision making in areas such as land administration, taxation, real estate development, and urban planning (Adil & Syafaruddin, 2024). Accurate valuation ensures fairness in property taxation, facilitates transparent real estate markets, and supports sustainable urban growth (Akinsulire & Ohakawa, 2023). In both developed and developing nations, the reliability of valuation systems directly affects financial stability, investor confidence, and equitable access to land and housing. However, in many developing countries, including those in Sub-Saharan Africa, valuation practices often suffer from inconsistencies, lack of reliable market data, weak regulatory oversight, and limited professional capacity (Cheloti & Mooya, 2021).

In Africa, rapid urbanization and the growth of informal land markets have further complicated property valuation practices. Cities in Africa face similar issues of outdated valuation systems, informal settlements without legal titles, and uncoordinated institutional frameworks (Cheloti & Mooya, 2021). These challenges have contributed to inequitable land taxation and distorted urban land markets (Cheshire, 2009). Ethiopia, as one of the fastest urbanizing countries on the continent, shares these trends. Its capital**,** Addis Ababa**,** has been expanding both demographically and spatially at an accelerated pace over the past few decades (Mezgebo, 2020). By 2007, the city's population had reached about 3.3 million, with an annual growth rate of 3.8% (Insight, 2024; Koroso et al., 2021). This rapid urban growth has placed immense pressure on infrastructure, housing, and land management systems (Bekele, 2018).

This fast rate of growth has been challenging for the city's practice of real property valuation. Inaccurate and inconsistent values of properties impact urban planning, taxation, real estate development, and social equity (Setyo, 2024). Reliable and accurate valuation of property is crucial for the success of land use planning, taxation, real estate investment, and equitable urban development (Ratcliffe et al., 2021). The actual real property valuation in Addis Ababa has always been challenged and ineffective, and unfair (Asnakew & Amogne, 2021).

The real property valuation system in Addis Ababa has a number of systemic problems that make it ineffective and lack credibility. One of the most critical issue is the lack of a

standardized valuation method (FITA, 2023). At present, there is no consistent method that is uniformly implemented at institutions; private entities use different methods, which produce wide variances and, as a general matter, render valuation results non-transparent. In addition, the municipal site's property data is frequently out of date, not telling users information on current market conditions and sale prices. This lack of connection sharply undermines the integrity of property valuation (Chekole et al., 2020).

Another critical gap represented by the absence of a central body to be held accountable and responsible organization, in relation to real property valuation output. It's not like in most countries where valuation is guided under a dedicated regulatory authority; with due emphasis on professionalism, standardization and accountability which Ethiopia does not have (World, 2019). In addition, there is a shortage of experienced valuation professionals. The lack of skilled professionals is negatively affecting the system's potential to generate trustworthy and standardized valuation outputs (Aseres, 2023b; Teshome, 2020).

Additionally, corruption and lack of transparency have been identified as persistent concerns that diminish public confidence in the process of valuing assets. Such challenges can in practice result in falsified assessments, preferential treatment, and lower confidence in public institutions (Transparency, 2025). Finally, the widespread presence of informal settlements, which house an estimated 80% of Addis Ababa's population, presents a unique valuation challenge (Habitat, 2020). The properties in these parts do not have a clear legal title or a traditional formal document that can enable the use of the conventional methods of valuation, and this makes it complex to incorporate them into the formal configuration of the real estate market (Asres, 2019; FITA, 2023).

These issues have left long-standing damage to the urban development and social equity of Addis Ababa. The unbalanced and conflicting valuation of property can result in unfair parcel taxation, ineffective land use planning, and disorderly urbanization processes, which are detrimental to low-income and marginalized communities (Gebremariam, 2021; World, 2019).

Despite the critical role of real property valuation in urban planning, taxation, and investment decision making, the practice in Addis Ababa's private valuation sector faces persistent challenges, including the lack of standardized methods, outdated property data, limited

professional capacity, and inconsistent institutional oversight. These constraints undermine the accuracy, transparency, and credibility of valuation outputs, contributing to inequitable taxation, inefficient land use planning, and reduced public confidence in the real estate market. In response to these challenges, this study seeks to explore the institutional, methodological, and professional factors that influence valuation practices in the private sector. The research aims to provide evidence based insights and practical recommendations that can strengthen the reliability, consistency, and transparency of property valuations. By addressing these gaps, the study intends to inform policymakers, valuation practitioners, and urban planners, ultimately supporting a more equitable, effective, and sustainable real property market in Addis Ababa.

1.2 Statement of the Problem

Real property valuation is a fundamental component of urban development, real estate management, and financial market operations in Addis Ababa. Accurate valuations are essential for tax assessment, mortgage lending, urban planning, compensation for land expropriation, legal dispute resolution, and adherence to IFRS (Afework, 2023). Despite its critical role, the real property valuation sector in Addis Ababa faces significant challenges that undermine the reliability, consistency, and credibility of property assessments (Gemeda et al., 2024).

Rapid urban expansion in the city, coupled with the coexistence of formal and informal land tenure systems, has made access to reliable market data increasingly difficult (Afework, 2023).The absence of certified and adequately trained valuers, along with an outdated land registration system, exacerbates these difficulties, limiting the accuracy of valuations and undermining confidence in the sector (Fortune, 2024). These challenges directly contribute to the predominant use of the cost approach, which estimates property values based primarily on construction and replacement costs. While straightforward to apply, the cost approach often fails to capture real market dynamics, such as location-specific premiums, market demand fluctuations, and investor perceptions, resulting in valuations that do not always reflect actual market value (Gemeda et al., 2024).

Another critical challenge is the lack of a unified property database and standardized valuation practices (Asnakew & Amogne, 2021) .Discrepancies in valuation outcomes between private valuers, financial institutions, and government agencies create

inconsistencies that negatively affect decision making in investment, taxation, urban planning, and compensation processes (Barry Gilbertson & Duncan Preston, 2005). Although previous local and international studies have documented these structural and institutional challenges, most of them focus on the descriptive identification of problems rather than the underlying mechanisms that shape valuation practices. In particular, there is limited empirical evidence on how market data scarcity, institutional weaknesses, and methodological preferences interact to produce inconsistent and potentially unreliable valuations in the private sector context of Addis Ababa (Habtamu Bishaw Asres, 2023).

This reveals a significant knowledge gap while the challenges of property valuation are acknowledged, the direct link between structural constraints (such as poor data availability, outdated records, and regulatory weaknesses) and methodological choices (such as over reliance on the cost approach) remains underexplored in Ethiopia. Furthermore, the implications of these challenges for the credibility, comparability, and reliability of private sector valuations are not well understood. International studies suggest that similar challenges affect valuation quality in emerging markets, but contextual differences in land governance, market maturity, and institutional capacity mean that findings cannot be directly generalized to Addis Ababa (Immanuel, 2023).

Consequently, this study seeks to fill these gaps by investigating the factors that contribute to inconsistencies in real property valuation within Addis Ababa's private sector. It aims to examine how market data limitations, institutional constraints, and methodological preferences influence valuation practices, and how these practices affect the reliability and comparability of valuations. By focusing on these linkages, the study provides new empirical evidence and practical insights that can guide policymakers, practitioners, and investors in improving valuation standards, enhancing market transparency, and supporting informed urban development decisions in Ethiopia.

1.3 Objective

1.3.1 General Objective

The general objective of this study is to investigate the challenges of real property valuation practice in private valuation sector in Addis Ababa.

1.3.2 Specific Objectives

The study specifically aims to:

1. Examine the current state of real property valuation practice in the private valuation sector in Addis Ababa.
2. Identify the key factors contributing to challenges in accurately and consistently valuing real properties in the private valuation sector in Addis Ababa.
3. Assess the perceived impacts of real property valuation challenges on private valuation practice in Addis Ababa.
4. Explore potential measures for improving the accuracy, consistency, and transparency of real property valuation practice in the private valuation sector in Addis Ababa

1.4 Research Questions

The study seeks to answer the following research questions:

1. What is the current state of real property valuation practice in the private valuation sector in Addis Ababa?
2. What are the key factors contributing to challenges in accurately and consistently valuing real properties in the private valuation sector in Addis Ababa?
3. What are the perceived impacts of real property valuation challenges on private valuation practice in Addis Ababa?
4. What potential measures could improve the accuracy, consistency, and transparency of real property valuation practice in the private valuation sector in Addis Ababa?

1.5 Significance of the Study

This study is important as it is intended to examine and explore the problems of real property valuation and the required valuation method by the private sector of valuation in Addis Ababa. The findings should offer value to both private valuation service providers and

clients/users pursuing improved credibility, accuracy, and consistency in their valuation findings.

The study identified critical priority areas, including methodological weaknesses, limited data availability, lack of standardization, and deficiencies in professional capacity, contributing to improvements in private valuation practice (H. B. Asres, 2019; Tilton et al.). Furthermore, it strengthened the credibility and reliability of property valuations, reduced inconsistencies among valuers, and enhanced professionalism and transparency in valuation practice.

By addressing this gap, the study provided an initial resource for researchers and practitioners seeking deeper engagement in real estate valuation, property economics, and urban development from a private market perspective. It also raised awareness among industry regulators and professional associations regarding existing challenges and the need for improvements in valuation standards, professional training, and ethical frameworks.

Furthermore, property owners, private developers, and investors benefited from improved valuation practices, as more accurate and consistent property value estimates contributed to fairer transactions and better decision-making in the real property market.

In general, this study made a significant contribution to improving transparent, uniform, and professional real property valuation services in the private sector, thereby supporting the emergence of an efficient and reliable property market in Addis Ababa.

1.6 Limitations of the Study

This study has several limitations that should be considered when interpreting its findings. Some private valuation firms and practitioners were hesitant to provide detailed information because of confidentiality and competitive concerns, which limited access to actual valuation reports and detailed market data. The scarcity of reliable and up-to-date property information also made it difficult to verify comparable properties and assess consistency across firms.

The study used simple random sampling to select 101 firms from the identified population of 201 private valuation firms. Although this provided broad coverage, valuation firms may differ in size, experience, specialization, capacity, and client profile. These differences may

not have been fully captured through simple random sampling, and future research could therefore use stratified sampling.

In addition, the assessment of the impacts of valuation challenges relied primarily on valuers' perceptions. Financial institutions, investors, developers, and relevant government institutions were not directly included as primary respondents. Therefore, findings concerning effects on financial risk, investment decisions, stakeholder confidence, and related issues should be understood as professional perceptions rather than independently verified impacts.

Despite these limitations, the study used surveys, interviews, and document review to obtain evidence from different sources and referred to recognized international valuation standards to support the analysis. The findings nevertheless provide useful evidence on the practical and systemic challenges affecting private real property valuation in Addis Ababa and provide a basis for further research and policy improvement.

1.7 Scope of the Study

This research focused on real property valuation practices in the private valuation sector in Addis Ababa, Ethiopia, with particular emphasis on understanding the existing challenges and identifying potential solutions. The study examined the methodologies used by private valuation professionals and evaluated how effectively these practices determine accurate and consistent property values. It analyzed factors contributing to challenges in private valuation, including the lack of standardized methods**,** limited access to reliable property data**,** shortage of qualified valuers**,** and inconsistent application of valuation principles among practitioners. Through interviews and surveys with stakeholders such as private valuers and valuation firms. the research assessed how these challenges affected the credibility and reliability of property valuations within the private sector. The study also explored practical solutions and best practices to improve valuation accuracy, consistency, and transparency including examples from other comparable urban contexts, potential regulatory improvements, and capacity building strategies for private valuation professionals. By employing a mixed-methods approach combining qualitative and quantitative data, the research provided comprehensive understanding of the private valuation landscape in Addis Ababa**.** Temporally, the study covered the period from May, 2025 to September, 2025**,** during which the primary data were collected through questionnaires and interviews with selected private

valuation professionals and valuation firms. The study contributed to a better understanding of the need for a more transparent, standardized, and professional valuation system that could support trust and efficiency in Addis Ababa's real estate market.

1.8 Organization of the Thesis

The paper was structured into five main chapters. Chapter 1, the Introduction, provided an overview of real property valuation and its significance in urban development, particularly in Addis Ababa. It articulated the challenges faced in property valuation, outlined the specific research objectives, and explained the relevance of the study to various stakeholders and its potential impact on urban planning in Ethiopia. Chapter 2, the Literature Review, discussed key theories and models related to property valuation, summarized existing studies on valuation practices and challenges both locally and globally, and identified gaps in the literature that this research aimed to fill. Chapter 3, the Methodology, described the research design, highlighting the mixed-methods approach used in the study. This chapter detailed the data collection methods, including surveys and interviews, explained the sampling strategy, and outlined the analytical techniques employed to interpret the gathered data. Chapter 4, Findings and Discussion, analyzed the current state of real property valuation practices in Addis Ababa, examined existing methodologies and the regulatory framework, explored the key factors contributing to valuation challenges, such as standardization issues and professional expertise, assessed the impact of these challenges on various stakeholders, and discussed potential solutions and best practices from other urban contexts. Finally, Chapter 5, Conclusion and Recommendations, summarized the key findings, discussed the broader implications for urban development and governance, provided actionable recommendations for stakeholders to improve real property valuation practices, and suggested areas for future research. This five-chapter structure facilitated a comprehensive understanding of the complexities of real property valuation practices in Addis Ababa and ensured a logical progression of ideas throughout the paper.

2 CHAPTER TWO: LITERATURE REVIEW

2.1 Real Property Valuation Overview

Real property valuation is a crucial aspect of asset management, influencing decisions made by stakeholders such as buyers, sellers, investors, and government agencies. In Addis Ababa, the capital of Ethiopia, the practice of real property valuation faces unique challenges and opportunities shaped by local economic, social, and regulatory contexts. This literature review examines the current state of real property valuation practices in Addis Ababa, identifies key factors contributing to valuation challenges, assesses the impact on stakeholders, and explores potential solutions to enhance the accuracy, consistency, and transparency of these practices.

"Property" refers to a collection of items or rights to items that are legally protected. In its broadest sense, property encompasses buildings, vehicles, machinery, and equipment. It can be classified into two main categories: real property, which pertains to rights associated with land, and personal property, which includes all other rights that do not involve land (Ambaye, 2013).

Valuation is defined as the process of estimating the worth of a specific interest in a property for a particular purpose at a specific point in time (Blackledge, 2016). This process considers the property's characteristics as well as various economic factors and the potential for alternative investments in the market (Born & Pyhrr, 1994). Asset valuation is described as the skill of determining the fair monetary value associated with the ownership of specific properties for designated purposes (Falls et al., 2004). Effective valuation relies on the valuer's understanding of market conditions. The valuation of real property is carried out for various reasons, including project expansions, revaluation of existing building assets, and the foreclosure of properties associated with defaulted projects (FITA, 2023).

2.1.1 Theoretical Framework

This study is informed by two complementary perspectives: institutional theory and information asymmetry. Institutional theory emphasizes that professional practices are shaped not only by technical rules but also by the formal and informal institutions that govern behavior, accountability, and access to resources (North 1990) . In property valuation, this perspective helps explain why weaknesses in regulation, professional oversight, institutional coordination, and enforcement can persist even when appropriate valuation principles are

known. Information asymmetry is also relevant because valuation depends on information that is not equally available to valuers and other market participants. Where transaction records, rental information, property characteristics, and tenure information are incomplete or difficult to access, valuers have less market evidence with which to test their judgments (Akerlof 1970). Together, these perspectives suggest that valuation challenges in Addis Ababa should not be viewed only as shortcomings in individual valuation techniques; they are also connected to the institutional environment and the availability and quality of information.

2.1.2 Empirical Literature Synthesis

Empirical studies from developing and African property markets similarly indicate that valuation quality is closely associated with market-data availability, professional capacity, institutional arrangements, and regulatory effectiveness. Evidence from Ethiopia has identified inadequate market information, weaknesses in valuation frameworks, and reliance on cost-based approaches, while studies of urban land governance point to wider problems of implementation, transparency, coordination, and accountability. This suggests that the technical choice of a valuation method cannot be separated from the environment in which the method is applied. For Addis Ababa, the relevant issue is therefore not simply whether valuers know the market, income, or cost approach, but whether the institutional and information conditions allow them to apply the most appropriate approach using sufficient and verifiable evidence.

2.2 Purpose of Real Property Valuation

Real property appraisals may relate to the function of appraising real estate in regard to the particular information that their clients wish to receive. Traditionally, clients ask appraisers to give an opinion of a described ‘type of value’ or a specific interest in a described property as of a specific date. Appraisals are used by sellers and buyers to set their asking price or offer price for a property. Appraisals are used by financial institutions to evaluate properties offered as collateral for loans, and by governments to determine property taxes and condemnation values. Furthermore, appraisals are frequently used for investment decisions and business planning (Shewaye, 2017).

As previously mentioned, the market value of real property is used for different reasons. The valuer's skill is based on determining the capital or rental value of a property at a given point

in time. It is important to understand the use for which the valuation is being prepared, as these and other details concerning the client play a significant role in the calculation of value. Valuations are usually done for various purposes (Shewaye, 2017):

- **Sale Report:** A popular justification used when seeking a valuation is to carry out a sale. Although frequently called a ‘valuation’, this is marketing advice – it is an estimate of the price which a buyer might agree to pay on the date of such a sale in the future, after the property has been adequately marketed. Conversely, a purchase valuation is an approximation of what someone is willing to pay, and hence a reflection of its value (Shewaye, 2017).
- **Accounting Meaning:** The term "valuation" more strictly denotes the value of property as declared in the company or public accounts. The owner of a property will usually determine valuations as at the date of their accounts to reflect the company's wealth as at that date, which will include the market value of the property at that date (Shewaye, 2017).
- **Loan Collateral:** The Banks and Lenders order property valuations to secure loans. The mortgagee also needs to know what the property is worth, to work out the "loan-to-value" ratio of the loan, and manage their risk by securing enough value in the properties. Minimum Price or Auction Reserve: When a company or public entity is trying to sell off assets (e.g., via tender or auction) and wants a minimum offer that they'd be willing to accept from a bidder, given their valuation. An estimated market value is established as a rule of thumb, especially for properties that are one-of-a-kind or have extraneous circumstances (Shewaye, 2017).
- **Insurance:** Properties have to be insured to their replacement value, not to the sale price, which includes the land. Valuations on behalf of insurance generally are based on the replacement cost of the building in case of damage or destruction (Shewaye, 2017).
- **Tax:** Valuers need to value properties for tax reasons. These types of valuations are usually divided into capital and revenue-based valuations and may use formulaic-methods other than those used in market-based valuations (Shewaye, 2017).
- **Compulsory acquisition;** if the government forcibly takes the land or property, a valuation must be undertaken to determine an appropriate compensation which must be paid to the owner (Shewaye, 2017).

2.3 Principle of Valuation

Certainly, with some assets (intangible assets in particular), you must know the asset to value it. The valuer must also be well versed in property planning and construction and know the applicability of administrative laws like town planning regulations, rent control acts, and local taxation. The higher the degree to which markets and rates are monitored, and the higher the experience and expertise in economic analysis is of the valuer, the more accurate a fair price for the property can be found (Marston, 1970).

