DATA SHARING EFFICIENCY ON THE ZAMBIAN RESIDENTIAL PROPERTY MARKET: CASE STUDY OF LUSAKA

Christopher Mulenga
Lecturer of Valuation and Real Estate Development - University of Lusaka, chrissymule@hotmail.com, Lusaka, Zambia

ABSTRACT

The residential property market in Zambia is characterised by lack of readily available property market data resulting in market values that do not reflect all market information. An empirical case study approach based on best practice from both developed and developing countries to assess how this information can be incorporated into easily accessible data sharing mechanisms among the buyers, sellers, estate agents and valuation surveyors has been adopted. The evidence gathered from other countries show that a closer correlation exists between information sharing and property values because better-informed individuals have been securing better deals. However, in the absence of a properly framed data sharing mechanism anchored on strong legislative and institutional framework, real estate values can deviate from the actual either downwards or upwards. This finding substantiates the importance of deviations from the actual residential values due to lack of data sharing among the main players in the residential property market.

Keywords:
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1. INTRODUCTION

The efficiency of real estate markets has been widely described in the famous papers of Samuelson (1965, 1973), Famas (1970, 1991 and 1998) supported by Leroy (1989) and Gau (1987). However, no tangible anecdotal evidence of the efficiency of real estate markets has been established. McFadden (1978) and Quigley (1985) argued on the assumption that market imperfections are absent in a housing market. However, this can only be possible if property was a homogeneous product. Many models applied to analyse the market have been predicated on paradigm models confined to corporate security markets (Platen and Rendek, 2017) consequently leading to information overload in this sector (SPR, 1995) while information deficiency is prevalent on the residential property market.

This research takes a different route by seeking to analyse efficiency in the residential property market due to the numerous transactions taking place which are not well documented and shared. This has caused a lot of distortions in the assessed values by Valuation Surveyors and sale prices by Estate Agents. Watkins (2011) in (Evans, 1995) states that information plays an important role in the operation of property markets. Standard neoclassical theories of the economics of property markets assume that actors are perfectly informed and have perfect foresight. Despite the difficulty in decoding price signals because of the multidimensional nature of the housing stock, and the indeterminate nature of the market price, this assumption is widely endorsed in applied and theoretical property market analysis. Gau (1987), for example, has suggested that property market research would benefit from the adoption of an ‘efficient market paradigm’. Efficiency in this context means that both public and private information are reflected in the prices (Bodie, Kane and Marcus, 2007). The availability of reliable sales data will provide the basis for accurate assessments of value and price of any residential property to be sold on the market. In order to achieve this Lizieri and Rowland (1991) suggest that valuers should seek to widen the set of information used to arrive at an appraisal and reduce their reliance and dependence on incomplete and often inconsistent property market data.

The role of valuers (space producers) is to estimate the market value of property values in a process known as valuation (Red Book, 2010). These values are used by market consumers for different purposes including purchasing and selling. Whenever a valuer is called upon to estimate the market value of property for purposes of buying and selling, the values are used to estimate the price of property. According to RICS (2010), market value is “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”. These values act as a proxy to property prices and are used for decision making. These valuations if accurate will form the basis of efficient allocation of resources”.

Market consumers in the property base their decisions buy or sell on the valuers assessment. This is so because they believe that these values are based on market information and reflect the prevailing market conditions. Therefore, if these values do not reflect all available information in the market, their decisions will not be based on what is happening in the market. When a property is given a value that does not reflect all market information, the price derived from the values will either hinder it from being
sold or if sold will be at a lower price than the expected market value. This means that the seller will not benefit as much and the buyer stand a risk of buying property at a price higher than the market value. This becomes difficult for them to earn more if the property was intended for income generation as the purchase cost would be more than the revenue realised in case they were to resell their property.

It is therefore important that in order to prevent these occurrences, valuers should be able to reflect market information in the assessed values. The factors affecting property values can be summarised as factors of demand and supply of the same. The actual price at which the property is exchanged is a result of the bidding between the buyer and seller which also depend on the knowledge that the parties have on a particular property in relation to the market.

2. LITERATURE REVIEW

The terms efficiency and effectiveness are commonly used, though often applied in different ways. In business circles, efficiency coupled with effectiveness forms a very powerful tool in satisfying the needs of the seller, producer or service provider and the buyers or consumers. Efficiency often has different schools of thought, depending on where it is applied. According to Gatzlaff and Tirtiroglu (1995), the critical criterion applied by economists to evaluations of policies and programs is economic efficiency. Economic efficiency is attained when individuals in society maximise their utility, given the available resources. Allen, Brealey and Myers (2011) defined a market as efficient when it was not possible to earn a return higher than the market return. Economists commonly describe efficiency as the allocation of resources such that no reallocation can occur that increases the utility of some without decreasing the utility of others. A new allocation of goods or services in an economy is said to be “Pareto-preferred”.

