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Valuation Methodology of Unregistered Properties in East Africa

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Origin of the Study

Origin of the study was a request from RICS Kenya for developing pro bono valuation services targeted at women - sponsored by RICS-Kenya – and which it is intended would be rolled out in other East African countries

Targeted at innovative types of land tenure to be taken into account when designing equitable policy instruments aimed at eradicating poverty



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Purpose of the Study

Intention of method to maximise property values and target socially disadvantaged – widows, AIDS victims & rural poor

The study intended to review alternative valuation methods e.g. using traditional techniques and consumer surplus loss, surrogate data, residual and contingent valuation methods

Conducted household interview survey of willingness to pay for “informal” sector land titles based on stratified sample of urban and rural communities – based on house type/access

Study was grant funded through RICS Education Trust and UN Habitat GLTN (Global Land Tool Network) – designed to develop tools addressing land tenure issues



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Study Framework

Development of methodology and training package for valuing unregistered urban and rural land and property in East Africa
 Rural trust land/tribal holdings & squatted land in urban slums
 Majority unregistered - difficult to value - uncertainty of title
 An accepted/practical valuation method is urgently needed

Three stages to the Study:

Inception Report: literature review and survey methodology – completed (part funded by UN Habitat GLTN)

Interim Report: data collection & analysis of survey - subject of this study (funded by RICS Education Trust)

Final Report: final draft to be peer reviewed and presented at technical and stakeholder workshops in Kenya



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Study Survey Areas

The survey was conducted in three areas in Kenya:

1. **Western Kenya:** Igigo, Bumadeya and Budalangi

Rural holding in low lying wetland areas prone to annual flooding – most land under customary tenure and unregistered. Major challenge to relocate during floods

2. **Mombasa:** Mikindani, Bangladesh, Shika Adabu and Mburukenge

Mburukenge is an urban slum next to affluent residences, Shika Adabu and Mikindani are examples of failed or incomplete government settlement schemes. Land unregistered or illegally occupied. Located in Indian Ocean mangrove swamps

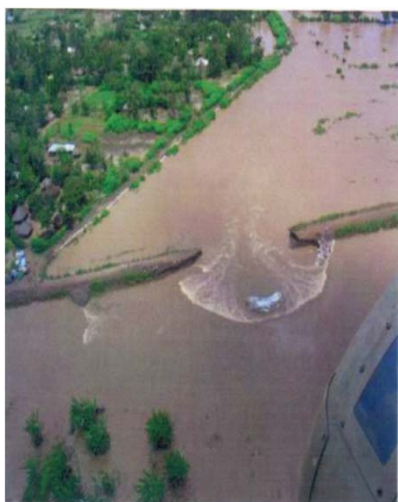
3. **Nairobi:** Athi River, Mathare, Huruma and Korogocho

Athi River is a mixture of industrial and agricultural land uses. Part of land is mapped and registered, but most unregistered. Mathare, Huruma and Korogocho within the outskirts of Nairobi are some of the largest urban slums in East Africa. Land is largely unregistered and land ownership is marred in controversy



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Survey Methodology



Data was collected using combination of questionnaires and interviews with respondents in the 3 study areas

Total of 206 respondents were interviewed – 189

landowners/occupiers and 17

	Owners/occupiers	Valuers
Mombasa	40	11
Nairobi	45	4
Western Kenya	104	2



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Land Ownership

This is an unclear subject to respondents, mainly because majority of them are either partially or totally unaware of the actual meaning and implications of land ownership. Some respondents liken ownership to occupation and use only, while only a few know that ownership has to be formalized. This was found across all study areas, despite the fact that two of these areas were in the largest cities of Kenya. Details are as follows:

Type of ownership	Frequency	Percentage
"Legal owners" (with proof)	43	23%
Claimants – not legal owners	94	49%
Renters/users	53	28%
Total	190	100%

Proof of Ownership

1. Half of land owning/using respondents claimed legal ownership
2. Proof of ownership difficult to verify as owners either refused to show title deeds or documents difficult to authenticate
3. For those who claimed ownership following "proofs" offered:

Proof of ownership	% claimants
"Sale agreement" with previous owner	30%
Letter of recognition from village elders or local chief	12%
Have witnesses who can verify ownership	9%
No document but believe land is theirs	24%
Inherited from parents	4%
Resident on the plot for a long time	21%

How Land was Obtained

Sale or transfer agreements between “sellers” and “owners” are the trusted documents – not official government papers

- Trust amongst the parties has replaced officialdom
- Majority of claimants and users bought the land from others
- No proper records were available to ascertain exact status

How land was obtained	% of respondents
Bought from others	42%
Inherited from parents	37%
Gifted from leaders	20%
Adverse possession/squatted	11%