There are a few fundamental principles used to value real property. The price of property is largely determined by supply and demand in a given market, but a property's style, materials, and location also all play a part in a property's value. The reason for the valuation can lead to differences in value, and the age and physical state of the property need to be taken into account. For a valuation to be a true and definable value, the seller and the buyer must operate free of force or distress and they willingly concur, else it is not a valuation. The valuer should also include all present and prospective uses to which the property may be put, so that any use to which the property can be made must be taken into consideration in estimating how much the interest affected is diminished. Lastly, a cost or market study is only as good as the quality and relevance of the data behind the valuation, especially if the valuation is going to be used in court or for financial transactions. These principles collectively deal with making valuations impartial and transparent as well as consistent with professional standards and ethics (International Valuation Standards, 2022; Marston, 1970).

It's all based on 'if the valuer knows best'. The valuation of a real estate will serve practical purposes that range from extending the competence of an ongoing project, the revaluation of building assets and the foreclosure of properties that are associated with a defaulted project. The valuer refers to any expert engineer, technologist, or professional seconded by the bank for the purposes of valuation (International Valuation Standards, 2022).

2.3.1 Market Basis of Valuation

Market value is defined as the most likely selling price of a property, expressed in cash or cash-equivalent terms, assuming that the property is sold in a competitive and open market and that a reasonable amount of time is allowed for exposure. Both the buyer and seller are expected to be well-informed or reasonably knowledgeable and to act prudently in their own best interests, while both parties are typically motivated and not under any undue pressure

to buy or sell. This definition also implies that the transaction must be conducted at “arm’s length,” ensuring that the price reflects a fair and objective market assessment (Eckert et al., 1990).

Market-based valuations utilize data specific to relevant markets and employ methods that reflect the decision-making processes of market participants. These valuations are conducted using the sales comparison, income capitalization, and cost approaches to value (Eckert et al., 1990; Fong, 2011).

2.3.2 Sales Comparison Approach

This process and methodology is actually what we call the sale comparison method and is widely accepted as the best method to estimate market value. This method compares the subject property to like-kind property that has sold recently and gauges the behavior of buyers and sellers in the real estate market. Buyers and sellers generally also look at other available properties before agreeing on a purchase price. For the sales comparison approach to be workable, the assessor would need to have been free to acquire the necessary information about the recently sold properties that are comparable in terms of physical characteristics and location. The county director of tax equalization may help the assessor in getting completed Statements of Real Estate Full Consideration to obtain sales data on sales transactions. It is important for the assessor to adhere to confidentiality requirements, ensuring that the identities of the buyer (grantee) and seller (grantor) remain private (Fong, 2011; International Valuation Standards, 2022).

The formula for determining the indicated value of the subject property can be expressed as:

- Sales Price of Comparable Properties−/+Adjustments=Indicated Value of Sub ject Property

2.3.3 Cost Approach

Therefore, the "cost" approach is the principle estimating method and the "cost" to compare is based on the lowest amount it would take to construct or produce the equivalent utility of the property by means of modern materials and technologies with the least depreciation possible when applicable. This judgment will be influenced by the demands for service, the age and condition of the original property, and the normal practice associated with

replacement. The method is mainly based on estimating the replacement cost of improvements and the associated depreciation. Replacement cost is the cost to replace an existing building with a new building that is substantially the same and used for the same purpose. When determining the depreciated replacement cost, it is important to take different conditions which may have an influence on the value of the property.

Physical deterioration must also be considered as well as obsolescence and other similar surplus capacity (International Valuation Standards, 2022). The cost approach is used if it is impossible to estimate value using either the income capitalization or the sales comparison approaches. The measurement of depreciation and the calculation of Depreciated Replacement Cost or Depreciated Reproduction Cost are essential in this process (International Valuation Standards, 2022).

Property Value = Replacement or Reproduction Cost of Improvements - Depreciation on Improvements + Site Value

2.3.4 Income Approach

The income approach to valuation is based on the premise that potential buyers will not pay more for the subject property than the cost of acquiring a similarly desirable alternative investment that offers comparable returns and risks. This method treats the subject property as an investment, determining its value based on the rental income it generates for the owner .A fundamental principle in real property valuation is the expectation of future benefits. The income approach, often referred to as income capitalization, transforms the anticipated future benefits of property ownership into an estimate of present value (market value). The present value, derived from capitalizing net income, represents the amount a sensible investor would be willing to pay now for the right to receive future income streams (International Valuation Standards, 2022).

Prospective buyers of commercial property are primarily focused on the potential net returns the property can provide. The price they are willing to pay reflects their expectations for returns on their investment. Therefore, income property valuers must analyze the rental market and compare the income-generating potential of different properties. In commercial property valuation, appraisers heavily rely on the income approach to establish the net economic rent that the property can yield, as well as the investment required to achieve the

expected net return. This involves conducting a thorough study of the income-generating capabilities of comparable properties alongside an analysis of current investment practices (International Valuation Standards, 2022).

The net normalized income of the property is calculated under the assumption that it is fully leased at market rates, accounting for any normalized vacancies and related operating costs. This net normalized income is then capitalized into perpetuity using a market-related capitalization rate to derive an indicative market value.

This section outlines the steps involved in developing and applying the income approach to valuation. It will detail the procedures necessary for implementing the approach and systematically identify the data required for its parameters (International Valuation Standards, 2022).

The bases of valuation methods can be categorized into value-based, cost-based, and profit-based approaches. Value-based methods focus on the overall valuation of the property or the capital value, often capitalized from expected rental income. Cost-based methods estimate value based on the cost of construction, considering the expenses required to replace or reproduce the property while accounting for depreciation and obsolescence. Profit-based methods determine value based on the potential profit or income the property can generate. To implement these approaches, valuers may use a variety of techniques, including the comparison method, investment method, residual method, contractor's method, and profits method, depending on the nature of the property and the purpose of the valuation2.4 Current State of Real property valuation Practices (International Valuation Standards, 2022).

2.3.4.1 Income Capitalization Approach

The income capitalization approach focuses on the net income or investment returns a buyer anticipates from the property. The price a buyer is willing to pay is determined by the expected return on investment, which should be based on net operating income. This means that all expenses associated with maintaining the property, such as upkeep and management costs, must be deducted from the potential gross income to calculate net operating income (International Valuation Standards, 2022).

Specialized properties are those that are seldom, if ever, sold in the open market unless as part of a business sale, due to their unique characteristics. This uniqueness may stem from

the specialized nature and design of the buildings, their configuration, size, or location (International Valuation Standards, 2022).

In general, specialized properties are characterized by unique physical or geographical features that limit their utility to purposes for which they were specifically designed. These properties are so specialized that comparable market data cannot be utilized for the income approach; therefore, their final market value relies entirely on the results obtained from the cost approach (International Valuation Standards, 2022).

Some defining characteristics of specialized properties include their utility being restricted to a limited range of uses or users, their infrequent sale in the open market (typically only as part of a business entity), their generally unique structures, and the revenue they generate not being derived from open market transactions for which market-based evidence is lacking (International Valuation Standards, 2022).

2.4 Overview of Valuation Methods

In Addis Ababa, real property valuation methods primarily include the cost approach, sales comparison approach, and income capitalization approach. Each method has its strengths and weaknesses, and their applicability often depends on the type of property and the availability of reliable market data. According to(T. Asres, 2019) , the sales comparison approach is favored in residential markets, while the cost approach is often used for specialized properties such as industrial facilities.

2.4.1 Regulatory Framework

The regulatory environment governing real property valuation in Addis Ababa is influenced by national and local laws, including land tenure regulations and taxation policies. Studies by (Firm, 2024) highlight that the lack of standardized practices and clear guidelines often leads to inconsistencies in valuation outcomes. Furthermore, the absence of a centralized database for property transactions hampers the ability of valuers to access reliable market information (Asnakew & Amogne, 2021).

2.5 Key Factors Contributing to Valuation Challenges

2.5.1 Market Dynamics

The real estate market in Addis Ababa is characterized by rapid urbanization and fluctuating economic conditions. These dynamics create volatility in property values, making it challenging for valuers to establish consistent benchmarks. Additionally, the informal nature of many property transactions complicates the availability of comparable sales data (Asres, 2019).

2.5.2 Professional Expertise

The competency of valuers is another critical factor affecting real property valuation accuracy. As noted by ("Ministry formulats valuation standards as property tax looms", 2024), many valuers in Addis Ababa lack formal training and certification, which can lead to subjective and inconsistent valuation results. The need for continuous professional development and adherence to international valuation standards is essential for enhancing the credibility of property assessments (Asnakew & Amogne, 2021).

2.5.3 Socio Economic Factors

Socioeconomic disparities in Addis Ababa influence property values and valuation practices. According to (Senbeta & Batra, 2020) , factors such as income levels, access to financing, and demographic trends play a significant role in shaping property demand and, consequently, valuation outcomes. Stakeholders must account for these variables to achieve more accurate assessments.

2.6 Impact of Valuation Challenges on Stakeholders

2.6.1 Property Owners and Investors

Challenges in real property valuation can lead to financial losses for property owners and investors. (MEHARI, 2023) notes that inaccurate valuations may result in overpricing or underpricing properties, affecting investment decisions and market confidence. For property owners, this can mean lost opportunities or diminished asset value.

2.6.2 Financial Institutions

For financial institutions, reliable real property valuation is critical for assessing loan security. A study by (Asres, 2019) highlights that inconsistencies in property valuations can increase lending risks, leading to tighter credit conditions and higher interest rates for borrowers.

2.6.3 Government and Regulatory Bodies

Government agencies rely on accurate property valuations for taxation and urban planning. According to ("Ministry formulats valuation standards as property tax looms", 2024), valuation challenges may hinder effective policy formulation and resource allocation, impacting overall economic development in the region.

2.7 Potential Solutions and Best Practices

2.7.1 Standardization of Valuation Practices

Implementing standardized valuation practices is essential for improving consistency and transparency. (Asnakew & Amogne, 2021) suggests that adopting international valuation standards could enhance the credibility of property valuations in Addis Ababa.

2.7.2 Professional Development

Enhancing the professional skills of valuers through training and certification programs is vital. Research by (Asnakew & Amogne, 2021) emphasizes the importance of continuous education and adherence to ethical standards in improving valuation outcomes.

2.7.3 Technology Integration

The integration of technology, such as Geographic Information Systems (GIS) and property databases, can facilitate better data collection and analysis. (Droj et al., 2024) argues that such technological advancements can improve the accuracy and efficiency of property valuations.

2.8 Worldwide Approaches to Property Valuation

Valuation methods are significantly different between countries because of differences between legal systems, economic development and social and political frameworks. In the

past, valuation of property has largely been based on national standards; however, the growing globalization of investment has brought the weaknesses of national standards to light. In these days, the demand for the valuation of real Estate for an international use is in front of us who are:" loan against property" "consolidation of financial statement for the multiple countries corporation" "real estate securitization" and "real estate investment in different country". Such global linkages have heightened the need for commonly acceptable international valuation standards to promote transparency and comparability (Binyam, 2017; Tirsit, 2018).

A lack of a standardized framework could lead to diverse valuation outcomes, some of which may result in controversy among banks, regulators and investors. Different national policies may also erode trust in property transactions (Boulevard, 2009). Aware of this dilemma, in the late 1970s the Royal Institution of Chartered Surveyors (RICS) and U.S. valuation sides began discussing. These endeavors created the International Assets Valuation Standards Committee (IAVSC) where forth became the IVSC (International Valuation Standards, 2022).

IVSC now acts as the global developer of International Valuation Standards (IVS) that can be followed on a consistency basis word wide, for valuation purpose. The standards are intended to improve the transparency, comparability, and confidence of valuation results, across all jurisdictions. In addition, the IVS is closely related to the International Financial Reporting Standards (IFRS), and the output of the valuation should meet the needs of international accounting and financial reporting standards (International Valuation Standards, 2025).

Worldwide, international valuation standards have been embraced by professional organizations like RICS and tailored to specific local conditions in the RICS Valuation – Global Standards (the "Red Book"), which includes the IVS but with additional practice guidance (Royal Institution of Chartered, 2020). Valuation is now better aligned across the globe, the misinterpretation among markets has been mitigated, and investor confidence has been increased.

In sum, adoption of international property valuation standards is important in future for maintaining consistent approach, enhancing credibility and minimizing variations in an increasingly globalized economy including use in financial statements, mortgage and

mortgage decisions, assignments or ownership Valuation Problem DataAnalysis (Highest and best use analysis) Sales Comparable Method, Cost Method, Income method Interpretation Data Analysis (Market Analysis) Application of Valuation Methods and Value Judgment Report of defined value and/or range of value Identification transactions, litigation and tax returns. In addition to standards, the IVSC provides assessments for financial reporting and secured lending, as well as advice on specific issues related to the assessment and application of standards to more specific entities and services (Beale, 2015).

The goals of the International Valuation Standards setting in IVS can be grouped into three main purposes. The first of which is to facilitate cross-border transactions and to invigorate the global real estate market by enhancing: transparency in financial reporting; reliability for credit and mortgage valuations; and taxation and litigation support. The second is to act as a global professional standard for valuation practice and the cross-border exchange of valuation services which will provide valuation purchasers with the assurance that the service they receive is authoritative and professional and delivers a standardized, market based valuation that meets the needs of local and international property markets and the reporting requirements of the global business community. A last purpose of these standards is to provide accounting and valuation categories and criteria that are workable in developed and developing countries (International Valuation Standards, 2025).

In general, the use of appraisal standards improves the quality, consistency, and fairness of appraisal practices, which inspires confidence and reduces financial risks for users. When governments harmonize their valuation rules with prevalent international standards, they promote consistency between local and national authorities, enhance public understanding, and create an environment where citizens subject to valuations benefit from a level playing field. By the same token, it also protects the government against potential liability which may arise as a result of inadequate methodology, misrepresentations, or professional failure (Appraisal, 2001).

In Europe, however, the European Mortgage Federation controls real estate appraisal for mortgage purposes. Its rules require that properties are to be valued at or below their current market value, which is defined as the price that would be negotiated in an open market between a willing seller and an independent buyer in an arms-length transaction at the valuation date. The higher the quality of the security, the quality of the mortgage will depend on the state of the property, the amount of the mortgage, and any prior claims. Valuations of

this nature must be done by independent valuers. In many countries with more rigid statutory rules, the valuation is sold at or below value, not at your rate. The federation also affirms the need for frequent revaluations, particularly in unstable conditions, and permits the use of statistical models to measure and identify position for revaluation (European Mortgage, 2009).

In reality, European banks depend mainly on market value and mortgage lending value. Although valuation methods are heterogeneous among countries, there appears to be some convergence evident. The principal methods used to value residential properties are the comparison method, the income/investment method, depreciated replacement cost and the residual method. For commercial real estate, when financial institutions assess the value of collateral, they commonly use the comparison, depreciated replacement cost, income/investment, and now increasingly, the discounted cash flow (DCF) basis (European Mortgage, 2009).

2.8.1 Comparative Property Valuation Practices Worldwide

The application of international valuation standards in the area of collateral assessment thus permits a common reference framework for market-based and neutral valuation results, which ideally will allow banks on an international basis to harmonize their valuation standards. The report of the European Mortgage Federation 2017 highlighted the necessity of accurate and fair valuation for loan originations and even for risk management, capital adequacy, and covered bond issuing across the EU EMF-ECBC (European Mortgage, 2009).

The reliability of this value provides lenders with assurance that the value of collateral is adequate to protect from potential losses in the event of loan default. The comfort that it provides reduces risk perception and allows lower-cost financing for mortgages, promoting greater home-ownership throughout Europe. Value at origination, as well as even post-appraisal results, drive credit quality throughout the life of a loan. Stand on trust. For valuations that lenders and investors trust, marrying a consistent, accurate and transparent process is key (European Mortgage, 2009).

Properties are typically valued at (or below) their fair selling prices (the amount at which a property may be sold on the valuation date between a willing buyer and willing seller in an arm’s length transaction). In addition, the evaluation must take into account not only the

property's real value, but the "character" and amount of any existing prior liens. To ensure neutrality, valuations are made by external valuators and based on the market value or a more conservative standard (loan-to-value - LTV) like mortgage lending value (MLV) (European Mortgage, 2009).

MLV a big thing in Germany and fast emerging in Europe as a whole is intended to take account of a property's sustainable longer-term value, while excluding merry-go-round speculative ups and downs of the market vdp - Verband Deutscher Pfandbriefbanken RICS. RICS has formalized this through its professional statement titled "Bank Lending Valuations and Mortgage Lending Value published in 2018 and reissued in 2022, which sets out the guidance on sustainable valuation practices, which envisages the EU, Germany, and Spain, and the function of independent valuers' ISurv. Com RICS (Royal Institution of Chartered, 2020).

2.8.1.1 Property Valuation Practices in Denmark

Danish law The Mortgage Credit Act requires the Danish Financial Supervisory Authority to supervise mortgage banks to ensure that they adhere to the requirements laid down in the Act and in its Executive Orders. The value of a pie is dependent on the value of the ingredients and how much it costs to grow the grain, to raise the cow, and to transport the milk to the market! For private residential cost comparison is often used. In commercial properties (besides for agricultural properties, which follow the comparison method also), other than the market price, the valuation for mortgage uses the investment value which is the capitalization of the net rent. It usually compares the lessor of the rent actually payable or the market rent on a yearly basis (Finans).

The depreciated replacement cost is applied to industrial, manufacturing, and institutional properties (educational, social, and cultural buildings). In the cases of very specific special properties that are seldom, if ever, traded in the open market (e.g., waterworks, energy plants), the cost approach is the most apt one, notably when the loans are financed with an issue of covered bonds (Carsted).

Valuers are in-house or independent specialists contracted by lending institutions. Danish legislation provides norms for external valuers who are valuing for mortgage banks. In reality, the valuations are often conducted by estate agents; however, any skilled individual

could perform this service. Liability for housing taken is generally regulated in general tort law and provided for in the specific agreement with the lender; there is no specialized legislation under the Property agents' liabilities (Carsted; Finans).

2.8.1.2 Property Valuation Practices in Nigeria

In Nigeria, the profession is regulated by the Estate Surveyors and Valuers Registration Board of Nigeria (ESVARBON) and the Nigerian Institution of Estate Surveyors and Valuers (NIESV). ESVARBON, as becomes the statutory regulatory agency by virtue of Decree 24 of 1975 (Gilbertson & Preston, 2005), has the ultimate oversight over who is an estate surveyor and valuer and prescribe the learning and skill to be acquired in that behalf. NIESV on the other hand is a professional body incorporated in 1969 as a professional body in Nigeria to maintain high and reputable standards of professional conduct in the Nigerian landed profession (Gilbertson & Preston, 2005).

However, the growth of Nigeria's real estate market has continued to be hindered by some structural issues, despite these regulations. Risk factors identified by (Babawale, 2005) included the absence of land titles, high interest rates due to inflation, unreliable transaction knowledge, and biased government interventions. Moreover, the market shares old-fashioned training schemes, an inefficient regulatory system, and a lack of a national valuation standard, the dominance of small firms, and no specialization.