There are generally two types of market efficiency, namely, allocative and informational efficiency. Real estate markets are often analysed from the perspective of allocative efficiency (Degutis and Novickyte, 2014) in (Blume, Durlauf, 2008). Allocative efficiency is concerned with making the best use of resources to produce the maximum amount of output whereas informational efficiency is concerned with incorporating all pertinent information into prices or values (Bradbury, 2012). Generally, the standard property textbooks (for example, Fraser, 1993; Harvey, 1996) and many of the research papers on the subject (see, in particular, Keogh and D'Arcy, 1999 in Jaffe and Sirmans, 1984; Gau, 1987; Guntermann and Smith, 1987; Evans, 1995) suggest that the property market is subject to imperfections, implying that allocative efficiency is unattainable.

2.1 Property Market Efficiency

Most of the studies that have been concluded on market efficiency focused on stock markets. However, very few studies have been conducted on the efficiency of residential property markets. Pollakowski and Ray (1997) state that the first notable study of housing market efficiency was by Rayburn, Devaney, and Evans (1987); Case and Shiller (1989, 1990); and Norrbin (1991). Efficiency in this context shall be referred to as information efficiency which can be narrowed down to fundamental valuation efficiency because testing for weak form efficiency is concerned with the use of historic information including prices.
In this regard, an efficient market is defined as one in which “all pertinent information is available to all participants at the same time and where prices respond immediately to available information” (Brown, 2000, Eakins and Mishkin, 2012). A market is said to be efficient if prices reflect all known information. Therefore, in the context of the property market, an efficient property market is one in which property values reflect all pertinent information available to all participants at the same time and where these values respond immediately to available information.

The definitions of efficiency highlighted above indirectly indicate the importance of information efficiency in making investment decisions. Fama (1970), simplified this indication by stating that “an efficient market is one in which prices provide accurate signals for resource allocation and always fully reflect available information”. In a study focusing on the efficiency of the UK Commercial property, Devaney et. al (2011) agree with Fama by suggesting that, “informational efficient market prices are a necessary requirement for optimal resource allocation”. This means that if property values do not reflect enough market information, investors are likely to make wrong and inefficient investment decisions. For example, in order to maximise profits, the standard investment theory suggests that developers should start new projects when the market value of buildings is above replacement cost.” In this case, if the property value indicates a higher price than building costs, the value should be lower due to its inefficiency meaning that the investor loses out.

On the other hand, if the property is undervalued and the investor decides not to undertake the project, they lose out on the profits they would have accumulated. According to the various empirical studies done in corporate investment, it has been established that mispricing can have an effect on real investment (Blanhard et al 1993, Chirinko and Scaller 2001 and Babler et. al 2003). The question of efficiency in housing markets and the resulting implication from market inefficiency are of great importance for professional real estate investors, mortgage bankers and homeowners. It is clear that a mortgage banker would not want to lend money to a client on a basis of value that is not fully reflecting market information for fear that should there be a default resulting in a foreclosure and the property fails to sell at the stipulated price, a loss would be inevitable.

Informational efficiency of real estate markets has been widely discussed over the past few decades, particularly since the inception of ideas surrounding the Efficient Market Hypothesis (EMH). Herath and Maier (2015) state that despite the tendency of theoretical literature to indicate informational inefficiency, findings within the empirical literature on informational efficiency of the real estate market are by no means conclusive. For instance, Lo (1997) commenting on the concept of “informational efficiency” claims that, the sequence of price changes generated by a more efficient market is more random, and the most efficient market of all is one in which price changes are completely random and unpredictable. He classifies this not as an accident, but as a direct result of many active participants in the market attempting to exploit profit from the information they have.

Investors make use of even a very small piece of information, incorporate that information in to the market price, and quickly make that particular information public, eliminating the profit opportunities to other investors. For the real estate market the relationship between information and the efficiency was documented by Kummerow and Lun (2005). They emphasized that the real estate industry has
always been an “information business”, with high transaction costs and considerable inefficiency due to the difficulties of assessing what to do in markets where assets are heterogeneous and trading is infrequent. They further argued that better information can increase the magnitude of change of real estate cycles which will ultimately destabilise economies. Information efficiency is a necessity in the property market especially with reference to valuation because the market price therein becomes the best estimate of value as there is a direct relationship between information and values or prices of goods and services in an efficient market.

2.2 Levels of Market Efficiency

Basically, information efficiency has three levels as defined by Fama (1970): weak form, semi-strong and the strong form of efficiency

2.2.1 Weak Form Efficiency

This is where prices reflect all historic market information. This includes all historic information about the location of a building, its quality, type of tenant and lease structure into the current value. The disadvantage with this theory is that, since valuation is based on past information only, it makes it difficult to be used for forecasting future values of the property. This is because value only changes when there is new information. However, provided the market is efficient, the Estimated Realisation price introduced by RICS can be used to forecast future market values (Brown, 2000).