Size of Land Holding

In both urban areas, residential use was most prevalent

Agriculture was dominant for western Kenya study areas, with sizes of land ranging from ¼ an acre to five acres

About 58% of respondents did not know size of lands occupied

More than 60% of agricultural plots sub-divided into smaller plots

In urban areas, plot sizes were unchanged since occupation

Cost of re-assignment were quite modest - sometimes as a % of land value or at other times the buyer paid only a token initial fee

Not possible to determine cost per unit of land measure, especially given land market appeared to be fully informal and unregulated

Valuing Unregistered Land

Most respondents paid only modest sums to purchase their land and others either inherited the lands or were given it as gifts

Difficult for respondents to fix the worth of their land parcels

For those with adverse possession issue of land value not relevant

Only 18% of respondents hinted how much their land was worth, but these values were far below realistic local market values

Research suggested that 88% of respondents unable to prescribe a method of valuation in case their parcels were to be assessed

Most respondents unaware of the available methods of valuation

Comparison or market approach was the most mentioned method by those who had any idea of valuation



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Views of Valuers – Factors Considered

17 valuers were interviewed

Valuers were selected randomly from a list of practicing valuers in Mombasa, Nairobi and Western Kenya as provided by the local chapters of the Institution of Surveyors of Kenya

The project attempted to determine factors that valuers ought to consider when valuing unregistered land. Average results were:

Factors	100%
Expenses incurred in acquiring the land	48%
Comparable sales	30%
Location of the property	16%
Availability of services and facilities	5%
Distance from the water bodies	1%



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Views of Valuers – Types of Land

Valuers interact with property owners, prospective property buyers, renters and users – i.e. participating in land transactions

45 % of Valuers had valued unregistered lands within Mombasa and Nairobi, none in W Kenya. Remainder not been approached or declined owing to the lack of registered title

Types of unregistered lands valued by the respondents were:

Types of unregistered land valued	
Private land	4 parcels
Customary land	4 parcels
Squatter land	1 parcel
Unclear ownership	1 parcel

Views of Valuers – Purposes of Valuation

- Most unregistered lands valued belonged to customary category
- This is because customary lands are under group ownership that is as secure as having a registered title.
- Owners of unregistered private lands and those on squatter land unlikely to require their lands to be valued because of the queries on the legality of ownership
- Main purpose for most valuations (18%) was for inheritance
- If a property had to pass on from the parent to children - it was not necessary to obtain fresh ownership details
- Balance of valuations for unregistered lands were for the purpose of accounting, bookkeeping or asset valuations

Can Unregistered Land be Valued?

Respondents were also asked whether unregistered land can be valued.

- Fourteen of the 17 valuers said Yes, while three (3) said that it was not possible to determine the values of unregistered lands
- For valuers who insisted that unregistered lands could not be valued, their main reasons was that land was never valued for its own sake
- It is the type of interests in the land that make the parcel worth the ascribed value
- Without declaring registered interests, it is difficult and rather impractical to return a proper value for any such piece of land

Valuation Methods Used

Valuers who had valued unregistered land were asked to state the methods that they had used. The responses were:

Method	Number
Market or Comparison Method	8
Cost or Contractor's Method	1
Combination of two or more methods	5

No single method was useful in valuing unregistered land because:

- comparable sales were rare to obtain
- transactions were taking place without the need for valuations
- land development was either minimal or non-existent

Challenges in Valuing Unregistered Land

From the views of the interviewed valuers, the main challenges faced in attempting to value unregistered lands are:

- Determining the real owner
- Lack of ownership documents
- Hostile land occupants, mostly squatters who fear consequences of any official transactions
- Inability to obtain appropriate comparables
- Due to lack of documents, it is not easy to determine the true boundaries and size of the lands
- Determining the appropriate method to be used for valuation

Findings

The preliminary findings of this study suggest that:

1. Unregistered lands are found across all three study areas
2. Ownership status unclear, in terms of who owns, how the lands were acquired, cost of transactions and acquisition procedures
3. Most respondents inherited the lands from their parents.
4. Majority of respondents not aware of legal procedures for transferring and owning land
5. Valuers had difficulties in valuing such unregistered lands
6. The most common method used for such valuations is the Sales Comparison or Market Approach.
7. In remote areas of Kenya, services of valuers and similar professionals are not utilized

Recommendations and Follow-up

Respondent valuers were asked to suggest the way forward in valuing unregistered lands. Although all of them acknowledged that such an exercise poses a challenge - mainly because of the illegality in interest documentation. Their proposals were that:

1. A policy should be put in place on how to value such lands
2. Policy needed to recognize transactions in unregistered lands
3. Unregistered lands should not be valued until they are legally recognized (and subsequently registered)

The follow up to the study will be a final report, including:

- Technical training workshops with valuers
- Stakeholder workshop with NGOs and civil society



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