In reality, valuers rely on traditional methodologies to the greatest extent, and the sales comparison-based approach is the most popular method. But this approach suffers from the challenges we just mentioned, and that lack of consistency and inaccuracy often results in uneven assignment of value for properties (Babawale, 2005;Gilbertson & Preston, 2005).

2.8.1.3 Property Valuation Practices in Romania

The Romanian National Association of Chartered Valuers (RNCV), whose members are exclusively authorized to perform formal appraisals, primarily regulates property valuation in Romania. Since there's no statute for how property needs be valued and assessed, market value is generally accepted as the standard for mortgage lending (Anevar).

Residential Properties: Valuation for residential properties typically relies on the comparison method, often supplemented by the income method and, to a lesser extent the depreciated

value in use approach. However, use of depreciated value has been declining in acceptance among valuers, reflecting a shift toward market-driven valuation techniques.

Commercial Properties: Commercial real estate is commonly valued using income capitalization methods or discounted cash flow analysis, complemented by comparison methods. The depreciated replacement cost method is occasionally used but is less favored because the market data were accessible and complexity of commercial real estate valuation.

Key Challenges: One of the main challenges identified by is the absence of accessible property transaction databases, which forces valuers to rely heavily on professional judgment and subjective assumptions. This limitation can lead to inconsistent valuations and reduce transparency in the property market (Anevar).

Lack of legal standardization: Unlike some European countries, Romania does not have a statutory legal framework for valuation. This highlights the importance of professional bodies like RNCV in maintaining standards.

Importance of data accessibility: The lack of centralized transaction data hampers comparability and can increase valuation risk. Developing GIS-integrated databases has been suggested as a solution (Anevar).

Market-driven practices: Valuers increasingly rely on market data and income potential, aligning Romania's practice more closely with international valuation standards.

Impact on mortgage lending: The reliance on professional judgment and market-based approaches makes transparency and documentation crucial for lenders and investors.

2.8.1.4 Comparative Implications for Ethiopia

The experiences of Denmark, Nigeria, and Romania demonstrate that valuation quality is influenced by the wider institutional and information environment in which valuers operate. However, these models cannot be transferred directly to Ethiopia because the countries differ in land tenure arrangements, market maturity, professional institutions, data infrastructure, and regulatory capacity. The main lesson for Ethiopia is therefore not to copy a particular foreign system, but to identify adaptable principles. Across the cases, access to market evidence, professional accountability, appropriate method selection, and institutional oversight are important for improving consistency and transparency. For Addis Ababa, these

lessons point toward strengthening the local information and professional environment first, while adapting international standards to the realities of the Ethiopian property market. This also supports a gradual approach to reform rather than assuming that a fully developed foreign model can be introduced immediately.

Banking Mechanisms prior to the Advent of Commercial Bank The history of the banking industry in Ethiopia dated back to the early twentieth century when the Bank of Abyssinia was formed in 1906 (Seyoum & Bessie, 2018).Ever since, providing mortgage loans has been a cornerstone of the operations of the commercial banking system. However, to date, there is no commonly accepted empirical study on how mortgage valuation is done in Ethiopia. Currently, there is no official framework or regulatory body to govern and uniforms the mortgage valuation procedure. The National Bank of Ethiopia (NBE) that issues licenses to supervise and regulates commercial banks has no specific guideline on the valuation for mortgage loans. Rather, it only obliges bank to value, without specification, or standard of valuation (Asres, 2023).Similarly, the Ministry of Urban Development and Construction, which is responsible for urban land administration, has no function or power concerning mortgage valuation.

The Ethiopian Bankers' Association had adopted and circulated real property valuation manual in 2014 to assist banks in the use of a standard procedure when valuing a property for mortgage purposes (Getachew, 2017). However, the SCM practices are still not standardized across all the banks. The cost approach remains the most widely used method for the valuation of mortgage by most of the financial institutions in Ethiopia. For example, the valuation manual of the CBE recommends the application of the cost approach, as it is considered most appropriate for the study area, due to the scarcity of reliable comparative data in the study area (Commercial Bank of, 2016).But academic references and experience abroad suggest that the cost method is not preferred for mortgage lending.

The CBE's credit policy recognizes that any or all of the three main valuation methods may be adopted on a case-by-case basis (Commercial Bank of, 2016), whereas other banks have amalgamated two or more methods. Dashen Bank, for instance, use a mix of cost and income method stating that this combination approach captures the fluctuating market values more effectively (Dashen, 2014).

It can be concluded that due to lack of unified regulation, mortgage valuation in the Ethiopian banks has been fragmented and non-uniform. Developing a uniform model would serve to ensure greater integrity, consistency, and facilitation of accurate valuation, which the stability of the national housing market and overall economy depends upon. The framework ought to not only be informed by best international practice, but also to be built around the local context-the skills and way of doing things-of Ethiopian valuers. Accordingly, developing a practical mortgage valuation model requires an in-depth review of the current (from the base of the approaches up to their methodologies) methods used by banks (Dashen, 2014).

2.8.1.5 Property valuation practice in Addis Ababa

Addis Ababa exemplifies one of the world's fastest-growing urban centers. Ethiopia's urban population has surged from approximately 10.8 million in 2002 to around 28 million in 2022, raising the national urban share from 15% to 23%. Within this trend, Addis Ababa's population has grown from about 2.74 million in 2007 to approximately 3.95 million by 2023, marking a 44% increase. Addis Ababa's housing production remains far below demand. An official backlog estimate indicates a need for 250,000 units, plus an additional 30,000 units annually to accommodate population growth of 6–7% per year. Estimates vary, but some projections suggest the city's annual shortage exceeds 140,000 units Back in 2017; the housing shortfall reached 700,000 units, with informal housing accounting for over 80% of the stock. The city government has constructed more than 270,000 housing units since 2005, but these remain unaffordable for the poorest residents .Addis Ababa's real estate landscape is shaped by rapid urbanization, housing shortages, and systemic challenges across finance, data transparency, and governance. These form the backdrop against which valuation practices in the private sector operate (Habitat, 2023).

Rural-to-urban migration is a major driver. Nearly half of urban growth stems from internal migration, especially rural residents moving due to land degradation, limited rural opportunities, drought, and conflict .The city's population expansion adds nearly 120,000 new residents annually, according to a UN-Habitat report, overwhelming municipal .This demographic shift places tremendous strain on urban services and resources. Addis Ababa houses over 17% of the nation's urban population (Habitat, 2023).

2.9 Stakeholder Collaboration

Encouraging collaboration among stakeholders, including government agencies, financial institutions, and valuation professionals, can lead to more comprehensive and informed valuation practices(Barry Gilbertson & Duncan Preston, 2005; "Urbanization in Ethiopia", 2025). Highlights the potential benefits of establishing a collaborative platform for sharing data and best practices.

Table 2.1 Challenges & Impacts

Challenge	Impact on Valuation Practice
Land tenure complexity	Difficulty establishing clear value or ownership
Lack of standards & regulation	Valuation inconsistencies, unreliable sector outcomes
Bank cost-based methods	Under-valuation, hindered finance access
Data scarcity	Speculative valuations, weak decision-making
Regulatory gaps (new legislation emerging)	Transitional uncertainty; potential future reliability
Corruption & red tape	Informal payments, inefficiency, weakened market integrity
Informal property prevalence	Unrecorded transactions, opaque valuation basis
Financing & affordability limitations	Developer constraints, fewer comparable
Market volatility	Unpredictable valuations, investor reluctance
Regional common challenges	Persisting issues underscore need for structural reform

Note: Property valuation in Ethiopia is challenged by complex land tenure, lack of standardized methods, data scarcity, and reliance on cost-based approaches, resulting in inconsistent, unreliable valuations and limited market transparency (Aseres, 2023a; F. Daniel, 2009; European Mortgage, 2009; Habitat, 2023; Mehari, 2023) .

2.10 Legal and Institutional Framework for Property Valuation in Ethiopia

In Ethiopia, property valuation is not practiced in a well-structured system or as a recognized profession, particularly as supported by a legal structure and a limited number of professionally qualified persons engaged in the practice. Real estate market: "The land belongs essentially to the public, and is subject to the direction of the State: the market in real property is unlikely to be very well developed or active." This renders the valuation practices in the country even more complex (Aseres, 2023a)

Proclamation No. 455/2005, on Federal Expropriation, having been part of the progress and "gaps filling", it made explicit requirement for the engagement of certified appraisers and the use of a nationally standardized valuation in the process of valuation. Article 9(1) of the proclamations specifically provides for the control of valuation activities. Additionally, the Ministry of Federal Urban Development was responsible for developing institutional capability for property valuation in partnership with other federal and regional authorities.

In Addis Ababa, the City's Land Development and Urban Renewal Office is responsible to apply valuation and compensation, and it is organized through its sub-city administrations. Nevertheless, implementation of such valuation is unevenly spread, as a result of the lack of general, science-based valuation standards. Economic development Decentralization means that various types of valuation and compensation procedures prevail in different areas, creating inequities among landholders and denying them their constitutional rights to a fair treatment (Aseres, 2023).

Under Article 9(1) of Proclamation No. 455/2005, the valuation is conducted by committees that are mixed with various professional. In practice however, both regional and federal governments have implemented their own formulas as the Ministry of Urban Development has failed to set a clear national legal framework. Regulation No. 135/2007 offers some basic directions on valuation methods and compensation procedures, but a lot is put at regional discretion and it is on regional committees to apply formulas often developed by themselves.

For rural land expropriation procedures, the proclamation also provides that the committee should be headed by the Woreda administrator and for urban by the city municipality. When public property is abused, the same institution that possesses that is the claimer of the harm value. This suggests that the Ethiopian valuation system is far too administrative and does not conform to international standards which recognize professional, independent, and market-based valuation (Rics, 2012).

Three methods are commonly accepted in the field of valuation to ascertain the fair market price: the comparable sales method, the income capitalization method and the replacement cost method (Daniel, 2009). In Ethiopia, however, the substitution cost approach is mainly applied .This method is useful but flawed because it overlooks the value of location on the market price. While land is publicly owned according to Ethiopian law there is not compensation for location value of land. The landowners' compensation is also under

specific regional laws that do not give ownership rights, instead landowners might be offered other land but with use and not ownership rights when their land is taken (Daniel, 2009)

The substitution cost method is likewise provided under Article 7(1) of Proclamation No. 455/2005, which requires compensation to be awarded on the basis of the cost of replacing the expropriated property. 135/2007 further strengthens this approach, by establishing rules for the application of the cost approach. But the sales comparison and income approaches which are widely cited as better indicators of market value are not used in a systematic way in Ethiopia (Rics, 2012).This simply begs the question whether the cost method, such as that used in Ethiopia, will lead to fair compensation in comparison with appropriate market valuation techniques.

2.10.1 Governance and Political Economy of Land Administration

The persistence of valuation and land-information problems in Ethiopia can also be understood through the governance and political economy of land administration. Land administration involves decisions over information, allocation, registration, development, and enforcement, meaning that institutional incentives and accountability can influence how effectively formal rules are implemented. Recent research on Addis Ababa identifies gaps between land-policy objectives and administrative practice, including weaknesses in transparency, coordination, accountability, record management, and enforcement (Aytenew et al., 2025). Other research has linked weaknesses in urban land governance to corruption, rent-seeking, unclear legal provisions, and limited accountability (Beza 2021). These findings are important for property valuation because reliable valuation requires reliable property information and a functioning institutional system for producing, verifying, and sharing that information. Thus, the continued absence of comprehensive and accessible market information should not be interpreted only as a technological gap. It may also reflect fragmented institutional responsibilities, weak incentives for information sharing, limited enforcement capacity, and the broader difficulty of translating formal land policies into consistent administrative practice. This perspective helps explain why technical reforms, such as introducing a database or prescribing valuation procedures, may have limited effect unless they are supported by institutional coordination, accountability, adequate resources, and sustained implementation.

2.11 Key Challenges in Real Property Valuation IN Addis Ababa

2.11.1 Land Tenure Complexity & Legal Ambiguity

Ethiopia's constitution vests land ownership in the State and the peoples of Ethiopia—individuals do not own land outright but instead hold lease or use rights. This foundational structure complicates valuation, as ownership claims are inherently conditional, challenging the establishment of market value. While some sources reference Derg-era land reforms, there's currently no scholarly evidence substantiating unresolved historic permits continuing to affect valuation practices (Aseres, 2023a).

2.11.2 Lack of Standardized Valuation Framework

Research shows there is no regulatory body or standard framework guiding mortgage or property valuation in Ethiopia. Banks conduct mortgage valuations without a clear, consistent basis—often defaulting to cost-based approaches, and valuers have little discretion in choosing methodologies. One study quantified factors contributing to valuation inaccuracy: absence of a regulatory framework raised the likelihood of inaccuracy by 14.2%**,** while absence of valuation standards themselves accounted for a 7% rise in inaccuracies (Asnake, 2022).

2.11.3 Reliance on Cost-Based Methods in Banks

Grounded in qualitative research, existing literature clearly indicates that Ethiopian banks rely predominantly on cost-based valuation**,** often undervaluing properties and lacking the flexibility to apply income or market methods (Asres et al., 2020).

2.11.4 Data Scarcity & Market Opacity

Ethiopia lacks a central property transaction database. One study highlights that many Sub-Saharan African (SSA) countries suffer from a paucity of market data and valuation variations, caused in part by informal, fragmented recording systems. In contrast, developed nations utilize tools like MLS, HPIs, and property indexes absent in Ethiopia (Aseres, 2023a).

2.11.5 Regulatory Gaps and Emerging Legislative Response

Ethiopia's Proclamation No. 1357/2024 represents a critical policy shift: it mandates mandatory licensing, enforces codes of conduct**,** outlines professional standards, and introduces oversight mechanisms for real property valuers. The October 2024 Bill further requires regular valuation updates (e.g., every five years), public access to valuation results, complaint mechanisms, and stronger government oversight to enforce compliance and discipline errant practitioners.

2.11.6 Corruption, Rent-Seeking & Bureaucratic Inefficiencies

Institutional corruption is well-documented within Ethiopia’s land administration. A perception-based study of Addis Ababa reported rent-seeking behavior, including corruption, bribery, and speculation undermining transparency and promoting informal property access. The study also notes that bureaucratic inefficiencies (e.g., lengthy permit processes, high costs) push individuals toward informal settlements (Asres, 2023).

2.11.7 Valuation of Informal Property

Informal development continues to flourish due to systemic failures in formal land delivery such as complex bureaucracy and limited affordability. This results in significant informal property creation that is poorly documented**,** complicating reliable valuation (Asres, 2023).

Informal property deserves particular attention because it directly affects the availability and reliability of valuation evidence. Informal transactions and properties may involve incomplete documentation, uncertain tenure, limited registration records, and transactions that are not captured in formal market databases. Recent Ethiopian evidence shows that inadequate formal land supply, weak enforcement, high transaction costs, and limited access to affordable housing can contribute to the persistence of informal land transactions and settlements (Asnakew et al. 2024) For valuers, these conditions make it more difficult to establish reliable comparables, confirm transaction details, determine the nature of the property interest being valued, and distinguish between observed prices and legally recognized market evidence. Consequently, informality is not simply a separate housing or land-administration issue; it is part of the information environment within which valuation takes place. In Addis Ababa, improving valuation practice therefore requires attention not only to formal market transactions but also to the documentation, regularization, and information challenges associated with informal property.

2.11.8 Affordability & Infrastructure Constraints

There's currently no high-quality academic source confirming that high construction costs, limited financing options, or infrastructure gaps directly hinder property valuation accuracy in private sector practice in Ethiopia (Mehari, 2023).

2.11.9 Conceptual Framework

The literature reviewed suggests that private property valuation practice is shaped by interacting institutional, informational, professional, methodological, and market conditions. In this study, limited market information, regulatory and institutional conditions, professional capacity, technology, property and tenure characteristics, and the availability of appropriate valuation approaches are treated as key factors shaping valuation practice. These factors influence the way valuers select and apply valuation approaches and, in turn, may affect perceived valuation accuracy, consistency, and transparency. The framework therefore recognizes that valuation accuracy is unlikely to depend on method selection alone; it is also influenced by the quality of evidence available to the valuer and the institutional environment in which valuation is undertaken.

2.12 Research Gap

The reviewed literature establishes that property valuation challenges in Ethiopia are associated with limited market information, weak or evolving regulatory arrangements, professional capacity constraints, informal property markets, and institutional weaknesses. However, much of the existing Ethiopian evidence has examined specific settings, particularly mortgage lending, expropriation, taxation, or individual aspects of land administration. There is comparatively limited empirical evidence examining these factors together within the private valuation sector in Addis Ababa. In particular, the interaction between market-data limitations, valuation-method selection, professional and institutional conditions, and perceived valuation accuracy remains insufficiently examined. The present study addresses this gap by examining current private-sector valuation practice, identifying the factors contributing to valuation challenges, assessing their perceived impacts, and exploring practical measures for improvement in the Addis Ababa context.

2.13 Conclusion

From the reviewed literature, real property valuation practice in Addis Ababa experiences major constraints such as market instability, lack of professionalism, and economic conditions. These problems affect all parties involved, ranging from real estate holders to financial institutions and authorities. Nevertheless, there exist opportunities to enhance the quality, accuracy and consistency of real property valuation in Addis Ababa through the application of established procedures, knowledge enhancement and empowerment, usage of technology, and the participation of stakeholders. More research is required to assess the feasibility of these solutions in the local setting.

3 CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Methodological Framework of the Study

This chapter outlines the research methodology employed to investigate the challenges of real property valuation practices in the private valuation sector in Addis Ababa. Valuation of real property is a sophisticated task that depends on a number of different factors, like market conditions, regulatory conditions, and the professional capabilities of valuers. Methodological rigour was key to the credibility, reliability, and validity of the study results, and hence, a method had to be framed in a well-planned manner.

The research was guided by four key objectives. First, the study aimed at assessing the present situation of the valuation of real property in Addis Ababa. Second, it sought to explore the main elements that led to the difficulties in the valuation process. Third, it analyzed how challenges affected valuation outcomes and players. At last, the research analyzed possible solutions and best practices that can improve the accuracy, consistency, and transparency of the valuation practices in the private value space.

To address these objectives, a mixed-methods research approach was employed.. This methodology integrated quantitative and qualitative methods to generate a fuller, richer, and more complete understanding of the issues studied. The numerical aspect drew on results from a survey that yielded quantifiable information about current practices and challenges in valuation. The qualitative component involved semi-structured interviews, which provided deeper explanations of the factors underlying the identified challenges and captured the perspectives of valuation professional. Both these complementary approaches together achieved that the study maintained a balance between numbers and experiences, thus enhancing the validity of the overall conclusions.