2.2.2 Semi Strong Form Efficiency

In a semi-strong efficient market, prices fully reflect all public information. This includes all published reports including financial statements, newspapers, government statements and conference papers. For example, if the planning authorities in Lusaka decided to change an area into commercial area, this information should be reflected in the land values once the public is made aware. According to Brown (2000) the danger with this is that the market may have gotten it wrong so prices would not reflect all public information. Therefore, in-depth research of a market known as fundamental analysis should be conducted in order to identify mispriced properties.

2.2.3 Strong Form Efficiency

A step further than the weak form efficient market is one in which prices reflect both public and private information. Information known only to a few people is termed as private. Although illegal, private information is usually used for exploitation to the advantage of the information bearer. Insider information is used in most cases (Brown, 1991). However, such a market makes it difficult for investors to outperform the market.

2.3 Characteristics of an Efficient Property Market

For a market to be termed as efficient there should be reasonable quantity and quality of information reflecting in the value and prices of commodities in that market. Therefore with regards to the property market, there should be a good amount of quality information incorporated in the values assessed by valuer’s to be considered efficient.

The following characteristics should exist in efficient markets:
There should be large numbers of buyers and sellers for a market to be efficient. These buyers and sellers create a competitive and free market without any of the participants having a larger share of the market in order to have a direct and measurable influence on price. Prices in this market are settled through a process of competitive bidding at arm’s length, that is “one between parties who do not have a particular or special relationship (for example, parent and subsidiary companies or landlord and tenant) which may make the price level uncharacteristic of the market or inflated because of an element of Special Value” (RICS, 2011:29). Through proper competition, demand and supply tend to move towards equilibrium.

With many buyers and sellers, the market should have transactions occurring frequently at prices that are relatively uniform, stable and low.

Commodities in an efficient market must be homogeneous and divisible. Evans (1995) demonstrates that the statistical methods or skilled assessors cannot predict property prices with reasonable accuracy. His search for the factors that lead to inefficiency seems to highlight explanations such as “the properties are heterogeneous by nature”, “property transactions take place infrequently”, and “properties differ by location creating different markets with relatively few participants in different areas”: the end result is market inefficiency due to limited information or unavailability of information.

The intrinsic structure of the real estate market itself causes inefficiencies within the real estate market (Berrens and McKee, 2004).

The real estate market is typically segmented into submarkets by type, location and quality characteristics of properties traded in the market. Due to these reasons, the relevant ‘information set’ can be very complex and often incomplete.

In addition to that, buyers and sellers must have technical knowledge of the product that is selling. They should be well acquainted with knowledge pertaining market conditions, behaviour of others, past market activities, product quality and product substitutability. Other information to be acquired by market participants included bids, offers and sales which must be readily available.

The efficient market is self-regulating, that is, there are very few government interventions. Apart from that, buyers and sellers enter and leave the market at will.

There are no costs incurred on information and transport.

2.4 Property market efficiency in other countries

A number of tests of whether the property market is efficient have been conducted in the past few years. Guntermann and Smith (1987) focused on the market for single family residential real estate where the potential for inefficient pricing is arguably most severe. In this paper, it was argued that although there are differences between real estate markets and securities market, the real estate market is efficient in the sense that current prices will fully reflect historical price information, that is, it is weak form efficient. In their research, housing price data for 57 metropolitan areas was tested for market efficient.
Correlation of returns and trading rule strategies are the two approaches that were used to test the weak form market efficiency in the areas. Data from 1967 – 1982 was employed. Where abnormal returns in one period are used to predict future abnormal returns, the market is considered to be inefficient using correlation of returns. In other words, it implies that there exists the possibility of earning excess returns in the market. This means that anticipated returns from one period can be used to predict subsequent returns.

The other approach provides a further test of whether a profitable strategy can be developed based on the data as reports for lag intervals of one to three years. In an efficient market, the net return from trading would equal the net return of a buy and hold strategy. A correlation analysis was conducted in which the rate of appreciation in property values in one year was compared with the rate of appreciation in subsequent years. In addition to that, trading strategies were developed by the possibility of market inefficiency for lag intervals of one to three years. According to the analysis, it was concluded the real estate market in the metropolitan areas was weak form efficient provided transaction costs are taken note of.

In a study focusing on residential real estate in Greater Toronto, Brox and others tested the weak form by analysing the time series of excess returns available to investors from 1982 - 2002. According to this study, expected returns of more than zero imply weak form efficiency. In doing so, the distribution of excess returns and the autocorrelation functions to detect significant relationships among past and present values of the time series were analysed. Descriptive statistics and Runs test were used to determine the former approach. Normal distribution and abnormal number of high or low runs are interpreted as inefficiency respectively. Inefficiency for autocorrelation was determined by the existence of a relationship between past and future prices. Following these tests, it was concluded that the market in Greater Toronto was not weak form efficient, implying that historical market information does not reflect in the prices. It also means that the housing prices and returns may not always be based on market fundamentals but speculations and trends. Wang (2004) supports this analogy by stating that heterogeneous nature of the properties and lack of transaction information may not be the direct source of market inefficiency even though Kummerow and Lun (2005) and many others accept that the heterogeneous nature of the housing units makes the real estate market inefficient.

