Market Research Applicability Among Nigerian Estate Surveyors and Valuers in Project Appraisal

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Abstract: An investigation into market research applicability among Estate surveyors and Valuers examined the competence with which professionals carry out market research while on project appraisal. Structured questionnaires were analyzed using appropriate inferential and descriptive statistical tools. The study revealed Estate Surveyors and Valuers carry out market research in feasibility studies shabbily and without the required competence. The study also revealed that Estate Surveyors and Valuers spend little or no time in carrying out market research compared to the onerous task required in market research. This by implication obviously affects even the most viable investment decision. It recommended the need for the Nigerian Institution of Estate Surveyors and Valuers to provide standardized methodological framework within the context of project appraisal for market research and to actively play a supervisory role to ensure Estate Surveyors and Valuers adhere to minimum practice standards.

Keywords: Market research, appraisal, competence

1. Introduction

Prior to the ushering of globalization, markets were so badly underserved that it was often possible for the developer with optimism to take a quick look at the existing competition and then move ahead with the construction of his development, safe in the knowledge that as the market was so badly underserved his project would succeed. Today, the picture has changed, most major markets today are already quite well satisfied and as a result, new projects, that must effectively complete with and complement existing developments rather than merely duplicate them, require the benefits of a thorough and detailed understanding of the market place, if they are to be successful(Darlow, 1998). A strong market does not necessarily equate with a good development opportunity. Neither does a weak market mean that a good idea cannot be implemented successfully. A good market from the perspective of demand may be oversupplied; at the same time, a good idea may prove successful in a low-growth market.

Market research identifies market performance gaps against which the project can position itself and develop relevant market competencies so that it can be assessed to be capable of outperforming competitors in meeting market expectations in a sustainable manner. In the heat of globalization, the need for professionalism and standardization of appraisal methodological framework is paramount and imperative to guarantee security of investment parameters. In recent time, investors have been requiring that more comprehensive market analysis be included in the appraisal they

commission. It is stating the obvious to say that project appraisal involves a series of sequential methodology combined with appropriate decision model. Analyzing project's productive capacity is related to market activity which must be carried out with the required competence. This paper tries to examine the competencies with which estate surveyors and valuers carry out market research and integrate it into the appraisal process.

2. Theoretical Framework

The word market is used in many different contents. It can be a store that sells a particular type of merchandise. Miles et al. (2005) holds that in real estate development, a market is a subgroup of a general population that is considered to contain potential buyers or users of a specific property type which may include a demographic makeup (age, income, household size,, education, and so on) and motivation of its constituents. Sarvides (2000) see market in the context of market analysis for project appraisal different from the commonly used term of an industry. He opined that the boundaries of the market within which the project is expected to operate depends on the degree of substitutability between its products and other potentially competing products. Moran (1973) expressed that the boundaries of such definition of market are often difficult to establish and even harder to achieve with a high degree of consensus. While Savvides (200) concludes that within the framework of project appraisal, 'relevant market is simply that part of the total potential market that is competitively accessible to the project.

Ogbuefi (2002) posits that market survey is an essential prerequisite in the preparation of feasibility and viability report and that the degree of market research to be conducted depends on the nature of the proposed investment. Kotler (2005) argues that marketing should not be narrowly construed as the process of selling products but more broadly understood as satisfying human wants and needs.

Real estate investment decision making is essentially a matter of interpreting information about the real estate market in general, the subject scheme in particular, and the investor who must make a decision. Barrett and Blair (1988) called market research both the most difficult and the most consequential part of the real estate development planning process. Market research provides the information for which periodically, every portfolio should be reevaluated and adjusted to meet investment targets. Churchill (1994), remarks that research information is used by operating management for planning, problem solving, and control purpose. In the same vein, Greer &Kolbe (2003) opined that market research is an essential element in rational investment decision making which permits reliable revenue and expense forecasts and estimates of future market values. The task of providing market information enables a scheme to have a competitive edge and capabilities that will enable it to distinguish itself from other competitors and yet remain flexible enough to respond quickly and effectively to changing market condition as necessary (Savvides, 2005). Fanning (2005) asserted that market analysis can be a separate study from appraisal but an appraisal cannot be completed without market analysis. This implies no feasibility studies can be successful without market research to determine the development potential of the scheme.