3.2 Research Design

The research was a descriptive case study that used a mixed approach, both quantitative and qualitative approaches. A descriptive research design was considered to be suitable because of its appropriateness to investigate, systematize, and present the current scenario in terms of valuation practices, challenges, and impacts of the stakeholders in the private valuation sector operating in Addis Ababa. Kothari, (2004) suggested that Descriptive research is most useful when the goal is to provide an accurate profile of persons, events, or situations. We

chose the case study design because it “focuses on detailed, in-depth analysis of a single instance: a case” that requires understanding deep-seated features in complex scenarios which occur in real-life settings (Yin, 2014). In this research, Addis Ababa was selected to be the center of focus since it is the biggest and most vibrant real estate market in Ethiopia, and is taken as a yardstick for valuation activities across the country

To gain a comprehensive understanding of the research problem, the study adopted a mixed-methods approach. Quantitative data were collected through structured questionnaires administered to licensed property valuers working in the private sector. The quantitative component provided measurable evidence on current valuation practices and the prevalence of major challenges. Qualitative data were collected through semi-structured interviews with professionals working in the private valuation sector. The qualitative component provided deeper insights into the underlying causes of the identified challenges and helped explore context-specific issues that could not be adequately captured through quantitative data alone. The integration of quantitative and qualitative methods enhanced the validity of the findings by combining statistical evidence with professional experiences and perspectives. This approach was consistent with the objectives of the study because it enabled the research to describe current valuation practices while also examining the structural and operational factors influencing those practices.

This combination of survey with statistical data and interview at the qualitative level produced the best portrait of behavior and thinking based on both generalization and depth, increasing the validity and reliability of the conclusion. The methodological decision, thereby, fitted with the research aims and ambitions by leding, not only for describing current practice in valuation, but also for revealing structural and operational frameworks in which these practices are embedded.

3.3 Study Site Description

The research was carried out in Addis Ababa, the capital city of Ethiopia. Seat of government and administrative capital of the country, Addis Ababa is also the economic capital of the country is home to the country's largest number of businesses; the city contains the headquarters of the vast majority of Ethiopian institutions and organizations, including the African Union and the United Nations Economic Commission for Africa. The city has grown exponentially in the last two decades with urban expansion and infrastructure development

driven by the increase in population and foreign investment as part of Ethiopia's wider modernization agenda (Habitat, 2017; World, 2020). Such rapid changes have then inevitably given rise to increase in the demand for professional property valuation services, especially in application opportunities like land transaction, mortgage security, taxation, compensation, and the aptness, making of investment decision among others (Gelaye, 2019).

But at the same time, Addis Ababa is a mirror reflecting back some of the systemic constraints on valuations practice in Ethiopia. These consist of a lack of access to accurate market information, variations in valuation techniques, poor professional competence, and inadequate regulation and control (Assefa & Gebremariam, 2021)). These challenges may lead to inconsistency in the valuation results and affect the credibility among players.

For this study, the city was intentionally chosen to ensure that the research will capture the largest urban property market and to make sure that it is also the most dynamic urban property market in the country. That said Addis Ababa can be a useful setting to study on current market valuation practices, its major challenges and way forward. Such a capital-city focus means that the study's findings are not only locally informed, but are also illustrative of wider patterns in the development of Ethiopia's nascent valuation industry.

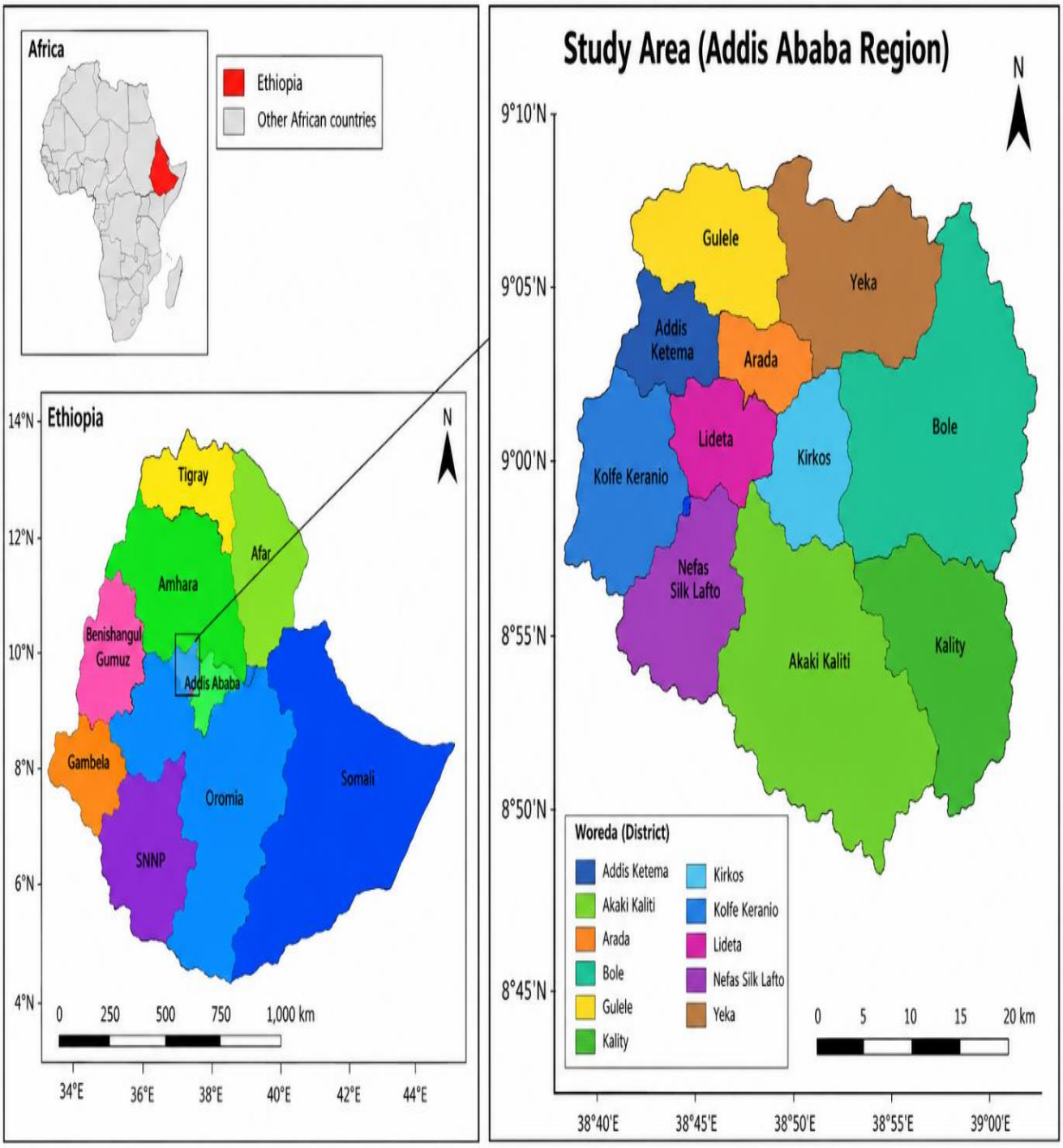

Figure 3.1: Map of the Study Area

Source:-Ethio GIS 2022

3.4 Data Collection Methods

For this investigation, both primary and secondary data sources were utilized to provide a comprehensive perspective on the research issue. The primary data were gathered from registered property valuers and private valuation offices in Addis Ababa through a structured questionnaire distributed to 101 respondents. The questionnaire focused on methods used for valuation, practical challenges associated with the valuation, and the perceived level of accuracy and transparency. For improved reliability and efficiency, the survey was incorporated into the Kobo Toolbox electronic platform, which makes it possible to collect data in real time across mobile devices, minimize the occurrence of data entry errors, store data safely, and ease export to SPSS for analysis.

Semi-structured interviews with some valuers complemented the survey. These interviews generated qualitatively rich data, which provided deeper insights about the themes identified from the questionnaire and allowed respondents to expand on their experiences and opinions.

The sources for secondary data included: books, peer-reviewed journals, government reports, official valuation standards, laws, and unpublished materials from the government institutions, like: municipal offices, Urban Development Bureau, and land registration offices. These served as significant foundational sources and helped with our triangulation of findings, contributing to the credibility, validity, and general rigour of the study

3.5 Sample and Sampling Procedure

The study population consisted of 201 licensed private valuation firms in Addis Ababa, based on the 2025 business licensing records of the Addis Ababa Trade Bureau. A sample of 101 firms was selected using simple random sampling (SRS). SRS was used because it gives each firm an equal probability of selection and provides a transparent procedure for minimizing selection bias (Kothari, 2004).

The sample size was determined using Yamane (1967) formula for finite populations:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

- **n** = required sample size

- **N** = population size (201 licensed private valuation firms)
- **e** = level of precision (0.07)

Substituting the values:

$$n = \frac{201}{1 + 201(0.07)^2}$$

$$n = \frac{201}{1 + 201(0.07)^2} = \frac{201}{1.9849} = 101$$

Accordingly, 101 firms were selected, representing approximately half of the identified population. The sample was considered manageable within the available time and resources while providing adequate coverage of the study population.

Although SRS provided an equal opportunity for firms to be selected, the study recognizes that private valuation firms may differ in size, experience, specialization, capacity, and client profile. Therefore, the population cannot necessarily be assumed to be homogeneous, and these differences may not have been fully captured through SRS. Since the data collection had already been completed using this approach, the study retained SRS and considers the potential heterogeneity of the population when interpreting the findings. Future studies may use stratified random sampling to ensure adequate representation of different types of valuation firms.

3.6 Selection of Interview Participants

The qualitative component involved 10 experienced professionals selected purposively based on their professional experience, knowledge, and direct involvement in property valuation practice. The purpose of the selection was to obtain informed professional perspectives on the practical challenges affecting valuation practice and possible measures for improvement.

The interviewees had relevant professional backgrounds and experience in property valuation. Two of the interviewees were chartered surveyors and RICS members**,** selected from the four RICS-member chartered surveyors identified in Ethiopia. The remaining

interview participants were experienced professionals working in the private valuation sector.

The interviews complemented the survey by allowing participants to explain issues that could not be fully captured through structured questionnaire responses. The original study records 10 interviewees and their professional positions and experience

3.7 Data Processing and Analysis

After data collection was done, responses were analyzed in a systematic way, considering and sorting the different responses to ensure accuracy and reliability. Data Entry and Cleaning: All quantified answers were first coded in SPSS and compared for consistency with Microsoft Excel. All data were examined and coded for completeness and accuracy; any discrepancies, missing data values, or outliers were examined and corrected. This procedure reduced potential errors that may occur because of an inappropriate response.

3.7.1 Quantitative Analysis

For comparing the quantitative variables among the different groups of responders, descriptive and inferential statistical tests were employed. Results were presented using frequencies, percentages, means and standard deviation to highlight the demographic characteristics of the study subjects and to show existing practice of real property valuation in Addis Ababa. Furthermore, inferential statistical techniques in particular binary logistic regression were used to investigate potential determinants of the challenges in valuation practice and to test its statistical significance. The design facilitated and helped to overcome the problem statement (Ambaye, 2013).which supports that it took the study beyond mere description and sought to establish the relationship between some variables.

3.7.2 Qualitative Analysis

Qualitative data from semi-structured interviews with private valuers were analyzed using a thematic analysis. This entailed reading the transcripts thoughtfully, coding of recurring ideas and then clustering the codes together to form common themes. Some of the key themes that were brought up were the scarcity of market information, variability in valuation methods, professionals' weak regulation, and capacity issues. These insights were important because they provided some context about how practicing actually happens and made the quantitative results richer.

3.7.3 Integration of Findings

The study employed a triangulation design of mixing the quantitative and qualitative strands of the investigation. Cross-validation of the two sets of findings increased the trustworthiness of the findings and enhanced our understanding of the research problem. This combined framework guaranteed that interpretations were strongly grounded based on the statistical evidence and mirrored the real-world insights of valuation practitioners.

3.8 Validity and Reliability

Several measures were taken to improve the validity and reliability of the study. The questionnaire was developed in accordance with the research objectives and the issues identified in the literature. The questions were structured to obtain information directly relevant to current valuation practice, challenges, perceived accuracy, impacts, and potential improvements.

The use of both quantitative and qualitative methods provided an opportunity to compare evidence from different sources. Secondary literature, institutional documents, valuation standards, and other relevant materials were also used to support interpretation of the primary data.

The use of KoboToolbox helped reduce manual data-entry errors and facilitated organized data collection and transfer for analysis.

3.9 Ethical Considerations

The study adhered to strict ethical standards throughout the research process. Participation was entirely voluntary, and respondents were fully informed of the study's purpose prior to data collection. Informed consent was obtained verbally and/or in writing, and respondents were assured of confidentiality and anonymity. No personal identifiers were recorded, and all data were used solely for academic purposes. The researcher also complied with institutional ethical guidelines to ensure the integrity, respect, and protection of participants' rights (Creswell & Plano Clark, 2018).

3.10 Scope of Interpretation of the Impact Findings

Because the study's primary respondents were private valuation professionals, the assessment of the impacts of valuation challenges reflects their professional perceptions and experiences. External stakeholders such as commercial banks, investors, developers, NBE officials, and other government institutions were not included as primary respondents.

Therefore, statements concerning possible effects on financial risk, investment decisions, public or stakeholder confidence, and related outcomes should be interpreted as perceived impacts reported by valuation professionals rather than independently verified impacts from those stakeholder groups**.**

3.11 Methodological Limitations

The study's methodological limitations are acknowledged in Chapter One and should be considered when interpreting the findings. In particular, the use of simple random sampling may not have fully captured differences among firms because the population may vary in size, experience, specialization, capacity, and client profile. Future studies may therefore consider stratified sampling.

In addition, some firms and practitioners were hesitant to provide detailed information because of confidentiality and competitive concerns, which limited access to actual valuation reports and detailed market information. The scarcity of reliable and up-to-date market data also created difficulties in independently verifying comparable properties and cross-firm consistency.

Finally, the assessment of impacts was based primarily on valuers' perceptions because external stakeholders were not included as primary respondents. The findings concerning such impacts should therefore be interpreted within this limitation

4 CHAPTER FOUR: RESULTS AND DISCUSSION

4.1 Introduction

This chapter introduces and interprets the study results on challenges of real property valuation practices in private valuation sector in Addis Ababa. The chapter is organized into six main sections: demographic profile of respondents, valuation practices, and challenges confronted by valuers, impact on practice of the challenges, proposed solutions, and regression analyses.

4.2 Demographic Profile of Respondents

Of the 101 respondents, 77.2% were male and 22.8% were female, indicating a male-dominated private property valuation sector. The predominant group in terms of age was 30–39 years (39.6%), above 50 years old (26.7%), 20–29 years old (22.8%) and 40–49 years old (10.9%). This profile indicates a workforce that is relatively young, but also has experienced workers

Regarding position, managers comprised 48.5%, senior valuers 28.7%, junior valuers 19.8% and chartered 3%. Educationally, 51.5% had a bachelor's degree, 42.6% had a master's degree, and 6% had a PhD / chartered surveyor qualification. With regard to experience, 37.6% had more than 10 years' experience, 24.8% had 1–3 years' experience, while the remaining territories were allocated to the intermediate categories.

The distribution also indicates that the findings reflect perspectives from practitioners at different stages of their careers rather than from a single professional group. This is relevant because experience, professional position, and educational background may influence how valuers perceive valuation methods, data availability, regulatory conditions, and the accuracy of valuation outcomes. The demographic characteristics therefore provide useful context for understanding the subsequent findings on valuation practices and challenges. The details summary of the respondent's demographic characteristics is presented in Table 4.1

Table 4.1: Demographic profile of study respondents

Variable	Category	Frequency(N)	Percent(%)

Gender	Male	78	77.2
	Female	23	22.8
Age (years)	20-29	23	22.8
	30-39	40	39.6
	40-49	11	10.9
	Above 50 years	27	26.7
Position	Junior Valuator	20	19.8
	Senior Valuator	29	28.7
	Chartered Valuer	3	3
	Manager	49	48.5
Education	Bachelor's degree	52	51.5
	Master's degree	43	42.6
	Chartered surveyors	3	3
	Ph.D.	3	3
Experience	Less than 1 year	3	3
	1-3 Years	25	24.8
	4-6 years	17	16.8
	7-10 years	18	17.8
	More than 10 years	38	37.6

Source: Author's Own Survey Result, 2025.

4.3 Descriptive Analysis of Real Property Valuation Practice among Private Valuers

This part presents the descriptive analysis of real property valuation practice of the private valuers in Addis Ababa. The analysis is based on responses to a survey, which is thematically presented in order to summarize the dimensions of the process of valuation practice, includes the types of properties valued, the primary purposes for valuations, the prompting of a request for a valuation, techniques used to value and comments on the appropriateness of these techniques. By presenting the results in this order, the discussion first gives a full picture of how private valuation practice is being performed today, as well as what its market coverage is and what makes its operation difficult or efficient.

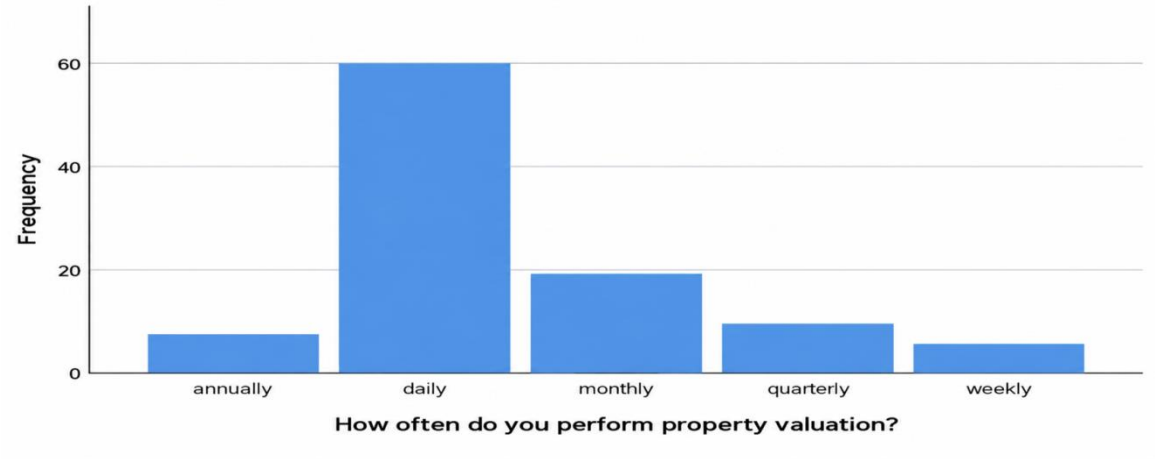

Figure 4.1: Frequency of Property Valuation Practice

Source: Author's Own Survey Result, 2025

According to the survey results, real property valuation in the private sector of Addis Ababa is a dynamic, client-oriented, and multi-purpose practice. Most respondents (60.4%), conduct valuations daily, demonstrating a strong interest in valuations and professional commitment. Monthly and quarterly connections were cited by 18.8% and 8.9% of interviewees, respectively, with annual valuations uncommon (6.9%). This illustrates the industry's focus on continuing market and customer demands.