In a more recent study, Devaney et.al (2011) focuses on the efficiency in the UK commercial property market, emphasis was placed on the importance of information efficiency in that efficient prices are necessary for optimal resource allocation in real estate markets. In testing for informational efficiency, they argue that rational investors use present value to assess how much they are willing to pay for an area. An examination of whether observed prices paid for are in accordance with present value was conducted. Two strategies were used. One worked with one period return rate, the other was used to estimate the present value and compared with observed prices. The London office buildings prices were proved to be informational inefficient. It was also concluded that mispricing has an effect on real estate markets.

Similarly and finally, a discussion paper by Schindler(2011) focusing on the efficiency of the UK property market tested the weak form using the Random walk hypothesis and the Runs test of market efficiency.
The findings revealed that the market was inefficient, implying that investors are likely to earn excess returns by using past information in the UK housing markets. In addition to that, market participants in the UK housing market can use historical information to forecast further earnings.

The studies outlined above bring out the fact that there is more work to be done in relation to property market efficiency. The only market that gave positive results was that of single residential real estate market in Greater Toronto. Even then, it was after incorporating transaction costs. The inefficiencies proved in both past and recent studies provide evidence that the issue of inefficiency was not dealt with in history and has continued to persist in recent times. Hence there is need for property practitioners, experts and all other participants to work together in dealing with the issue. For the Zambian case, the first step would be to establish the level property market efficiency and later on give recommendations on how it can be enhanced.

In addition to that, it has been observed that the studies outlined did not examine how property values were incorporated in the property values using the various methods of valuation available, and also the methods used to access information. Therefore, in addition to quantitatively testing for weak form efficiency, this study also intends to use qualitative approach to determine how much information is currently being incorporated in property values and later on provide recommendations accordingly. In doing so, it is important to establish the factors that affect property values during valuation and determine which ones are incorporated in property values.

Although markets that are not weak form efficient provide investors with the ability to earn excess returns by using historic information as well the possibility to predict future abnormal returns, one should bear in mind that market prices and returns in such a market may not always be based on market fundamentals but speculations and trends. This means that it is possible for investors to fetch returns that are below the market value and stand the risk of making losses.

3 HISTORY OF PROPERTY MARKET IN ZAMBIA

Zambia is a landlocked country located in the southern region of Africa. It is comprised of ten provinces with a total land area of 753,000 sq. km between 1,000 and 1,400 metres above sea level. Formerly known as Northern Rhodesia, Zambia gained its independence from Britain in 1964.

Before this period, the booming of the copper mining industry in 1911 led to the need for more towns in the urban areas. This was due to the increase in population caused by the shifting European engineers and Africans from Europe and rural areas to work in the mines respectively. During this period, land was divided into crown land and customary and trust land with access to freehold tenure. However, when Zambia gained independence in 1964, crown land was changed to state land while trust lands were converted into customary land.

The introduction of new towns called for the need of services from planners, estate agents as well as valuation and land surveyors to facilitate the provision of housing during that period. In 1940, estate agencies and valuation firms such as Morris, W. Cobbet Tribe Limited, Allan Foote and Allan Bryton Estates emerged in Zambia, then known as Northern Rhodesia. The property market was doing well at that point. Everything turned upside down when the oil industry collapsed and negatively affected the mining industry in 1973. This in turn affected the property market as its operations also went down.
This led to the famous presidential Watershed Speech which abolished freehold titles and introduced 99 year leaseholds in 1975. All land was now vested in the president. It was during this period that land was deemed to be valueless and considered as only a free gift from God by Kenneth Kaunda, then President of Zambia. This led to the ban and closure of many Real Estate firms as it became pointless to value or sell what was considered to be valueless. The property market collapsed. The Surveyors Institute of Zambia (SIZ) attempted to lift the ban of real estate firms through draft bills presented to parliament in 1979 and 1985 respectively. These attempts were to no avail. However, with the change of government in 1991, real estate firms were revamped as value was now placed on land by the second republican president of Zambia, Fredrick Chiluba. As a mixed economy, the market was allowed to operate under the forces of demand and supply while allowing government intervention through planning, legislation and policies. The 1995 Lands Act was enacted to govern and implement land alienation system and government policies.

The property market has since experienced massive growth in Zambia. It has attracted more market participants such as investors, developers and property professions like estate agents, valuers, land surveyors and other property experts. An increased booming in the construction sector is evidence that the property market keeps growing because it implies that more people are in need of property which call for the need of more property services. Many players are buying and selling property for different reasons including making profit. The growth in population has also led to an increase in demand for property especially housing. The population of Zambia increased from 7,383,097 in 1990 to 9,885,591 in 2000 and to 13,092,666 in 2010 (Census, 2010).

