Valuation Inaccuracy and Variance in Property Transfers: A Case Study of Woldia City, Ethiopia

Wudu Muluneh Yimer (Ethiopia)

Key words: Real estate development; Valuation

SUMMARY

Abstract:

This study investigates property valuation inaccuracy and variance during property transfers in Woldia City, Amhara Regional State, Ethiopia. By assessing the methods applied, identifying the extent of inaccuracies, and uncovering the root causes, the study sheds light on persistent challenges within the property valuation system in a rapidly urbanizing regional city context.

A mixed-methods approach was adopted, integrating quantitative data from 200 property transactions (133 residential properties selected via random sampling and 10 commercial properties via census) with qualitative insights gathered through interviews with five municipal valuation professionals. The results reveal a high rate of valuation inaccuracy: 79.94% of residential and 94.12% of commercial properties were overvalued relative to their actual sales prices. Only 3.01% of residential valuations fell within a 95% accuracy range, with the majority—69.18% of residential and 70% of commercial—registering below 80% accuracy.

Three core issues were identified as the primary drivers of valuation discrepancies: (1) the lack of updated and reliable market data; (2) limited professional expertise, including insufficient training in modern valuation methodologies; and (3) the sole reliance on the cost approach, which often overlooks depreciation and omits market and income-based methods. These gaps lead to compromised transparency, reduced buyer/seller confidence, and diminished efficiency in municipal revenue collection.

This research aligns with the goals of SDG 11 (Sustainable Cities and Communities) and SDG 16 (Peace, Justice and Strong Institutions) by advocating for improved land governance, greater valuation transparency, and evidence-based policymaking. The findings emphasize the urgency of introducing standardized valuation frameworks, capacity-building initiatives for local appraisers, and data-driven valuation systems in developing economies. This paper contributes to FIG's agenda by offering practical policy recommendations for enhancing valuation accuracy, promoting equitable property transactions, and supporting sustainable urban development in sub-Saharan African cities.

Keywords: Property Valuation, Valuation Accuracy, Property Transfer, Cost Approach, Market Data, Ethiopia