4.4 Descriptive Analysis of Property Type, Purpose of Valuation, and Initiators of Valuation Requests

The results of the survey present important insights into the practices of property valuation among the private valuers in Addis Ababa. Residential premises have the highest rate of current valuation (83.2%), with commercial (75.2%), mixed use (74.3%) and industrial properties (72.3%) all showing slightly lower rates – suggesting a broadly based market with a strong residential focus. Relating to the motivation of valuations, it is primarily done for market value valuation (82.2%), with taxation (55.4%), IFRS (52.5%) and investment attraction being the main goal of the firms, indicating that valuation plays a multi-purpose role in finance, l/legal and strategic decision-making. The main subscriber to the valuation request is outside aesthetics (investors and property owners; 78.2%), whereas regulators and governmental organizations (59.4%) and internal departments (33.7%) are also features to the request. In sum, these results suggest a heterogeneous, demand-based valuation regime for types of property.

Table 4.2 Descriptive Analysis of Property Type, Purpose of Valuation, Initiators of Valuation Requests

Aspect	Category	Count (N)	Percent (%)	Percent of Cases (%)
Property Type Valued	Residential	84	26	83.2
	Commercial	76	23.5	75.2
	Industrial	73	22.6	72.3
	Mixed-use	75	23.2	74.3
	Other	15	4.6	14.9
Purpose of Valuation	Market value assessment	83	24.9	82.2
	Collateral for lending	41	12.3	40.6
	Investment analysis	50	15	49.5
	Insurance purposes	41	12.3	40.6
	Taxation purposes	56	16.8	55.4
	IFRS purposes	53	15.9	52.5
	Other	10	3	9.9
Initiators of Valuation Requests	Internal departments	34	19.7	33.7
	External clients	79	45.7	78.2
	Regulators/government	60	34.7	59.4

Source: Author's Own Survey Result, 2025

4.5 Valuation Methods Used

Respondents were allowed to select more than one valuation approach, reflecting the fact that valuers may use different approaches depending on the purpose and circumstances of a valuation. As shown in Figure 3, the cost approach was the most frequently used method (66.3%), followed by the hybrid approach (54.5%), the market approach (52.5%), and the income approach (33.7%).

The relatively high use of the cost approach appears to be closely related to the limited availability of reliable and up-to-date market information in Addis Ababa. Although the market and income approaches are widely recognized as important approaches in property

valuation, their effective application depends heavily on the availability of reliable comparable market data, rental information, and financial records. In the Addis Ababa context, where such information is often scarce or difficult to access, the cost approach may be more practical and may be perceived by valuers as more reliable under the prevailing conditions. Where market and income data are incomplete, outdated, or difficult to obtain, valuers may have fewer practical options for applying these approaches effectively.

The use of the hybrid approach by more than half of the respondents also suggests that valuers may combine approaches to respond to limitations in available evidence and to support their professional judgment. Thus, the frequent use of the cost approach should not necessarily be interpreted as an indication that valuers consider it the most appropriate or accurate approach in every situation. Rather, it may reflect the practical conditions under which valuations are undertaken and the evidence available to practitioners.

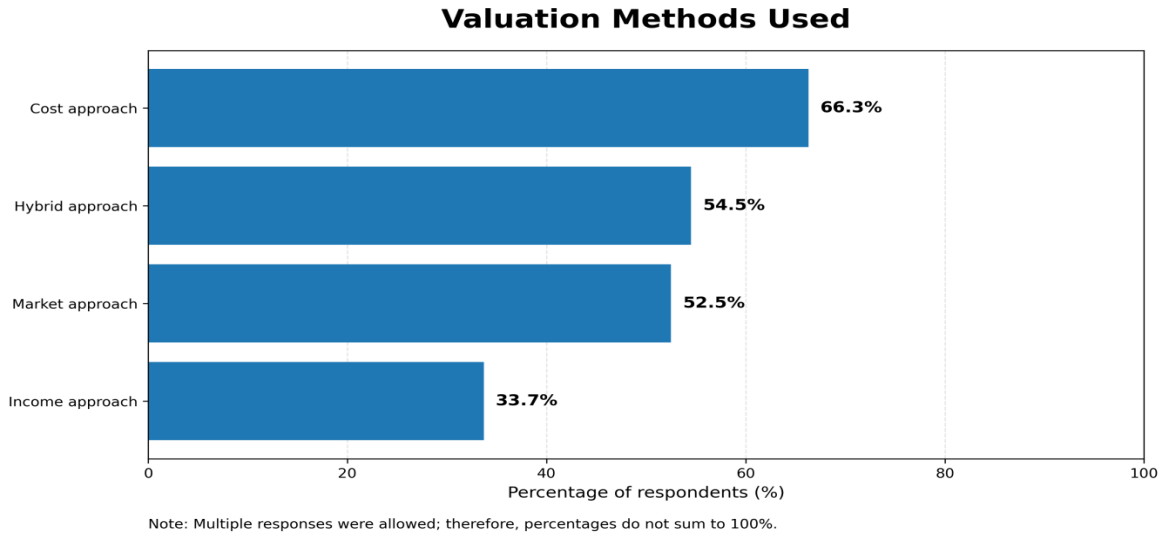

Figure 4.2 Valuation Methods Used

Source: Author's Own Survey Result, 2025.

4.6 Perception of Appropriateness of Current Valuation Methods

The respondents' perception of whether the valuation methods they use are appropriate is presented in Table 4.6. The majority (62.4%) believe the methods are appropriate to some extent, while 29.7% consider them completely appropriate. Only 8% expressed limited confidence in their adequacy. This indicates a generally positive outlook among practitioners toward the suitability of the methods, despite data limitations.

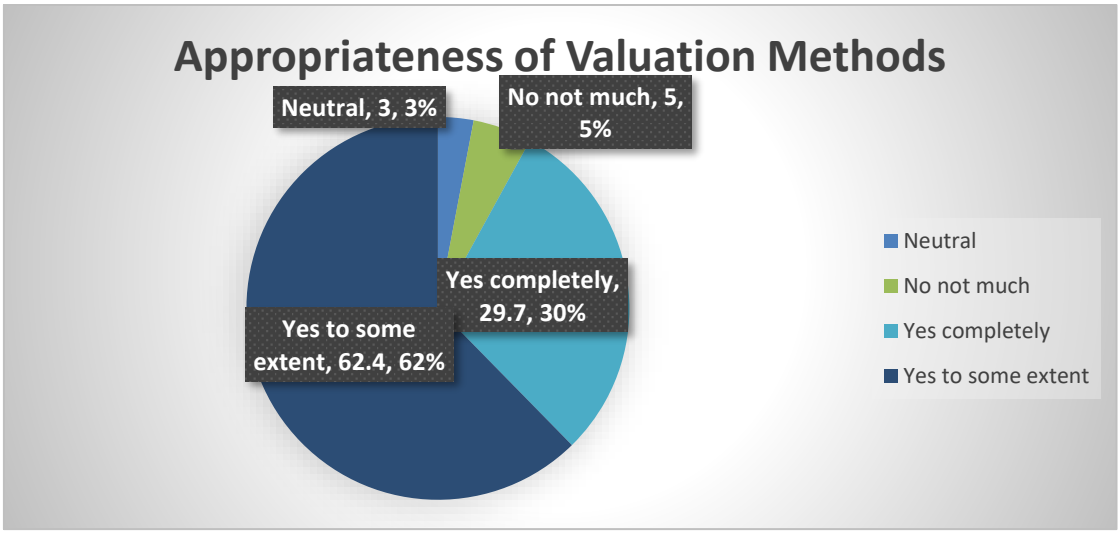

Figure 4.3 Appropriateness of Valuation Methods

Source: Author's Own Survey Result, 2025.

The data strongly indicates that the real property valuation practice in Addis Ababa's private sector is active, multi-purpose, and client-driven. The widespread reliance on the cost approach suggests challenges related to market data access, which may hinder the use of income and market-based methods. Nonetheless, practitioners appear confident in their methodological choices, even as they navigate a complex and evolving urban property market. These insights are crucial for understanding both current practices and areas needing policy or professional support.

4.7 Descriptive Analysis of Challenges Affecting Real Property Valuation Practice

To identify major challenges affecting real property valuation practice in the private valuation sector respondents were requested to assess a list of identified challenges on 5 point Likert scale, with; 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = strongly agree. Summary of responses are presented in the table below

Table 4.3 Descriptive Statistics of Real Property Valuation Challenges in the Private Valuation Sector (N = 101)

No.	Challenge	Mean	Std. Deviation
1	Limited number of property valuation schools	4.11	0.904
2	Lack of standardized valuation methods	3.41	1.29
3	Lack of proper technology for accurate valuations	3.79	1.219

4	Absence of property valuer association	3.75	1.195
5	Time constraints	2.93	1.042
6	Lack of access to reliable and up-to-date property data	4.18	0.963
7	Absence of a centralized property database	4.16	0.891
8	Absence of regulatory body	3.84	1.027
9	Cost of valuation services	3.43	1.108
10	Legal disputes regarding property ownership	3.42	1.089
11	Limited number of qualified valuers	3.67	1.001
12	Pressure from stakeholders to influence the valuation outcome	3.61	1.077

Source: Author's Own Survey Result, 2025.

The findings of the descriptive statistics presented in Table 4 have useful concept about the prevailing problems associated with the efficiency of real property valuations for the private sector in Addis Ababa. The findings are such that, the key concerns are largely institutional and data related.

The challenges that were rated the highest included issues around access to reliable and current market data (M = 4.18) and access to a centralized database of property information (M = 4.16). These results signify a lack of a coordinated and open data architecture, which is necessary for uniformity, accountability, and equity in property valuation activities. In addition, a lack of schools specialized in the valuation of property (M = 4.11) aggravates the problem due to the small number of trained valuation practitioners that it produces. This lack of academic and professional capacity restrains the development of a skilled cohort of valuators in the country.

Other challenges were also rated moderately high (mean scores in the range of 3.40 and 3.84). These are the absence of a regulatory body (M = 3.84), lack of access to suitable technology to facilitate accurate valuations (M = 3.79), and the absence of professional valuer associations (M = 3.75). They point to underlying structural and institutional problems in the valuation industry. Without an active regulatory body and a regular platform

for professionals to network, uniformity of practice, accountability, and compliance with international valuation standards are compromised.

Table 4.4 Reliability Analysis of the Valuation Challenge Scale

Reliability Statistics

Cronbach's Alpha	N of Items
.760	12

Source: Author's Own Survey Result, 2025.

Cronbach's Alpha reliability test was applied to test the internal uniformity of the 12 Likert-scale items measuring perceived challenges in real property valuation. An estimated value of Cronbach's Alpha coefficient 0.760/out-of-bound of 0.7607 for the internal consistency is within the acceptable range. This suggests the items are correlated enough to be viewed as tapping into a single construct. Accordingly, the reliability of the scale can be used to calculate the total score for further statistical processing (e.g., correlation and regression)

4.8 Descriptive Analysis of the Impact of Challenges in the Valuation Practice

This section presents the descriptive statistics of the major impact of Challenges identified in the practice of real property valuation by private valuers in Addis Ababa. The data were collected from 101 respondents using a structured questionnaire, where items were measured on a five-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree.

The descriptive analysis provides insights into the perceptions of private valuation professionals regarding various structural, technical, and institutional challenges affecting the quality, accuracy, and efficiency of property valuation services.

Table 4.5 Descriptive Analysis of impact of Challenges in the Valuation Practice

No	Impact of Valuation Challenge	Mean	Std. Deviation
1	Legal uncertainties related to property ownership obstruct the completion of valuations.	3.45	1.17

2	Inaccurate reports from other valuation firms undermine public trust in valuation practices.	3.5	1.23
3	Variation in practices among private valuers negatively affects the profession's credibility.	3.83	1.078
4	Limited access to modern valuation technologies reduces work efficiency and effectiveness.	4.05	0.817
5	Limited access to reliable and up-to-date property data hinders the accuracy of valuation reports	4.32	0.774
6	The absence of standardized valuation methodologies contributes to inconsistent valuation outcomes.	4.1	0.806
7	Inadequate access to professional training opportunities limits valuers' skill development	4.18	0.78
8	Variation in practices among private valuers negatively affects the profession's credibility.	4.07	0.951
9	Lack of a centralized property data system results in delays in the valuation process.	4.13	0.796
10	Insufficient regulatory oversight weakens standardization and accountability in the sector.	3.55	1.072
11	External pressure from clients or stakeholders compromises the independence of valuers	3.57	1.186

Source: Author's Own Survey Result, 2025.

The descriptive analysis indicates that private valuers in Addis Ababa encounter several interrelated constraints in providing reliable and prompt valuations for real property. Of these, the most problematic issue noted by the participants was the low availability of dependable and current property data which scored the highest with the mean of 4.32 (SD = 0.774). This demonstrates a common belief that an unreliable and fragmented property information system seriously compromises the reliability and trustworthiness of valuation reports.

Following in a close second place was insufficient access to professional development opportunities (M = 4.18, SD = 0.780). This indicates that a loss of continuing education opportunities are widely felt among valuers, resulting in poor understanding of the latest valuation practices and standards. Likewise, the lack of standard weaknesses for valuation

methodology also surfaced as an important issue (Mean = 4.10, SD = 0.806), This confirms that sector felt that lack of uniform procedures had resulted in valuation outputs that are not dependable, but in variance with each other.

Significant obstacles of access to modern tuber valuation technologies, with a mean of 4.05(±0.817 SD) were also reported by respondents. This result tells us that outdated tools and the absence of digital systems erode the general efficacy and efficiency of valuation work. A further issue regarding differences in practices among private valuers is reiterated with 2 like statements (Sc3 3.83 and Sc5 4.07). Consistently, these results highlight the damaging effect of inconsistent approaches on credibility and public trust in the profession.

The absence of a central property database was the second most important (Mean = 4.13, SD = 0.796), underlining the value of data integration to drive efficiency and reduce unnecessary effort. In contrast, items such as legal ambiguity in land property (M = 3.45, SD = 1.170) and external pressure from clients and stakeholders (M = 3.57, SD = 1.186) were given moderate ratings, implying that these issues may be acknowledged without necessarily being experienced or prioritized to the same extent at sector-level runs.

The inaccurate reports from other appraisers were also considered a problem (mean = 3.50, SD = 1.230, which contributes to the level of mistrust of the public in the valuation process. Finally, only suboptimal quality control (mean = 3.55, SD = 1.072) received a moderate score, suggesting subtle feelings on the adequacy and efficiency of prevalent regulatory mechanisms.

In general, the results indicate that the key obstacles for good property valuation practice within the private sector of Addis Ababa are systemic, based on data inadequacy, poor professional support, lack of technological skills, and procedural contradictions. Indeed, such challenges impact not just the quality of valuation results, but more importantly, the credibility and professional status of the profession.

The descriptions of findings concerning Objectives 3 reveal a networked and complicated nature of competing problems that encumber the effectiveness, uniformity and reliability of private real estate appraisal practices in Addis Ababa. According to the findings, the unavailability of reliable and current property information is the intermediary important barrier, scoring the highest mean score of 4.32 (SD = 0.774). This reflects a broader concern

among practitioners that a reliable and centrally documented information base is lacking, thereby significantly weakening the accuracy and reliability of valuation reports.

Teetering on this was a lack of access to professional development activities (Mean = 4.37, SD = 0.814). The finding shows that there are many valuers who feel the industry does not have adequate capacity building that will be used in updating the practitioners on the changes in valuation methods, changes in the market, and international standards. Lack of standardized valuation mechanisms (Mean = 4.10, SD = 0.806) was also found to be a significant challenge. This indicates that a lack of consistency in valuation methods and the techniques adopted by valuers can result in unreliable, subjective, and inconsistent valuation results.

Also worth mentioning is the limited availability of modern valuation technologies (m = 4.05, SD = 0.817). This reveals that there are still disadvantages to using old tools and not having digital systems that affect efficiency and quality improvements. The mistrust toward variation in valuation methods was driven by two distinct, but closely related, statements receiving scores of 3.83 and 4.07, respectively, implying that the persistent divergence of opinions does unmitigated damage to public and professional relations.

The lack of a centralized property data system also appeared as a high-ranking concern (Mean = 4.13, SD = 0.796), which indicates the fragmented or inaccessible data sources leading to the lengthening of the valuation exercise and the exposure to errors. For institutional factors, weak regulatory supervision (Mean = 3.55, SD = 1.072) and external pressure from clients or stakeholders (Mean = 3.57, SD = 1.186) raised moderate to high levels of concern. These suggest that when effective governance mechanisms are absent, valuers may be at risk of being subject to ethical conflicts and act as pseudo auditors.

Other problems include legal uncertainties to land ownership (Mean = 3.45, SD = 1.170), over valuations of properties by other valuers (Mean = 3.50, SD = 1.230) and imputation of stakeholder pressures demonstrating systemic failure within the wider property valuation practitioners.

In conclusion, the evidence for Objective 3 suggests that commercial valuers working in Addis Ababa experience a mix of technical, institutional, and data-related constraints. Overcoming such challenges and ensuring consistent methods are employed, better data

infrastructure, and reasoned training for professionals are critical to improve the transparency, reliability, and credibility of valuation service provisioning in private sector.

4.8.1 Reliability Analysis of the Impact Scale

The internal consistency of the 11 Likert-scale items used in measuring the perceived effects of the real property valuation challenge was examined through a reliability test. The internal consistency for the test was also acceptable Cronbach's Alpha coefficient (0.752). This means that the items are all tapping the same underlying dimension of impact and can be used to form a composite score for subsequent statistical analysis.

Table 4.6 Reliability Analysis of the Impact Scale

Reliability Statistics

Cronbach's Alpha	N of Items
.752	11

Source: Author's Own Survey Result, 2025.

4.9 Descriptive Statistics on Proposed Solutions for Improving Valuation Practice

Table 4.7 Descriptive Statistics on Respondents' Agreement with Proposed Solutions

No	Proposed Solutions for Improving Valuation Practice	Mean	Std. Deviation
1	Creating a centralized property valuation database would improve transparency.	3.95	1.081
2	Regular training and certification should be mandatory for property valuers.	4.02	1.058
3	Encouraging stakeholder collaboration (e.g., banks, valuers, developers, government) would improve the system.	4.1	0.755
4	Greater public access to market data (sales prices, rental values, etc.) would increase trust in valuations.	3.87	0.956
5	Independent reviews and audits of valuations can reduce bias and increase trust in the process.	3.79	1.061

6	Standardized valuation methods should be enforced across all institutions.	4.19	0.987
7	Government oversight and clear legal frameworks are necessary to regulate valuation practices.	4.25	0.865

Source: Author's Own Survey Result, 2025.

Table 4.7 shows the descriptive results. Illuminates perceptions of and attitudes toward proposed solutions to boost the private real property valuation sector in Addis Ababa. The highest level of agreement was reported for government control and a strong legal framework (Mean = 4.25, SD = 0.865). This reflects a high degree of agreement that regulatory enforcement and the rule of law are required to provide a professional, consistent, and accountable valuation sector.

Also appealing was the idea of standardized valuation approaches applied across all institutions, for which a mean of 4.19 (SD = 0.987) was recorded. This denotes consensus in the recognition that it is crucial to develop unified procedures in order to eliminate differences and enhance the reliability of valuation outcomes.