This has not only led to an increase in demand for housing, but has also increased the demand of services from property experts such as valuers and estate agents and more properties now require to be valued and sold in many instances. In addition to that, the increase in the construction sector has also contributed to the booming of the Property market in Zambia. The rise in the needs for property and services from property experts has led to the expansion of the property market. More buyers and sellers are coming on board not only to transact their properties, but also to seek for property values from valuers. An inefficient market will affect these buyers and sellers in that they will stand a higher risk of basing their decisions on values that do not reflect market information. This may affect the rate at which their property will sell or if sold, may sell at a lower price and not earn as much as they would in an efficient market. For property acquired for investment purpose, the profits will be affected in that they may earn less than the cost at which the property was acquired. Services offered by valuers will be underestimated because there will be no point of asking them to estimate property values if these values cannot be relied on. Therefore, buyers, sellers, valuers and estate agents should work together to ensure that the market produces values that reflect all available market information. This will not only protect buyers, sellers and other market participants form making wrong decisions, it will also enhance the services provided by valuers and estate agents and in return boost their market and business.

In Zambia buyers and sellers of these properties are brought together to bid for and finally exchange property based on the agreed price. As already stated in chapter two, the property market has no central place, building or location from which buyers can access property as is the case for other commodities.
Rather, buyers and sellers of property consult property experts like valuers and estate agents from their established offices for any property available for sale. These experts then lead the clients to the properties available on the market. Collectively, this forms the property market in Zambia. The Zambian property market is divided into smaller sub markets. The Residential market is comprised of single family home and duplexes and multi tenanted apartment buildings while the Commercial market is comprised of office buildings, retail centres, hotels and motels. Manufacturing plants and ware houses are embedded in the Industrial market. Other markets include Agriculture with small holdings, ranches and arable farms, and the Institutional market with properties characterised by their special and specific designs restricted to their utility. Examples of the later include schools, airports, churches and museums (Munshifwa, 2011).

The Zambian property market is comprised of the following features:

I. Properties in Zambia are homogeneous. There are no two pieces or parcels of land that are exactly the same. Although they may be similar in some ways, there is always a component like location, design and layout that differentiates them from one another.

II. Information on property transactions is not readily available and difficult to access. Buyers and sellers are not familiar with the procedures or have the knowledge of how to judge property. They are not well informed.

III. Regulations such as those governing the ownership and transfer of real estate entail the existence of government intervention in the market.

IV. With high property prices, there are a few buyers as few people are able to purchase property in cash.

V. The durability of property makes it difficult to market and turn into cash as this attribute makes it difficult to sell.

VI. Unlike in other markets, the supply in the property market is inelastic. It does not respond to the demand immediately because not only is it costly, it takes a lot of time to construct new houses or buildings. As a result, the property market is not in equilibrium.

Comparing these characteristics with those of an efficient market discussed in chapter two suggest that the property market is not efficient. It is impossible for the property market to be 100% efficient due to its characteristics such as homogeneity, durability and indivisibility as these are difficult if not impossible to change. However, the author believes that the level of efficiency can be enhanced to benefit market participants. The market can be strong, semi – strong, weak form or zero efficient depending on the qualities a market has at a particular point in time.

Besides the characteristics considered as unchangeable, the rest can be enhanced by improving the availability of information as a starting point. Since the working definition of an efficient market for this study is one where prices of commodities reflect all available information on the market, the focus is to find ways in which more information can be incorporated in the property values accessed by valuers in Zambia. One of the challenges encountered in the property market is that of data accessibility. This has affected efficiency in the property market in that buyers and sellers are unable to access property market
information creating a market with buyers and sellers who are not well informed. Since these are not well informed, there are few transactions on the market. Inaccessibility of information coupled with few transactions on the market makes it difficult for valuers to access market information and later on incorporate enough information in the property values accessed. The current scenario in the Zambian property market indicates that the root cause to property market inefficiency in Zambia is due to inaccessibility of property information from the market. Data is not readily available on the market. The JLL Global Real Estate Transparency Index, 2014 shows that the transparency level is low in Zambia with 3.49 composite score. This is one of the major contributions to the inefficiency levels there in. Therefore, as a starting point in addressing the problem of data accessibility, it would be wise to improve the level of transparency in the market.

The valuation practice is governed by the Surveyors Institute of Zambia which registers and monitors all real estate practice and valuation surveyors in Zambia. In the Laws of Zambia, Chapter 207, the valuation Surveyors Act No 13 and 34 of 1994 legislates and gives guidance to property valuations in Zambia. The features of the Act include:

1. Notwithstanding the provisions of any other written law, no person, unless he is registered as a valuation surveyor, shall prohibit an unregistered person from practicing valuation. The prohibition includes the use of any name, title or style containing the word valuer, valuing, valuation, evaluator, evaluating, evaluation, appraising or appraisal, or any other word implying his being in business of valuation surveying as well as providing a valuation at a fee or with consideration. Any person who contravenes the prohibition shall be found guilty and charged a penalty fee or face a sentence of at least one year.

