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Conceptualising the Influence of Clients on Valuations

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A thesis submitted in fulfilment of the requirements for the degree of Doctor of Philosophy
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Abstract

The review of property-related literature pertaining to valuer behaviour, valuation bias and smoothing all indicate that there are many behavioural issues that may affect valuation outcomes. Evidence suggests that heuristics may be one explanation for such phenomena, but a growing literature suggests that the role of the client within the valuation should also be considered.

The main aim of this study therefore is to construct a framework of client influence in order to achieve an in-depth understanding of the commercial valuation process and the role played by the client within this process. Previous research in the area of behavioural property research has been undertaken utilising a quantitative research approach, however by introducing a qualitative approach a richer and more in-depth understanding of the topic was achieved.

The research question addressed in this study was established as “How do clients influence valuation outcomes?”. Constructionism identified the underlying assumption about reality governing the research; based on the premise that different people construct meaning in different ways in relation to the same phenomena. The theoretical perspective was determined to be interpretivism which was guided by the study’s goal of assessing the nature of reality for both valuers and clients regarding the valuation process.

The research process consisted of four stages, the first being the literature review and the construction of a preliminary framework of client influence. The second stage incorporated one-to-one interviews with valuers and the compilation of an updated framework. Stage 3 consisted of one-to-one interviews with clients and the compilation of a revised framework; and Stage 4 collected feedback from a number of experienced valuers and sophisticated clients in order to enhance the trustworthiness of the findings.

The framework of client influence highlights eight main factors with the potential to affect the type and amount of client influence and power over the valuation process. These are described as the type of client; external pressures; valuer traits; the type of client valuer relationship; the characteristics of the valuation firm; the valuation process; the purpose of the valuation and finally technical valuation. In addition to the formulation of a framework of client influence the results provide a comprehensive understanding of the valuation process and specifically the incentives, power and opportunities clients have to influence valuations.

The results of the study suggest that there are a number of specific influences not previously documented in the property literature that appear to have the potential to affect valuation outcomes and the valuations that are ultimately reported to stakeholders. In particular the strong influence the client has over the whole valuation process was uncovered. The main findings of the research suggest that clients possess not only the incentives and the ability to influence valuation outcomes, but the valuation process itself is largely governed by the client and provides opportunities for them to exert their power over the valuer. This influence does not only exist within the formal valuation process, but informally before the valuation has been commissioned.

The study concludes by identifying scholarly contributions and contributions to the property profession. These suggest that the knowledge gained from the research can assist the property profession in understanding the role of both client and valuer in the valuation process and the tension that may exist between valuer independence and customer satisfaction. This knowledge can be used to effectively educate both valuers and clients of their roles in the valuation process together with areas where a valuer may be potentially vulnerable to undue influence.
Acknowledgements

I am very aware that without the support of mentors, colleagues, family and friends that finishing this thesis would have been impossible. I would like to acknowledge three academics who have been instrumental in inspiring and assisting me through the research process. Firstly, Dr Gerald Brown who encouraged me in his roles of supervisor and friend until only a week before he passed away. His dedication to academia and faith in me kept me going through all those dark early mornings. Secondly, my supervisor and friend Dr Christina Lee who has guided me so proficiently with wisdom, a sense of humour and most of all patience. Thirdly my co-supervisor Professor Alastair Adair who gave of his time and helped to steer me through to completion with realistic expectations and support.

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