Recommendation encouraging stakeholder collaboration banks, valuer, developers, and government agencies was also highly supported at mean 4.10 (SD = 0.755). Cross-sector collaboration respondents see as an important first step in coordinating, increasing transparency, and providing for better market information

In relation to professional training, the idea of the necessity of periodic training, of certification, if necessary, was significantly embraced (Mean = 4.02, SD = 1.058), indicating the expectation for more skill mastery and quality control in the valuation sector. Establishing a central database for property valuations obtained a mean of 3.95 (SD= 1.081), highlighting a high level of agreement that a connected, accessible database for data would be necessary for valuations to be accurate and transparent.

Respondents also agreed in general with attempts to enhance the public's trust in valuation, including enhanced market data availability (Mean = 3.87, SD = 0.956) and independent review or audit of valuation reports (Mean = 3.79, SD = 1.061). These moderate to high scores suggest that enhanced transparency and the implementation of checks and balances are likely seen as effective in decreasing bias and fostering credibility.

In conclusion, the findings indicate that there is high-level professional support for a comprehensive reform package consisting of legal regulation, methodological standardization, updated data infrastructure, continuous education, and multi-stakeholder co-operation. Together, these actions provide a road map to a more transparent, accurate, and efficient property valuation system in the given private sector of Addis Ababa.

4.9.1 Reliability Analysis of the Solution Scale

Reliability: This study conducted the reliability analysis on 7 Likert-scaled items of the suggested solution to improve real property valuation practice and checked it by using Cronbach's Alpha. This resulted in a coefficient of 0.787, which suggests satisfactory internal consistency. This suggests that the items are measuring the same underlying construct in a consistent fashion and may be summed to create a single composite score for analysis.

Table 4.8 Reliability Analysis of the Solution Scale

Reliability Statistics

Cronbach's Alpha	N of Items
.787	7

Source: Author's Own Survey Result, 2025.

4.10 Regression Analysis of Factors Influencing Valuation Practices

To better understand the factors affecting valuation practices in the private valuation sector in Addis Ababa, regression analysis was applied. A multiple linear regression was performed to analyze the impact on perceived accuracy of various valuation methods, while a binary logistic regression was applied to the factors driving the reliance on the cost approach

4.10.1 Multiple Regression: Valuation Techniques and Perceived Accuracy

Dependent Variable (DV): Perceived accuracy of valuation results.

Independent Variables (IVs): Market approach, Income approach, Cost approach, Hybrid/combination approach.

Table 4.9 Model Summary of Multiple Regression on Perceived Accuracy

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.218[a]	.047	.008	.691

a. Predictors: (Constant),hybrid methods, combination of approaches, cost approach, market approach, income approach

Source: Author's Own Survey Result, 2025.

As shown in Table 10, the predictive regressions explained only 4.7% of the variance in perceived valuation accuracy (R^2 = 047; Adjusted R^2 = 008). This suggests that merely choosing an approach is not a major factor in accuracy, and other external factors play a more significant role.

Table 4.10 ANOVA Results of Multiple Regression on Perceived Accuracy

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.279	4	.570	1.195	.318[b]
	Residual	45.780	96	.477		
	Total	48.059	100			

a. Dependent Variable: Perceived accuracy of valuation Result

b. Predictors: (Constant), hybrid methods, cost approach, market approach, income approach.

Source: Author's Own Survey Result, 2025.

The results from the ANOVA statistical analysis are presented in Table 10, which shows that the model for the combined effect of the valuation approaches (hybrids, cost, market, and income) on accurate property valuation is not statistically significant ($F(4, 96) = 1.195$, $p = 0.318$); implying that these approaches, as a set, do not have significant predictive effect on accurate valuation."

Table 4.11 Regression Coefficients of Valuation Approaches Predicting Perceived Accuracy

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	4.310	.162		26.611	.000
	market approach	.005	.179	.004	.030	.976
	income approach	.363	.229	.249	1.587	.116
	cost approach	-.340	.177	-.233	-1.918	.058
	hybrid methods	-.129	.155	-.093	-.834	.406

a. Dependent Variable: Perceived accuracy of valuation Result

Source: Author's Own Survey Result, 2025.

The regression results reveal an important finding concerning the relationship between valuation approaches and perceived valuation accuracy. As shown in Table 11, the cost approach had a negative association with perceived valuation accuracy ($B = -0.340$, $p = .058$)**.** Although this result was close to the conventional 5% significance level, it was not statistically significant at $p < .05$. Therefore, the finding does not provide sufficient evidence to conclude that the use of the cost approach reduces valuation accuracy. Rather, the negative association may reflect the conditions under which the cost approach is commonly used. As discussed earlier, valuers in Addis Ababa may rely more heavily on the cost approach when reliable market, comparable, rental, and income data are limited. The market, income, and hybrid approaches showed positive coefficients, but none was statistically significant. Given the relatively small sample and the limited explanatory power of the model, these results should be interpreted cautiously. Overall, the findings suggest that valuation accuracy cannot be explained by the choice of valuation approach alone and may depend on broader factors such as the quality of market information, professional experience, property characteristics, and institutional conditions.

Overall, these findings provide evidence that valuers frequently use the cost approach and that the use of this approach is not because of the belief that it is the most reliable, but instead there are systematic restrictions, including limited sales data and the lack of full property databases. That is to say, reliance on the cost approach is the result of pragmatism, not conviction of its professional soundness.

This observation is consistent with the purpose of the paper, which is to explore the current practices and issues in the context of real property valuation. It shows that methodological choices among Addis Ababa's private valuation sector are less about technical precision and more about practical constraints, and thereby underscores the importance of greater data availability, more stringent valuation practices, and greater professional training

4.10.2 Logistic Regression: Determinants of Reliance on the Cost Approach

Further to understand what factors influence a valuer's choice of using of the cost approach, I performed a logistic regression analysis by having:-

- Dependent Variable (DV): Use of cost approach (1 = uses cost approach, 0 = otherwise).
- IVs: Valuation school availability, standardized methodology, lack of technology, lack of professional associations, time constraints, limited access to market data, absence of property database, weak regulation, high valuation cost, few qualified valuers, stakeholder pressure.

Table 4.12 Omnibus Tests of Logistic Regression Model

Omnibus Tests of Model Coefficients

		Chi-square	Df	Sig.
Step 1	Step	75.051	11	.000
	Block	75.051	11	.000
	Model	75.051	11	.000

Source: Author's Own Survey Result, 2025.

The omnibus test in Table 12 shows that the model was highly significant ($\chi^2 = 75.051$, df = 11, $p < .001$). This indicates that the predictors collectively explain reliance on the cost approach

Table 4.13 Model Summary of Logistic Regression on Reliance on Cost Approach

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	53.982[a]	.524	.727

Source: Author's Own Survey Result, 2025.

The logistic regression provides further context for understanding why the cost approach is frequently used. Unlike the multiple regression model predicting perceived accuracy, the logistic regression model was statistically significant ($\chi^2 = 75.051$, df = 11, $p < .001$), with a Nagelkerke R^2 of 0.727. The results indicate that reliance on the cost approach is strongly associated with structural and operational conditions, particularly limited access to market data, absence of a property database, and time constraints.

This finding strengthens the interpretation that frequent use of the cost approach is not necessarily a matter of professional preference alone. Instead, it may represent a practical response to limitations in the valuation environment.

Table 4.14 Logistic Regression Coefficients of Factors Influencing Reliance on Cost Approach

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1[a]	Limited Number of Property Valuation Schools	.279	.574	.237	1	.626	1.322
	Lack of Standardized Valuation Methods	.533	.398	1.797	1	.180	1.704
	Lack of Proper Technology for Accurate Valuations	-.930	.452	4.240	1	.039	.394
	Absence of Property Valuer Association	-.363	.451	.648	1	.421	.696
	Time Constraints	1.213	.422	8.264	1	.004	3.363

Lack of Access to Reliable and Up to Date Property Data	4.675	1.162	16.187	1	.000	107.183
Absence of a Centralized Property Database	2.394	.872	7.541	1	.006	10.956
Absence of Regulatory Body	-.516	.485	1.132	1	.287	.597
Cost of Valuation Services	-.165	.356	.214	1	.643	.848
Limited Number of Qualified Valuers	-.755	.525	2.069	1	.150	.470
Pressure from Stakeholders to Influence the Valuation Outcome	.439	.348	1.587	1	.208	1.551
Constant	-23.346	6.399	13.312	1	.000	.000

a. Variable(s) entered on step 1: Limited number of property valuation schools, lack of standardized valuation methods, lack of proper technology for accurate valuations, absence of a property valuer association, time constraints, lack of access to reliable and up-to-date property data, absence of a centralized property database, absence of a regulatory body, cost of valuation services, limited number of qualified valuers, and pressure from stakeholders to influence the valuation outcome.

Source: Author's Own Survey Result, 2025.

As shown in Table 14, four predictors were statistically significant. Lack of access to market data was the strongest predictor (OR = 107.18, $p < .001$), followed by absence of a centralized property database (OR = 10.96, $p = .006$), time constraints (OR = 3.36, $p = .004$), and lack of technology engagement (OR = 0.39, $p = .039$). valuers without technology were less likely to use the cost method only and tended more to be hybrids of manual methods.

4.10.3 Comparative Discussion and Implications

Taken together, the two regression models provide an important insight into private valuation practice in Addis Ababa. The multiple regression model showed that the selected valuation approaches explained only a small proportion of perceived valuation accuracy (R^2

= 0.047) and were not statistically significant as a group. In contrast, the logistic regression model showed a strong relationship between the identified structural and operational factors and reliance on the cost approach.

This difference suggests that the main issue may not be the availability of valuation approaches themselves, but the conditions under which valuers apply them. Where reliable market and income information is limited, valuers may rely on the cost approach because it is more practicable. Consequently, improving valuation accuracy requires attention not only to professional methodology but also to the quality of market information, property records, technology, professional capacity, and institutional support

4.11 Qualitative Data Results

As part of data triangulation, semi-structured interviews were conducted to complement and validate the survey findings. Ten professionals working in the private real property valuation sector in Addis Ababa were purposefully selected for the interviews based on their expertise, experience, and direct involvement in property valuation practices.

Before the interviews, the purpose of the study was explained, and participants were asked to describe their professional background, current role, years of experience, and educational qualifications. To strengthen reliability, all interviewees also completed the survey questionnaire on key challenges affecting valuation practices. Each interview lasted approximately 20–30 minutes.

All participants held at least a Bachelor's degree and had a minimum of 5 years of experience in property valuation. Their extensive exposure to valuation work ensures the relevance and credibility of the qualitative findings. Table 4.12 summarizes the characteristics of the interviewees.

Table 4.15 Interviewees' Characteristics

No	Sector	Education Level	Years of Experience	Current Role

1	Private Valuation Sector	Chartered Valuer	12	Owner
2	Private Valuation Sector	Chartered Valuer	15	Owner
3	Private Valuation Sector	BSc	5	Junior Valuer
4	Private Valuation Sector	MSc	18	Manager
5	Private Valuation Sector	BSc	6	Junior Valuer
6	Private Valuation Sector	MSc	20	Manager
7	Private Valuation Sector	BSc	11	Senior Valuer
8	Private Valuation Sector	MSc	13	Manager
9	Private Valuation Sector	BSc	9	Senior Valuer
10	Private Valuation Sector	MSc	16	Owner

4.11.1 Experts' Opinions

In addition to the survey data, semi-structured interviews were held with licensed private valuers in Addis Ababa. Their insights are particularly helpful when it comes to insider accounts of systemic and professional issues surrounding property valuation. The results are reported according to the main themes in line with the objectives of the study.

4.11.1.1 Key Challenges in Property Valuation

One of the challenges that was mentioned consistently by the vast majority interviewed was being able to access market information one can trust. Some respondents noted that in the absence of actual information about sales or rentals, appraisals become a highly speculative exercise. Valuers are "working in the dark" without the data, one expert said.

Another issue that worried all was the lack of a unified property database. Valuers said there were patchy data records and discrepancies between banks. "Every office has its records, but there is no central system to funnel information together," one participant said.

Technological constraints were also highlighted. A large number of the people we spoke to said they were using archaic tools and doing manual calculations, something that was

holding them back in terms of both speed and accuracy. “The international firms use all these fancy and advanced software,” one respondent noted, “while the majority of us still work with basic Excel sheets.”

The interviews also exposed inconsistencies in valuation methods, as various practitioners, valuing the same property, applied different valuation approaches. This heterogeneous distribution was claimed would cause wide variation in test results. This is compounded by regulatory voids, as one valuer said, “There are no strict rules to guide our work, so everyone interprets methods in their own way.”

4.11.1.2 Factors Influencing Valuation Accuracy

The importance of the experience and education of the valuers was stressed by interviewees in achieving a reliable and accurate valuation. “It makes a difference in the measured quality of the report when the valuer has training and years of experience,” noted one person who took part.

Simultaneously, time constraints were felt to be a major constraint. And some banks and clients want reports in as little as a few days, interviewees acknowledged, which can undermine the depth of analysis. As one respondent said, “We often do the minimum to meet tight deadlines.”

Client demands were also an issue. Some valuers shared an experience of clients manipulating the results to suit their motives. But that is “a tough spot, because clients might sometimes want us to inflate or deflate values,” one participant said.

Finally data began to be re-emphasized as essential. Market and income approach valuation methods are especially hindered by outdated or inaccurate records.

4.11.1.3 Impact of Valuation Challenges

The repercussions of these issues are not only for individual journalists but for the credibility of the profession. Some respondents indicated that a lack of trust in the results is created when there is a wide variation produced for a property between valuer one and valuer two.

Due to a lack of market information, most valuers often use the cost approach predominantly rather than otherwise. One expert allowed that “we often resort to the cost method not because it is the best one, but because there is no other possible.”

The absence of digital tools and scattered information also adds to operational inefficiency, taking longer and resources per valuation. They also highlighted deficiencies in training, with access to ongoing staff development impeding valuers’ uptake of best practice.

4.11.1.4 Suggested Solutions

Despite this difficulty, our interviewees came up with a number of feasible reforms. The most popular suggestion was the creation of a single property database that collates all transaction records to promote transparency and evidence-based valuations.

Respondents also stressed the importance of harmonized valuation methods, which would help alleviate divergences and improve comparability. Valuation professional training Key influences Valuation training and certification were perceived to be necessary to build capacity among valuers, and that there was a need for improved government regulation and oversight to create compliance and lift standards.

Finally, several contributors emphasized the importance of cooperation between valuers, financial institutions, and government authorities in order to enhance information exchange and to encourage best practice.

In general, the expert interviews support that the problems affecting the Addis Ababa private valuation sector are deeper, involving inadequacy of data, weak regulations, lagging technology, and training. These circumstances have resulted in an overdependence on the cost approach, incongruent conclusions, and a disparagement of the profession. But, the solutions suggested centralized repositories of data, normalization of processes, ongoing education, more oversight, and input from all stakeholders all provide a clear road map on how reliability, fairness, and transparency could be implemented in real property valuation.

4.12 Discussion

The literature review in Chapter Two identified several systemic challenges affecting real property valuation practices in Addis Ababa. Chief among these were the scarcity of reliable market data, the predominant reliance on cost-based valuation methods, the absence of standardized frameworks consistent with international guidelines such as the IVS and RICS, limited professional capacity, and weak institutional oversight by regulatory bodies such as the NBE and FITA (FITA, 2023; Habitat, 2020; International Valuation Standards, 2022), Comparative studies from Sub-Saharan Africa further highlighted how informal property markets, affordability constraints, and tenure insecurity distort valuation outcomes and weaken the credibility of the sector.

The empirical results presented in this study strongly confirm these theoretical insights. A majority of respondents reported that the lack of accessible and reliable property transaction data represents one of the greatest obstacles to accurate valuation, directly echoing the literature's emphasis on data scarcity and the absence of structured systems such as Multiple Listing Services (MLS). Similarly, the survey responses and regression analysis revealed that the cost approach remains the most widely applied valuation method among private valuers, despite its recognized limitations in reflecting actual market conditions. This reliance corroborates the literature's critique of Ethiopia's overdependence on cost-based valuation methods (Eckert et al., 1990) .Furthermore, respondents frequently identified the absence of standardized valuation procedures as a major source of inconsistency, reinforcing the literature's finding that methodological variation can undermine transparency and stakeholder confidence (Eckert et al., 1990).

An important finding that requires further consideration is the apparent discrepancy between valuers' perceived appropriateness of their valuation methods and the observed relationship between the cost approach and perceived valuation accuracy. Although 92.1% of respondents indicated that the valuation methods they use are appropriate, the regression analysis showed a negative relationship between the use of the cost approach, which was the most commonly used method, and perceived valuation accuracy. This finding does not necessarily imply that valuers consider the cost approach inherently inaccurate. Rather, it may reflect the practical conditions under which the method is applied. Valuers may continue to rely on the cost approach because of the limited availability of reliable and up-to-date market data, the absence of a centralized property database, limited access to alternative

valuation tools, professional familiarity with the method, and established valuation practices. Thus, the high reported appropriateness of valuation methods may reflect their suitability within the existing professional and institutional environment rather than their ability to produce the most accurate market-based estimates. Professional defensiveness or reluctance to criticize commonly used practices may also contribute to the high perception of appropriateness. Therefore, the continued use of the cost approach appears to be driven partly by necessity, familiarity, and data constraints rather than by a strong perception that it provides the most accurate valuation results. This finding is particularly important because it demonstrates that method selection cannot be understood independently of the broader institutional and data environment in which valuers operate.

In addition, the results substantiated concerns regarding professional capacity and institutional effectiveness. Most valuers were found to be relatively young professionals, with limited access to advanced training or continuous professional development, which aligns with the literature's call for stronger professional frameworks and alignment with international best practices promoted by bodies such as ANEVAR, RNCV, and IAAO (Eckert et al., 1990). Likewise, respondents identified weak regulatory enforcement, bureaucratic inefficiencies, and corruption as persistent challenges, reflecting the literature's assertion that institutional weaknesses erode the credibility of valuation practice finally, the difficulties of valuing informal settlements where properties lack legal titles were widely acknowledged, further confirming the literature's observation that informality in Sub-Saharan Africa creates systemic valuation distortions.

Taken together, these connections demonstrate a strong convergence between theoretical knowledge and empirical evidence. The challenges emphasized in the literature are not only conceptual but are also experienced daily by practitioners in Addis Ababa. This reinforces the urgency of comprehensive reform, including the adoption of international best practices, improved data management systems, stronger regulatory oversight, and sustained professional development initiatives.

In conclusion, the findings of this study provide clear empirical confirmation of the challenges highlighted in the literature. The persistent reliance on the cost approach, scarcity of reliable market data, lack of standardized frameworks, limited professional capacity, and weak regulatory oversight collectively undermine the credibility and consistency of valuation practice in Addis Ababa these findings are consistent with both international and

regional evidence, demonstrating that Ethiopia's valuation sector faces structural and institutional weaknesses common to emerging markets. Addressing these challenges will require context-specific reforms supported by international standards, improved regulatory enforcement, professional capacity building and enhanced transparency mechanisms to ensure a more reliable and trustworthy valuation system. Chapter Five will build on these findings by drawing conclusions, formulating recommendations, and proposing strategies to enhance the accuracy, transparency, and reliability of real property valuation practices in Addis Ababa's private valuation sector.