2. Establishment of the board which includes among other duties, appointment of a government valuation surveyor, a person who is or has been a legal practitioner within the meaning of the Legal Practitioners Act of not less than five years standing in Zambia shall also be appointed, a registered valuation surveyor or a person eligible for registration nominated by such professional association as the minister may after consultation with the Board, recognize to be a representative of the interests of Valuation Surveyor in Zambia, a registered Valuation Surveyor or a person eligible for registration representing the interests of local authorities in Zambia, and any other registered Valuation Surveyor or person eligible for registration. The minister shall designate one of the members as chairman make appointments of the Board, deciding on the tenure of office, duties and removal of the board. The duties of a Valuation Surveyor Registration Board include; the registration and publication of the list of Registered Valuation Surveyors.

3. The Act also stipulates the expected conduct of a Valuation Surveyor. For, example, no surveyor is allowed to conduct himself in such a manner as to prejudice his professional status or reputation of the Board. The Surveyor is also prohibited from connecting in any way any occupation or business which is incompatible with the work of a Surveyor.

4. A person shall not be registered as a Surveyor unless, on the date of his application for registration, he has attained the age of twenty one years and passed such qualifying examination as qualifications.

for registration. The minister may, after consultation with the Board, prescribe, and completed such period of such practical training in the work of a Valuation Surveyor as the Minister may, on the recommendation of the Board, consider satisfactory, or acquired such qualifications and experience as the Minister mat after consultation with the Board, consider to be adequate for efficient practice as a Valuation Surveyor.

5. The Board may suspend the registration of any Valuation Surveyor or strike out of the register the name of any Valuation Surveyor who is found, after due inquiry by the board, to have been guilty of professional misconduct.

6. The disciplinary proceedings has the following provisions, when a board may institute an inquiry, complaints launching and approval, summon the accused person and to take any disciplinary action if necessary.

7. Any person aggrieved by a decision of the Board may, within twenty eight days of receiving a copy of such decision, appeal to the High Court, and the High Court may make such order thereon as it thinks fit.

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One of the provisions provided by this Act is that no surveyor is to conduct themselves in a manner that is likely to have a negative impact on their professional status or reputation of the board. Giving values that do not fully reflect the market condition may mislead clients in their decisions to invest, sell or what price to sell or buy property. Any miscalculations pertaining to this will result in the loss of money by property owners. A continuous trend of such occurrences will reduce the confidence of clients in the valuation profession. This will adversely affect the Real Estate business and put the profession at risk of not be relied upon. This has a negative effect on the Valuation profession. Valuers should adhere to this rule by providing values that fully reflect market information in order to not only satisfy the needs of clients but to also prevent negative effects provided for by the fourth point. Measures to ensure that valuers easily access and incorporate as much information into property values as possible should be put in place. This may be done by introducing laws that will promote the publication of information for public and valuation purposes failure to which disciplinary measures should be applied as provided for in the 4th and 6th points. All in all, the provisions provided for by the Act all point to one thing, enhancing the quality of services offered by Valuation Surveyors which in return will help build confidence in the service providers and boost the property market industry. In line with that, enhancing the level of property market efficiency through the incorporation of as much information as possible can be added to this remedy of improving the services provided by Valuation Surveyors.

Other acts that are related to valuation include:
The Lands Acquisition Act, 1970
This act gives the president the right to acquire any land as long as it is in the interest of the public by compulsory acquisition. Although the property owner has no right to repute the president’s request, they have the right to appeal against the decision that is in relation to the value of land which is the compensation to be paid. The compensation can either be in form of money or property equivalent to the value of the property being ceased depending on what mode of compensation is available. In determining the value of property for the purpose of compensation, the valuer should include enough market information as the compensation paid is computed at ruling market prices. This will not only reduce the number of appeals as they are time consuming and costly for the land owner, it also prevents the property owner to receive an amount or property that is less than what they are giving out. This can be made easier in an efficient market.

The Rating Act, 1997
This Act provides for the establishment of a Rating Authority for specific area and the declaration of any area within council boundary as a rateable area. It also allows Authorities to charge annual rates provided that the land is serviced, properties are surveyed and Certificates of Title issued. It should however be noted that, provisional certificates, council certificate of Title and Occupancy Licences do not suffice as a basis for rating. One of the requirements of this Act is that rates of similar properties should be in the same range to avoid unnecessary queries as to why one property owner pays higher rates than the other. These annual rates charged are based on the values placed on properties that qualify to be rated. Therefore, in order to promote fairness on the part of tax payers, the property market should be efficient enough to ensure that rating values give a true reflection of the market. An efficient market will also avoid unnecessary under or over charges by the Authorities.

3.1 Conceptual framework for efficient data sharing on the residential property market in Zambia
We frame a conceptual proposition from the idea that efficiency in residential property market emanates from availability of reliable data and vice versa. The conceptual framework below entails that any sales transactions from estate agents, or other forms of selling residential property has to be disseminated to both government institutions and valuers. In order to maintain uniformity in the residential sales an institutional framework to support a residential property sales data bank be set up. This data bank will need to be updated on a regular basis to feed into both buyers and sellers in order for them to make informed decisions. The residential property sales data bank in order to have legitimacy will be supported by various statutory instruments. When all these little pieces are put together, efficiency in the residential property market will be the resultant factor.
RESEARCH METHODOLOGY

The research adopted a qualitative method to investigate the connection between the institutional and legal framework where valuers, estate agents and government institutions operate. It was supplemented by some secondary quantitative data on various sales and lettings done by individuals and consultancy firms. Qualitative research normally deals with social phenomena to explain how and why things actually happen in a complex world. Social research tries to answer two fundamental questions about society, ‘What is going on?’ (descriptive research) and ‘how or why is it going on?’ (explanatory research) (de Vaus, 1995; Yin, 1989).

The methods for data collection included the review of existing documents, semi – structured interviews with key stakeholders, administration of questionnaires to selected households and systematic observation. The existence of documentary evidence made it easier to assess the legal and institutional frameworks governing the real estate industry in Zambia.

Semi-structured interviews were conducted with key stakeholders such as valuers (4), estate agents (3), property buyers (5) and sellers (7) and, financial lending institutions (3) and some government officials (2). Questionnaires were administered to 60 respondents evenly drawn from neighbourhoods of Northmead, Chalala, Kabwata, Libala, Ibex Hill and Rhodes Park in Lusaka.

4.1 Sampling Design and Techniques

This study adopted two sampling techniques; stratified random sampling and purposive sampling. The former is a probability type of sampling in which a sample of either proportionately or equally is conducted to represent various strata or subpopulations. Kombo and Tromp (2006) view it as one in
which “the population of interest is divided into homogenous subgroups based on one or a number of attributes” The sample selected in a particular subgroup within the population should be represented in the sample in proportion to their number in population. By doing so, different groups in the population are adequately represented in the sample with the view to increasing the level of accuracy.

The focus of this study has been confined to the city of Lusaka because it is not only the capital city of Zambia but also the town with the largest number of valuers, estate agents and an active real estate market with government departments. The sources of data for both qualitative and quantitative analysis of the study included Lusaka City Council, Government Valuation Department and private Real Estate Firms. These have been selected because they have the experience and the knowledge that is necessary to conduct this research.

In testing for weak form efficiency which is quantitative, the population included residential properties transacted within the selected areas were questionnaires were distributed. This is so because these are areas within which most residential property transactions occur.

4.2 Selection of Study Area and Justification

The case study area under investigation is located in Zambia which is a landlocked country in south-central Africa surrounded by Angola, Democratic Republic of Congo, Tanzania, Malawi, Mozambique, Zimbabwe, Botswana and Namibia. The country is mostly a plateau that rises to 8,000 feet (i.e. 2,434 metres) in the east. The total land extent for the country is approximately 752,614 square kilometres (MOL, 2006).

Lusaka is the capital city of Zambia with a very active real estate market. The total population of Lusaka was 2.4 million projected to grow to 3.3 million by 2025. Lusaka is a growing commercial hub, with rising office space demand coming from the financial and communication sectors. This has further boosted the residential market which mainly comprises of self build houses. Due to the increased infrastructure development in Lusaka, new residential suburbs have been created.

4.3 Data Collection and Analysis

Fig. 2: A map showing the City of Lusaka
There is a close relationship between verification and data reliability for data analysis and processing. The data processing methods employed include the process of organization/re-organization which was done both manually and electronically through the editing, categorization of the open-ended questions, preparation of tables and diagrams. The demographic and livelihood data of respondents such as the average household size and properties owned by respondents were analyzed through the use of charts, tables and graphs.

The research process involved the use of both primary and secondary data collection methods. The primary data collection methods involved the use of questionnaires which were administered at household level and key informant interviews. Secondary data was collected through various Acts of Parliament in Zambia. Other publications and manuals were consulted.

The data analysis of the institutional framework was based on data collection from both government and private real estate firms.

5 RESULTS AND DISCUSSION

5.1 Gender Distribution Analysis

The study findings indicate that 70% of the people administered with questionnaires were male property owners whilst 30% were women property owners. Figure 3 below clearly shows a disparity in property ownership between men and women despite Zambia been part of the Southern Africa Development Community (SADC) member states charter, which seeks to promote equal access to property ownership by both men and women.