5 CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the overall conclusion and recommendations drawn from the findings of the study on the challenges of real property valuation practice in the private valuation sector in Addis Ababa. The conclusions bring together the major findings on valuation practices, valuation approaches, and the challenges faced by private valuers. The recommendations focus on practical measures that could help improve the accuracy, consistency, transparency, and credibility of property valuation practice.

5.2 Conclusions

The study found that private real property valuation practice in Addis Ababa is affected by a combination of market, professional, technological, and institutional challenges**.** Among the most important issues identified were limited access to reliable and up-to-date property information and the absence of a centralized property database.

The cost approach was the most frequently used valuation approach**,** while the market and income approaches were used less frequently. The findings suggest that this pattern is closely related to difficulties in obtaining reliable transaction, comparable, rental, and income information. Therefore, the frequent use of the cost approach should not necessarily be understood as valuers considering it the best approach in all situations. Rather, it may reflect the practical limitations of the information available to them.

The regression analysis also showed that the selected valuation approaches did not significantly explain perceived valuation accuracy. This suggests that valuation accuracy cannot be understood simply by looking at the method selected by the valuer. The quality of available market information, professional competence, technology, and the institutional environment also influence how effectively a valuation can be carried out.

Overall, the study concludes that the challenges facing private property valuation in Addis Ababa are broader than the choice of valuation method**.** Improving valuation practice therefore requires attention to the conditions that support valuers in applying appropriate methods effectively.

5.3 Recommendations

Based on the findings of the study, the following recommendations are proposed:

- The legal and institutional framework governing private property valuation should be strengthened by clarifying professional responsibilities, ethical requirements, accountability, and regulatory oversight. Such improvements should be introduced gradually and supported by adequate institutional capacity and effective enforcement mechanisms.
- Greater attention should be given to improving the availability and reliability of property-market information. Existing transaction, rental, and property records should be reviewed, verified, updated, and organized so that valuers can access more dependable evidence when undertaking valuations.
- A centralized property-information system could provide important long-term benefits for valuation practice; however, its rapid implementation may not be realistic under existing institutional and administrative conditions. Therefore, development of such a system should be approached progressively, beginning with improving existing records, establishing common data standards, clarifying institutional responsibilities, and testing the system through pilot projects before wider implementation.
- Valuers should be encouraged to select the most appropriate valuation approach, or combination of approaches, based on the purpose of the valuation, property characteristics, and quality of available evidence. The findings do not support the immediate enforcement of a single valuation method, particularly where reliable market and income data remain limited.
- Continuous professional development should be strengthened, particularly in market analysis, income valuation, data analysis, ethics, and recognized valuation standards. Practical training should help valuers make better use of available evidence and apply appropriate approaches consistently.
- Cooperation among private valuers, relevant government institutions, financial institutions, professional bodies, developers, and other users of valuation services should be strengthened. Regular information-sharing and consultation could improve transparency, consistency, and understanding of valuation requirements.

- Finally, reforms should be phased and coordinated rather than implemented as immediate, wide-ranging changes. Improvements in regulation, market information, professional capacity, and institutional coordination should progress together so that each reform is supported by the conditions necessary for effective implementation.

5.4 Directions for Future Research

Future studies should focus on:

- Examining valuation accuracy using actual valuation reports and independently verified market information rather than relying mainly on valuers' perceptions.
- Investigating the influence of market-data quality, professional experience, property characteristics, and institutional conditions on valuation accuracy.
- Including financial institutions, investors, developers, and relevant government institutions to obtain broader evidence on the impacts of valuation challenges.
- Examining how property-information systems and improved valuation standards could be introduced progressively within the Ethiopian context Summery

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Appendix A. Survey Questionnaires

I am conducting a research study entitled **"Investigating the Challenges of Real Property Valuation Practice in the Private Valuation Sector in Addis Ababa."** The purpose of this questionnaire is to collect information about current real property valuation practices, the challenges faced by private valuation professionals, their impacts, and possible measures for improvement.

You have been selected as a participant because of your experience or involvement in real property valuation. Your participation is voluntary, and the information you provide will be used solely for academic research purposes. Your responses will be treated with confidentiality and will not be used to identify you individually.

I kindly request you to provide honest and accurate responses to the questions based on your experience and knowledge. Your participation and valuable input are highly appreciated and will contribute to the successful completion of this research.

Thank you for your time and cooperation.

Sincerely,

Woinshet Amare
Researcher

Instruction

- Not to write your name
- For open-ended questions, put " ✓ "
- Briefly, write down your answer for the open-ended questionnaire

Part I: Demographic information

1. Sex: Male ☐ Female ☐

2. Age: 20-29 ☐ 30-39 ☐ 40-49 ☐ Over 50 years ☐

3. Which industry are you in?

4. Your position?

5. Your work experience?

☐ 1 years or less ☐ 1-3 year's ☐4-6 year's ☐ 7-10 years ☐ more than 10 years

6. What is your most highly educated level?

☐ GED/High school/Equivalency Vocational/technical training

☐ College

☐ Degree

☐ Masters

☐ PhD

☐Other (specify) _

Part II. The Responses Here Are from Property Valuation Practices in your institution and Addis Ababa. Think about how your institution values property and respond to what degree you respond to each item. Your feedback will help in evaluating how effective, congruent, and operational these practices are.

1. What part do you play in the property valuation procedure?

☐ Property Owner

☐ Developer

☐ Valuer/Appraiser

☐ Government Official

☐ Real Estate Investor

☐ Another way (Please type) _

2. How frequently do you carry out valuations of property?

☐ Daily

☐ Weekly

☐ Monthly

☐ Quarterly

☐ Annually

☐ Other specify_____

3. What kind of properties do you focus on? (Select all that apply)

☐ Residential

☐ Commercial

☐ Industrial

☐ Mixed-use

☐ Other (please specify): _

4. What single task have you mainly been appraising property for?

☐ Market value assessment

☐ Lending and collateral valuation

☐ Investment analysis

☐ Insurance purposes

☐ Taxation purposes

☐ IFRS Purposes

Other (Please specify)`_☐。

5. Whose responsibility is it to start the valuation of the property?

☐ Internal departments (such as finance, real estate)

☐ Third parties (for example, investors, property owners)

☐ Authorities or public regulatory bodies

☐ Other (please specify) _

6. How do you do valuations of properties in any of the methods? ~ Which methods do you use? (Select all that apply)

☐ Market Approach

☐ Income Approach

☐ Cost Approach

☐ Mixed methods (mix of any of the above)

☐ Other (Please specify) _

7. How do you assess the integrity, accuracy, and transparency of the above method against other methods of property valuation? _ _

8. Do you think the current methods of assessment that you use are an appropriate way to establish property values systematically?

☐ Yes, completely

☐ Yes, to some extent

☐ Neutral

☐ No, not much

☐ No, not at all

If you have reason_____

7. Is there any property appraisal system or criterion followed by your institution?

☐ Yes, always

☐ Yes, sometimes

☐ No, never

If so, tell me about it _

Part III. The following questions are related to the problems you encounter when you perform or review property valuation in private valuation sector in Addis Ababa. Please also take into account the obstacles that are preventing you from providing accurate, consistent, and transparent property valuation services in the city of Addis Ababa. Your response will assist in the identification of key challenges and will offer insight into potential solutions that could improve the process of the property's appraisal. Please rate the extent to which you agree or disagree with the following statements on the scale provided by entering the response number: 1 (Strongly disagree), 2(Disagree) 3 (Neutral), 4(Agree) & (Strongly agree).

Item No	**Question related to challenges of practicing property valuation in Addis Ababa**	**1**	**2**	**3**	**4**	**5**
1	Lack of access to reliable and up-to-date property data					
2	Legal disputes regarding property ownership and					
3	Lack of standardized valuation methods					
4	Limited number of qualified valuers					
5	Pressure from stakeholders to influence the valuation outcome					
6	Absence of a Regulatory body					
7	Absence of a centralized property database					
8	Cost of valuation services					
9	Time constraints					
10	Lack of proper technology for accurate valuations					
11	Limited number of property valuation schools					
12	Absence of property value association					

Part IV. The statements that follows explain how the challenge of valuation for property affects different sectors in Addis Ababa. Please reflect on the challenges you face or the challenges of your organization towards executing property valuation in Addis Ababa, particularly those that jeopardize the actual, consistent and transparent practice of property valuation. Your answers will inform the biggest challenges and give input on how we can make a property valuation process that works for the city. Please circle the number beside

each statement to indicate your degree of agreement with the following scale: 1(strongly disagree), 2(disagree), 3 (neutral), 4(agree), 5(strongly agree).

Item No	**Question related to** Impact of Property Valuation Challenges on Various Stakeholders in Addis Ababa	**1**	**2**	**3**	**4**	**5**
1	Valuation challenges reduce trust in property-related transactions.					
2	Disputes over property values are common among owners.					
3	Inconsistent valuations affect project planning and budgeting.					
4	Developers struggle to set fair market prices due to valuation issues.					
5	Poor valuation leads to risky lending practices.					
6	Valuation inconsistencies affect loan-to-value assessments.					
7	Inaccurate property values hinder effective taxation.					
8	Government planning suffers from unreliable valuation data.					
9	Unreliable valuations deter potential investors.					
10	Property valuation risks affect investment returns.					
11	Property valuation challenges delay project approvals and investment decisions.					

How have property valuation challenges impacted you or your organization, and have you experienced any related issues? If yes, please briefly explain._____

Part V. The following statements focus on identifying **potential solutions and best practices** to enhance the **accuracy**, **consistency**, and **transparency** of property valuation practices in **Addis Ababa**.As you respond, please reflect on what solutions could help establish a more reliable and standardized property valuation system in the city. Your input is valuable and will contribute to identifying practical recommendations for improving the current practices.Kindly indicate the extent to which you agree or disagree with each statement by selecting the number that best represents your opinion on the following scale:**1 (strongly disagree) 2(disagree) 3 (neutral) 4(agree) & (Strongly agree).**

		1	2	3	4	5
Item No	**Question related to explore potential solutions and best practices for improving property valuation practices in Addis Ababa.**					
1	Greater public access to market data (sales prices, rental values, etc.) would increase trust in valuations.					
2	Regular training and certification should be mandatory for property valuers.					
3	Government oversight and clear legal frameworks are necessary to regulate valuation practices.					
4	Encouraging stakeholder collaboration (e.g., banks, valuers, developers, government) would improve the system.					
5	Independent reviews and audits of valuations can reduce bias and increase trust in the process.					
6	Creating a centralized property valuation database would improve transparency.					
7	Standardized valuation methods should be enforced across all institutions.					

What additional suggestions or recommendations do you have for addressing challenges in property valuation practices in Addis Ababa?

_____

Appendix B. Interview Questions

Part 1: Introduction

1. Can you describe your role, education, and years of experience in property valuation?

Part 2: Valuation Practices

2. Which valuation methods do you mostly use, and why?
3. How do you access property market data, and what challenges do you face?

Part 3: Key Challenges

4. What are the biggest challenges in valuation practice in Addis Ababa?
5. How do regulations, or the lack of them, affect your work?
6. Have time pressure or client influence affected your valuations?

Part 4: Impacts and Solutions

7. How do these challenges affect the credibility of valuation reports?
8. What are the consequences for stakeholders such as banks, developers, and buyers?
9. What solutions would you recommend to improve valuation practices?
10. Would a centralized property database and more training programs help? Why or why not?

Part 5: Closing

11. What role should government and professional associations play?
12. Any final advice for new professionals entering the valuation sector?

Appendix C. List of Active Private Asset Valuation Companies

List of Active Private Asset Valuation Companies Registered under Asset Valuation Activity Code (82115) at the Addis Ababa City Administration Trade Bureau as of 2024/2025

	Registered Asset Valuation Companies In Addis Ababa (2024/2025)	
Item No.	Business Name	Sub City
1	Industrial Projects Service	Bole
2	Planet Consultancy Plc	Kirkos
3	Chilot Amare Abera	Yeka
4	Abiy Gebeyehu Gebrehanna	Kirkos
5	Addis Mekuria Wondimu	Lemi Kura
6	Ermias Demere Teferi	Lemi Kura
7	Abel Tadessee Teshome	Akaki Kality
8	Archsol Consulting Architect And Engineers Plc	Akaki Kality
9	Ashenafi Tesfaye Mengesha	Nefas Silk-Lafto
10	Alemu Lakew Tadesse	Bole
11	Habtamu Fekede Shalemo	Nefas Silk-Lafto
12	Her Sol An Construc Techno And Mangm Consu Engineers Plc	Bole
13	Milkomnet Plc	Addis Ketema
14	Natmar Trading One Member P L C	Yeka
15	Proma Partners Plc	Arada
16	Protimes Trading One Member Plc	Arada
17	Wikir Engineering P L C	Yeka
18	Dan Asset Valuation Services Plc	Gulele
19	Mavenica Trading P L C	Lemi Kura
20	Das Property Management Plc	Yeka
21	Estate Innovators Group Plc	Kirkos
22	Lamed Real Property Appraisal Plc	Nefas Silk-Lafto
23	Hab Business Plc	Yeka
24	Kabi Trading One Member P L C	Yeka
25	Abacus Consultants And Trading Plc	Kirkos
26	Agafari Trading And Property Marketing Plc	Bole
27	D V M Technologies Plc	Lemi Kura
28	Pela Asset Valuation And Administration Plc	Lideta
29	Yohannes Tekle Gebremariam	Yeka
30	Teka Degefa Daba	Kolfe-Keraniyo
31	Dallol Consulting Plc	Kirkos

32	Gebreamlak Arage Gubena	Yeka
33	Getahun Abebaw Msikir	Kolfe-Keraniyo
34	Lioul Delelegn Zeleke	Gulele
35	Aster Sahlemariam Haile	Kolfe-Keraniyo
36	Elias Regasa Bedasa	Nefas Silk-Lafto
37	Malma Consulting And Trading One Member Plc	Arada
38	Yonas Atnafu Tiruneh	Lideta
39	Technophile Construction And Tradin G P L C	Yeka
40	Damu Management Consut P L C	Lemi Kura
41	Alemsegede Mesie Woledemichael	Akaki Kality
42	Temesgen Mulatu Anteneh	Kirkos
43	Real Property Valuation And Save Life Consultancy P L C	Lideta
44	Sf Yenbret Acha Gemeta Sera Plc	Lideta
45	Horizon Consultancy And Training Service P L C	Lideta
46	Getachew Tesfaye Shikuru	Bole
47	Afet Consultants Private Limited Company	Bole
48	Eskindir Atomsa Beyene	Lemi Kura
49	Abraham Tesfaye Bika	Kolfe-Keraniyo
50	Tz Consulting Plc	Bole
51	Teadd Engineering Plc	Lideta
52	Ece Advanced Engineering P L C	Nefas Silk-Lafto
53	Nolot Trade And Investment Plc	Bole
54	Abay Jemal Hamza	Lideta
55	Triplets Engineering And Valuation Works Plc	Lideta
56	Nemad Consulting Architects And Eneginering Privat	Kirkos
57	Oib Oda Real Estate Plc	Lideta
58	M T Asset Valuation And Consultancy Plc	Akaki Kality
59	Asmamaw Gizachew Kasa	Kirkos
60	Almeknun Asset Valuation And Consultancy P L C	Bole
61	Salih Mohammedtahir Seid	Kirkos
62	Mulugeta Degefa Tesu	Bole
63	Alemu Asmare Bayable	Nefas Silk-Lafto
64	Safe Lead Asset Valuation P L C	Bole
65	Birehan Ayehu Asnake	Yeka
66	Sinda Engineering Plc	Akaki Kality
67	Tafka Engineering Plc	Lideta
68	Lelena Getachew Mengesha	Bole
69	Unlock Consultancy And Engineering P L C	Nefas Silk-Lafto
70	Kalayu Abreha Gidey	Bole
71	Getu Melese Temesgen	Lemi Kura

72	Yohanes Argaw Ibisa	Nefas Silk-Lafto
73	Tamrat Eshetu Chere	Gulele
74	Gebregziabher Redda W/Ssilassie	Nefas Silk-Lafto
75	Get Asset Valuation And Managment Plc	Akaki Kality
76	Future Asset Valuation And Consultancy Plc	Bole
77	Paulos Wongel Dimitry	Kirkos
78	Mulugeta Dires Tesgayie	Yeka
79	Taytaw Consulting Plc	Bole
80	Mefithe Asset Valuation P L C	Nefas Silk-Lafto
81	Aweke Denibel Andino	Kolfe-Keraniyo
82	Yesuneh Sisay Mareye	Kirkos
83	Champion Trading And Properties Plc	Kirkos
84	Afro Universal Consult And General Trading Plc	Nefas Silk-Lafto
85	Atk Building Investments P L C	Bole
86	Mated Consulting And Training Service Plc	Yeka
87	Gizaw Tefera Gizaw	Nefas Silk-Lafto
88	Zewde Abebe Gebremedhin	Gulele
89	Premium Quality Education Services Sc	Bole
90	Samuel Woldeyohannes Birke	Nefas Silk-Lafto
91	Yisakor Wisdom Architectural Engineering Consultin	Bole
92	Shemga Ethiopia Yitswer Habet Affillagi And Trading Construction Plc	Yeka
93	Tamirat Abate Gezaw	Akaki Kality
94	Teferi Dunfa Borcha	Nefas Silk-Lafto
95	Eyoel Getachew Teferi	Addis Ketema
96	Tekalign Yisehak Egu	Kirkos
97	Nemad Consulting Architects And Eneginering Privat	Kirkos
98	Tekton Consulting Architects And Engineers Plc	Bole
99	Atk Building Investments P L C	Bole
100	Tamiru Tesfaye Alino	Lideta
101	Friendship Construction And Architects Asset Valuation P L C	Lideta
102	Ibrahim Abdela Husen	Nefas Silk-Lafto
103	Megabet Property Management Plc	Lemi Kura
104	Tewodros Endawake Taye	Arada
105	Lkiet Property Valuation And Management Plc	Bole
106	Fortune Key Property Valuation Consulting And Asset Management Engineering P/S	Akaki Kality
107	Che Trading Plc	Bole
108	Daniel Demissie Bedane	Gulele
109	Plod Consultancy And Business Plc	Lemi Kura
110	Aman Hussen Ali	Nefas Silk-Lafto