The study reveals that out of the 30% women sampled, only 5% purchased property on their own whilst the remaining 25% inherited it from their late husbands or siblings.

5.2 Legal and Institutional framework governing valuation and estate agency in Zambia

The Surveyors Act, Cap 207 No. 34 and 13 of 1976 and 1994 and Estate Agents Act of 2000, Cap 21 subsection 2 of section 7 of the Laws of Zambia are the two major pieces of legislation governing real estate practice in Zambia. Both the estate agents and valuers interviewed states that the two pieces of legislation above do not make mention of any modalities for data sharing to the general public on sale prices and property values. The general trend has been that valuers through their personal effort
interact with estate agents to get sales data on various types of properties. Some valuation firms have
got in-house estate agency departments which makes it easier for them to collect property sales market
data under one roof. However, not all valuers or valuation firms have got estate agency departments
thereby making it difficult for them to assess enough data on the real estate market.

There exists no mechanism of regularly updating the sales data collected from estate agents who
normally sale properties, hence differences in assessed valuations by different valuers. Although
valuation is an art mainly dependent upon the intuitive perception of the valuer, the assessed values
should be based on empirical evidence which is the science part of valuation.

5.3 Market Value Versus Market Price

The study has established that there is a significant difference between market value and market price,
 hence valuers should effectively disseminate this difference to their clients.

Market value entails what the property is worth where as price denotes the cost by which such a
property can be bought. According to Shapiro et. al (2013), market value of a particular interest in landed
property is simply the amount of money that can be obtained for it on a particular day from persons able
and willing to buy it; it is an estimate of the contract price at that time and under those market
conditions. Value is not intrinsic but results from estimates, made subjectively by able and willing
buyers, of the benefit or satisfaction to be derived from the ownership of the interest.

The price the buyer is prepared to pay will be influenced by the supply and the demand for that
particular type of property at that given point in time. In some instances, a price paid might not represent
that property’s market value. Sometimes, special considerations may have been present, such as a
special relationship between the buyer and the seller where one party had control or significant
influence over the other party. In other cases, the transaction may have been just one of several
properties sold or traded between two parties. In such cases, the price paid for any particular piece isn't
its market 'value' (with the idea usually being, though, that all the pieces and prices add up to market
value of all the parts) but rather it's market 'price'. Sometimes a buyer may pay more than what the
property is worth due to certain prevailing conditions. One specific example of this is an owner of a
neighboring property who, by combining his own property with the subject property, could obtain
economies-of-scale. Similar situations sometimes happen in corporate finance. For example, this can
occur when a merger or acquisition happens at a price which is higher than the value represented by the
price of the underlying stock. The usual explanation for these types of mergers and acquisitions is that
'the sum is greater than its parts', since full ownership of a company provides full control of it. This is
something that purchasers will sometimes pay a high price for. This situation can happen in real estate
purchases too.

But the most common reason why the value can be different than the price paid, is that one of the two
parties (buyer or the seller) is uninformed as to what a property's market value is, but nevertheless
agrees to buy or sell it at a certain price which is too expensive, or too cheap. This is unfortunate for one
of the two parties. It is the obligation of a valuer to estimate the true 'market value' of specific real
property and not its 'market price'.

5.3 Safe guard of values by financial lending institutions
The financial lending institutions have devised a mechanism of ensuring that they are getting property values which are market based by engaging more than one valuer to value their clients properties. They usually refer this to as peer valuations where they appoint one valuer to value their clients property but as a check and balance they engage two or more valuers on the same property. This is a costly exercise on the financial lending institutions but they claim it’s the best way of covering themselves against any distortions in the assessed property values by comparing values from the different valuers they engage.

6. CONCLUSION
The research findings have revealed the inefficiency of data sharing on the residential property market exist because different types of households pay different prices for an almost identical housing unit.

It has been established that the legal framework is silent on how to link this data flow to the institutional framework. All stakeholders should benefit from property market data sharing and the synergy between the legal and institutional framework should be promoted by incorporating both buyers and sellers in the equation. The data sharing of property sales to aid in valuations should be regulated by two major institutes, the Valuation Surveyors Registration Board and Zambia Institute of Estate Agents. The two institutions should not be involved in data collection and compilation but should act as a regulator in order to have a workable mechanism of property sales data sharing among different stakeholders in real estate. This in turn will tremendously help in reducing distortions in property sales market prices and assessed property values by valuers.

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8. KEY TERMS DEFINITIONS
Estate Agent: A person whose job involves selling and renting out buildings and land for clients.
Valuer: A person whose job is to estimate the value of properties that are purchased or sold.
Real estate: Property consisting of land or buildings.
Property market: This refers to the buying and selling of land and buildings.
Property value: This is the fair market value of a given piece of property, though the actual price of the property may be higher or lower.
Market Efficiency: Market where all pertinent information is available to all participants at the same time, and where prices respond immediately to available information.

9. REFERENCES