111	Yifru Gebreselassie Keto	Arada
112	Solomon Nega Tekalign	Lemi Kura
113	Abera Kuma Heyi	Arada
114	Hagereseb Property Manegement And Valuation Servic	Lideta
115	Daniel Kidanemariam Hailu	Kirkos
116	Ydhar Trading Plc	Kolfe-Keraniyo
117	Geleltegna Asset Valuation And Consultancy Plc	Lideta
118	Tz Consulting Plc	Bole
119	Fetene Zeru Kase	Arada
120	Yimer Hamza Mohamed	Bole
121	Firdawek Angasu Borena	Akaki Kality
122	Mahidereselam Alemu Gebreyes	Lemi Kura
123	Get Asset Valuation And Managment Plc	Akaki Kality
124	Adera Degif Temesgen	Kolfe-Keraniyo
125	Mahidereselam Alemu Gebreyes	Lemi Kura
126	Triscon Conestraction P L C	Yeka
127	Solomon Ayehu Asnake	Yeka
128	Hillawi Abrham Gebremariam	Bole
129	Tenot Architects Plc	Bole
130	Girgeta Engineering Management Plc	Lemi Kura
131	Ketsela Haregewoyn Kassa	Bole
132	Amistad Civil Engineering P L C	Yeka
133	Ydnekachw Tefera Negede	Kirkos
134	Realstar Engineering P L C	Nefas Silk-Lafto
135	Abraham Fekede Adebo	Addis Ketema
136	Dereje Zerfie Tadesse	Yeka
137	Yordanos Girma Habtmariam	Bole
138	Daniel Hailu Berhe	Arada
139	Faith Asset Valuation And Management P L C	Arada
140	Samson Damena Adera	Bole
141	Geom Luigi Varnero Impresa Costruzioni Plc	Lideta
142	Solomon Alamirew Teju	Kolfe-Keraniyo
143	Realstar Engineering P L C	Nefas Silk-Lafto
144	Ece Advanced Engineering P L C	Nefas Silk-Lafto
145	Pier Consulting Architects And Engineering P L C	Yeka
146	Nations Empire Share Company	Lideta
147	Mesefen Gberra Tekela	Arada
148	Fekadu Wakigari And Firends Commission Work P/Ship	Akaki Kality
149	Yiterfe Derbie Hbetmeskel	Akaki Kality
150	Simenesh Lakew Banjaw	Lideta

151	Kiros Amedemareyam Gebreab	Gulele
152	Zewudu Alemayehu Mada	Nefas Silk-Lafto
153	Gatmets International Cons Eng Plan And Arc Plc	Kirkos
154	Hidayah Property Management Asset Valution Manag Consult P L C	Lideta
155	Champion Trading And Properties Plc	Kirkos
156	Y A Audit Service Limited Liability Partnership	Bole
157	Nexus Investment Solution Plc	Kirkos
158	Ads Valuation Service P L C	Bole
159	Yetmen Construction One Member Plc	Addis Ketema
160	Lead Property Valuation Ans Asset Managment Plc	Kirkos
161	Kiros Amedemareyam Gebreab	Gulele
162	Byh Engineering And Management Plc	Lemi Kura
163	Hitek Consult Plc Plc	Kirkos
164	Selamawit Yeshiwas Ferede	Arada
165	Topmost Consulting Group Plc	Kirkos
166	Yonas Gizaw Gebretsadik	Bole
167	Abiy Adinew Yimam	Lideta
168	Getachew Wakjira Begna	Akaki Kality
169	Meaza Hiruy Asegedom	Arada
170	Tekeba And Friends Property Valuation And Manageme	Kirkos
171	Masresha Simon And Their Freinds Asset Valuation P	Kolfe-Keraniyo
172	Getachew Yehuala Belachew	Akaki Kality
173	Mehari Afework Yohannes	Bole
174	Enderas National Plc	Bole
175	Bloomline Consulting And Trading P L C	Lideta
176	Sileshi Consult Consulting Architects And Engineers Plc	Yeka
177	Wondwosen Nigusie Abebe	Yeka
178	Adera Degif Temesgen	Kolfe-Keraniyo
179	Eyuel Berhanu Tsemiru	Addis Ketema
180	Daud Habtamu Fenta	Kirkos
181	Inlabs Business Plc	Kirkos
182	African Business And Development Consultants Plc	Kirkos
183	Alehegne Abebaw Belaye	Kolfe-Keraniyo
184	Global Properti Management Soluition One Member Plc	Bole
185	H H Trading P L C	Bole
186	Mebratu Bayhi Birhanu	Lemi Kura
187	Valufair Property Valuations And Management Plc	Lemi Kura
188	Fekadu Girma Wodajo	Bole
189	Sinda Engineering Plc	Akaki Kality

190	Nolawi Asset Valuation Activities P L C	Addis Ketema
191	Apollo Business Plc	Kirkos
192	Yirgu Tamire Ababahier	Kirkos
193	Safeday Consultancy And Training Service Plc	Lemi Kura
194	Estate Surveyors And Valuers P Lc	Bole
195	Dynamic Planners Plc	Kirkos
196	Habtamu Tesfaye Tesemma	Kirkos
197	Roha Valuation And Consultancy Plc	Bole
198	Hagere Kinde Kase	Nefas Silk-Lafto
199	Niqihir Real Estate And Mole Share Company	Kolfe-Keraniyo
200	Tamirat Assefa Tadesse	Yeka
201	Tilahune Mengiste Tesfaye	Arada

Source: Addis Ababa City Administration Trade Bureau, Registered Asset Valuation Companies under Activity Code 82115, 2024/2025.

Appendix D. Publishable Manuscript

CHALLENGES OF REAL PROPERTY VALUATION PRACTICE IN THE PRIVATE VALUATION SECTOR IN ADDIS ABABA

WoinshetAmare[1], TeshomeTefera[2]

Abstract

Real property valuation plays an important role in property transactions, lending, investment, taxation, compensation, and land administration. This study examined private real property valuation practice in Addis Ababa, Ethiopia, focusing on the valuation approaches used, the major challenges affecting valuation practice, their relationship with perceived valuation accuracy, and measures for improvement. A mixed-methods approach was used, involving 101 private valuation practitioners and interviews with 10 experienced professionals. The findings show that the cost approach was the most frequently used method (66.3%)**,** followed by hybrid (54.5%), market (52.5%), and income (33.7%) approaches. Limited access to reliable and up-to-date property data and the absence of a centralized property database were identified as major challenges. The regression analysis showed that valuation approaches did not significantly predict perceived valuation accuracy (R2=.047, p=.318), suggesting that accuracy is influenced by factors beyond method selection. The study concludes that improving valuation practice requires better market information, professional capacity, technology, and institutional coordination. It recommends appropriate and evidence-based selection of valuation approaches and phased improvements in property-information and regulatory systems to strengthen the accuracy, consistency, and transparency of private property valuation in Addis Ababa.

[1] Department of Urban and Regional Planning, School of the Built Environment, Addis Ababa University
Email: woinuaa16@gmail.com

[2] Department of Urban and Regional Planning, School of the Built Environment, Addis Ababa University, Addis Ababa, Ethiopia
Email: teshome.tefera@eiabc.edu.et

Keywords: real property valuation; approaches; accuracy; practice; market information; Addis Ababa; Ethiopia

1 Introduction

Real property valuation is essential for property transactions, mortgage lending, taxation, compensation, investment, and land administration. Reliable valuation supports informed decision-making, market transparency, and effective financial risk management. However, achieving consistent and accurate valuation can be difficult in developing property markets where reliable market information, institutional frameworks, and professional resources are limited (Becsky-Nagy and Sachicola 2025; Cheloti and Mooya 2021).

These challenges are particularly relevant in Sub-Saharan Africa, where property markets are often affected by limited transaction data, informal market activities, fragmented institutional arrangements, and weaknesses in regulatory and professional systems. Recent literature shows that valuation problems in the region are not only technical but are also influenced by broader institutional, informational, and market conditions (Becsky-Nagy and Sachicola 2025).

Ethiopia provides an important context for examining these challenges. Previous studies have identified weaknesses in property market information, valuation methods, professional capacity, standards, and regulatory arrangements. Asres, Lind, and Alemu (2020) found that mortgage valuation in Ethiopia lacked a clearly established valuation framework and a regulatory valuation institution, and reported substantial reliance on the cost approach. Asres (2023) further identified inadequate market data, inappropriate valuation methods, a lack of standards and regulatory frameworks, and valuer competence as factors associated with valuation inaccuracy. Similarly, Asnakew and Amogne (2021) demonstrated valuation concerns in the context of judgment execution.

These issues are particularly important in Addis Ababa, where rapid urban development and changing property-market conditions have increased demand for professional valuation services. Private valuation firms provide services for lending, investment, property transactions, taxation, compensation, and

other decisions. However, valuers may face difficulties in obtaining reliable and up-to-date market information and applying appropriate valuation methods consistently. Such limitations may affect the accuracy, consistency, and credibility of valuation outcomes.

Despite the existing evidence on valuation problems in Ethiopia, limited empirical research has examined the overall practice of private valuation firms in Addis Ababa**.** Previous studies have largely focused on specific contexts, such as mortgage lending and judgment execution. Less attention has been given to the combined influence of market-data limitations, valuation methods, professional capacity, and institutional conditions on private-sector valuation practice.

Therefore, this study investigates the challenges of real property valuation practice in the private valuation sector in Addis Ababa. Specifically, it examines current valuation practices, identifies the major factors contributing to valuation challenges, assesses their impacts, and explores potential measures for improving valuation accuracy, consistency, and transparency. The study provides empirical evidence that can support valuation practitioners, policymakers, financial institutions, and professional bodies in strengthening property valuation practice in Addis Ababa.

2 Literature Review

Research on real property valuation shows that valuation reliability depends not only on the methods used by valuers but also on the availability and quality of market information.(Abidoye and Chan 2018) found that the source and quality of property data can affect valuation accuracy, particularly in developing markets where transaction information is not systematically available. This indicates that weaknesses in market information can directly constrain the valuation process.

In developing and Sub-Saharan African markets, valuation challenges are also associated with institutional and professional conditions. (Cheloti and Mooya 2021) argue that valuation problems result from the interaction of market-related and valuer-related factors, while{Awuah et al. (2018)} highlight weaknesses in market information, professional capacity, and regulatory support. More recently, (Becsky-Nagy and Sachicola 2025) identified limited data, fragmented valuation systems, regulatory weaknesses, and technological constraints as continuing challenges in Sub-Saharan Africa.

The availability of market evidence also influences the practical choice of valuation approach. Where reliable transaction and rental data are limited, valuers may rely more heavily on the cost approach and professional judgment. In Ethiopia, (Asres, Lind, and Alemu 2020) found substantial reliance on the cost approach in mortgage valuation, while (Asres 2023) identified inadequate market data and inappropriate valuation methods among factors associated with valuation inaccuracy. These findings suggest that methodological choices should be considered in relation to the information and institutional conditions surrounding valuation practice.

The literature further indicates that reliable valuation requires supporting systems, including professional standards, training, technology, and effective regulation. However, these measures are unlikely to be fully effective where reliable property data and institutional infrastructure are inadequate. Thus, improving valuation practice requires a combination of better information, appropriate methods, professional capacity, technological support, and regulatory oversight.

Despite existing evidence on valuation problems in developing countries, Sub-Saharan Africa, and Ethiopia, limited research has examined the interaction of these factors within private valuation firms in Addis Ababa**.** In particular, the relationship between market-data limitations, valuation-method selection, and the wider professional and institutional environment remains insufficiently examined. This study addresses this gap by investigating these interconnected challenges and their implications for the accuracy, consistency, and credibility of private property valuation practice in Addis Ababa.

3 Methodology

This study employed a mixed-methods research design to examine challenges affecting private real property valuation practice in Addis Ababa. The study population consisted of 201 licensed private valuation firms operating in the city. The sample size was determined using Yamane's (1967) formula at a 7% level of precision, resulting in 101 firms for the quantitative survey. The firms were selected using simple random sampling.

Primary data were collected through a structured questionnaire administered to the selected valuation firms and semi-structured interviews with 10 experienced valuation professionals. The interview

participants were purposively selected based on their professional experience and involvement in property valuation; all had more than five years of experience in the field. Two of the participants were RICS-member chartered surveyors. Secondary information was obtained from relevant academic literature, government documents, valuation standards, and regulatory materials.

Quantitative data were analyzed using **SPSS** through descriptive statistics and regression analysis to examine valuation practices and the factors associated with valuation challenges. Qualitative interview data were analyzed thematically to identify recurring issues and provide further explanation of the quantitative findings. The analysis focused on key aspects of private valuation practice, including market information, valuation methods, professional capacity, technology, standar**ds,** and regulatory conditions**.**

The study recognized that private valuation firms may vary in characteristics such as size, experience, specialization, and client profile. In addition, the assessment of impacts on external stakeholders was based on the perceptions of valuation professionals because these stakeholders were not directly included in the survey. These considerations were taken into account when interpreting the findings

.

4. Results and Discussion

A total of 101 private valuation practitioners participated in the survey. The respondents were generally experienced, with 37.6% reporting more than 10 years of professional experience. Managers and senior valuers constituted the largest groups, indicating that the findings largely reflect the views of practitioners with substantial involvement in valuation activities.

Private valuation practice in Addis Ababa was found to be active and diversified. Residential properties were the most frequently valued property type (83.2%), while market-value assessment was the most common purpose of valuation (82.2%). External clients were the main initiators of valuation assignments (78.2%), indicating that private valuation services respond primarily to market and client requirements

Table 1. *Demographic profile of study respondents*

Variable	Category	Frequency(N)	Percent(%)
Position	Junior Valuator	20	19.8
	Senior Valuator	29	28.7
	Chartered Valuer	3	3
	Manager	49	48.5
Experience	Less than 1 year	3	3
	1-3 years	25	24.8
	4-6 years	17	16.8
	7 10 years	18	17.8
	More than 10years	38	37.6

The cost approach was the most frequently used valuation approach (66.3%)**,** followed by hybrid approaches (54.5%), the market approach (52.5%), and the income approach (33.7%). Although the market and income approaches can provide important market-based evidence, their effective application depends on the availability of reliable and current transaction, rental, and financial information. In Addis Ababa, the results suggest that the limited availability of such information contributes to the relatively high reliance on the cost approach. This interpretation is consistent with the finding that 62.4% of respondents considered their current methods appropriate to some extent and 29.7% considered them completely appropriate. Thus, reliance on the cost approach should not necessarily be interpreted as a preference for it as the universally most accurate method; rather, it may represent a practical response to the information available to valuers.

The major challenges identified were lack of access to reliable and up-to-date property data (M = 4.18), absence of a centralized property database (M = 4.16), and limited property valuation education and training opportunities (M = 4.11)**.** Other important challenges included inadequate valuation technology (M = 3.79), absence of a regulatory body (M = 3.84), and limited numbers of qualified valuers (M = 3.67). These results indicate that the difficulties facing private valuation practice are not solely technical; they are closely connected to the quality of market information, professional capacity, technology, and institutional arrangements**.**

***Table 2**: Descriptive Statistics of Real Property Valuation Challenges in the Private Valuation Sector*

No.	Challenge	Mean
1	Limited number of property valuation schools	4.11
2	Lack of standardized valuation methods	3.41
3	Lack of proper technology for accurate valuations	3.79
4	Absence of property valuer association	3.75
5	Time constraints	2.93
6	Lack of access to reliable and up-to-date property data	4.18
7	Absence of a centralized property database	4.16
8	Absence of regulatory body	3.84
9	Cost of valuation services	3.43
10	Legal disputes regarding property ownership	3.42
11	Limited number of qualified valuers	3.67
12	Pressure from stakeholders to influence the valuation outcome	3.61

Valuation Techniques and Perceived Accuracy

A multiple regression model was used to examine whether the market, income, cost, and hybrid approaches predicted perceived valuation accuracy. The model **was** not statistically significant**,** $F(4,96)=1.195, p=.318$, and explained only 4.7% of the variance in perceived accuracy ($R2=.047$; adjusted $R2=.008$). The result indicates that the choice of valuation technique alone provides limited explanation of differences in perceived accuracy.

Table 3*:* Model Summary of Multiple Regression on Perceived Accuracy

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.218[a]	.047	.008	.691

a. Predictors: (Constant),hybrid methods combination of approaches, cost approach, market approach, income approach

This finding is suggests that valuation accuracy is influenced by conditions beyond the nominal method selected by the valuer**.** The availability and quality of market evidence, professional competence, technology, and institutional support may affect how effectively a valuation approach can be applied. Therefore, the result should not be interpreted as indicating that valuation methods are unimportant, but rather that method choice alone is insufficient to explain perceived accuracy in the Addis Ababa context**.**

The cost approach showed a negative coefficient (B=−.340), but the relationship was not statistically significant at the 5% level (p=.058). Consequently, the study does not establish that the cost approach itself causes lower valuation accuracy. Instead, its widespread use should be interpreted together with the strong evidence of market-data constraints.

The relationship becomes clearer when the regression findings are considered alongside the descriptive results. Limited reliable property data and the absence of a centralized property database were the two highest-rated challenges, while the cost approach was the most frequently used method. This suggests that valuers may rely on the cost approach because reliable comparable sales and income information required for other approaches are difficult to obtain. In this context, the predominance of the cost approach appears to reflect practical adaptation to the existing information environment rather than simply professional preference**.**

Overall Discussion

Taken together, the findings indicate that private property valuation practice in Addis Ababa is affected by a combination of market-information, professional, technological, and institutional constraints**.** The non-significant valuation-

method model reinforces this broader interpretation: improving valuation accuracy is unlikely to result from changing the valuation approach alone. Greater access to reliable and timely market data, improved property information systems, professional development, appropriate technology, and stronger institutional support are likely to provide a more effective foundation for improving valuation practice.

The findings therefore point to a central issue in Addis Ababa's private valuation sector**:** valuers may have appropriate valuation techniques available, but their ability to apply the most suitable approach is constrained by the quality and accessibility of market evidence**.** Addressing this information gap would allow greater and more effective

5. Conclusion and Recommendations

This study examined challenges affecting private real property valuation practice in Addis Ababa. The findings show that the sector faces interconnected market-information, professional, technological, and institutional challenges, with limited access to reliable and up-to-date property data and the absence of a centralized property database emerging as major concerns. The cost approach was the most frequently used method, which appears to reflect, at least partly, the limited availability of reliable transaction and income data required for effective application of market- and income-based approaches.

The regression analysis showed that valuation techniques alone did not significantly explain perceived valuation accuracy. This suggests that valuation quality depends not only on the method selected but also on the quality of market information and the professional and institutional conditions in which valuation is undertaken. Improving valuation practice therefore requires a broader approach rather than simply promoting one valuation method.

Based on these findings, the study recommends:

- Improving property-market information through systematic collection, verification, updating, and sharing of transaction and rental data.
- Developing a centralized property-information system gradually, beginning with data standardization, verification,

institutional coordination, and pilot implementation rather than immediate full-scale deployment.

- Strengthening professional capacity through continuous training in market analysis, income valuation, valuation technology, data analysis, and professional standards.
- Promoting appropriate method selection based on property characteristics, valuation purpose, and the availability of reliable evidence rather than imposing one method uniformly.
- Strengthening institutional coordination among valuation firms, government institutions, financial institutions, and professional bodies.
- Adopting phased regulatory and technological reforms**,** recognizing existing data, institutional, and capacity constraints.

The study has two main limitations. First, simple random sampling may not fully reflect differences among valuation firms in terms of size, experience, and specialization; future studies could employ stratified sampling. Second, the assessment of impacts on financial institutions, investors, developers, and government bodies was based on valuers' perceptions**,** since these stakeholders were not directly included in the primary data collection. Future research should therefore adopt a multi-stakeholder approach and examine the feasibility of phased property-information and valuation reforms

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