3. Market Research Requirements

A growing body of literature had proposed what market research should encompass (see Sangree, 2009; Miles et al 2007; Fanning 2005; Greer & Kolbe 2003; and Darlow1988).
Sangree (2009) propounded that market research should encompass a large range of data but identified key areas an appraiser should consider to cover economics and demographics namely:

- ✓ Population trend: the population which the project will serve; is it growing or shrinking?
- ✓ Household growth: how big is a typical family? How many children per family?
- ✓ Household economics: rate of employment, what is the median income? How much disposable income do households in the area have?
- ✓ Area economics: What large corporations are in the area?
- ✓ Area transportation: The number of airports, interstate highways and rail transportations greatly affects travel tp am area.
- ✓ Comparative data: Compare data obtained from economic and demographic with successful market in the area.
- ✓ Projections: Based on data gathered, what is the projected performance of the subject property? Are there plenty of demand generators in the area?

He further considered that while obtaining economics and demographics data, the appraiser should consider existing competitors, recent similar project openings, similar potential project openings, and market segmentation and market penetration.

Fanning (2005) outlined six steps in market analysis process. These are:

- o What attributes does the subject property offer the market?
- o Who are the most likely users of this product?
- o Is the property use needed? (demand analysis)
- o What is the competition? (supply analysis)
- o What is the condition of the market? (comparing supply and demand)
- o How much of this market can the subject capture?

And that the six steps processes are used in studying alternative uses of property. In this context, the process functions as a screening mechanism and alternative use(s) forecast model. The amount and timing of the demand is used in the financial analysis of highest and best use alternatives. Fanning concluded that market analysis in appraisal is determined by the nature of the assignment and specific problem confronting the decision maker.

In the opinion of Gree and Kolbe (2003) each project has its own special emphasis, all share a common sequence of steps. The problem to be solved or question to be answered should be carefully formulated before any data are gathered, because the nature of the problem will largely determine the information to be assembled

Miles et al. (2007) provided ten critical questions that market research should answer:

- ❖ What are the trends in this type of development?
- ❖ What is the current market (what buyers want)?
- ❖ What is the depth of this market (what percentage of the market must be captured)?
- ❖ What are the markets' perceived values (what motivated buyers)?
- ❖ What opportunities and challenges does the current market profile present?
- ❖ How do one determine and gain an understanding of the target market
- ❖ What are the lessons learned from competitive project?
- ❖ What are the lessons learned from comparable projects?
- ❖ What are the opportunities and challenges presented by the competitive and comparable projects?
- ❖ What conclusions can be drawn about all aspects of the projects?

Answer to above question should address questions about:

- ➢ The market- who are the buyers? What are their characteristics? What do they want?
- ➢ Positioning- where should the product fit in potential users' minds relative to other choices?
- ➢ The development program- what is the best way to provide a product that will be in demand yet financially feasible?
- ➢ Marketing- what is the best way to get our message to buyers?
- ➢ Opportunities for differentiation- what can we stand out compared with other possible choices? What makes us special?
- ➢ Price points- How can we best capture the value we created? How should pricing be structured?
- ➢ Absorption rates- how quickly can the products be sold or leased?

In the opinion of Darlow (1998) the detail techniques of market research generally fall into two categories namely: area research and consumer research. Area research is a quantitative analysis which determines the characteristics of the market in order to identify the size and nature of project which should be built. This type of research helps the financial institution know the economic feasibility of the product. Consumer research is a qualitative analysis which determines the attitude of consumers in the area with regard to the existing facilities.

Conceptual Framework
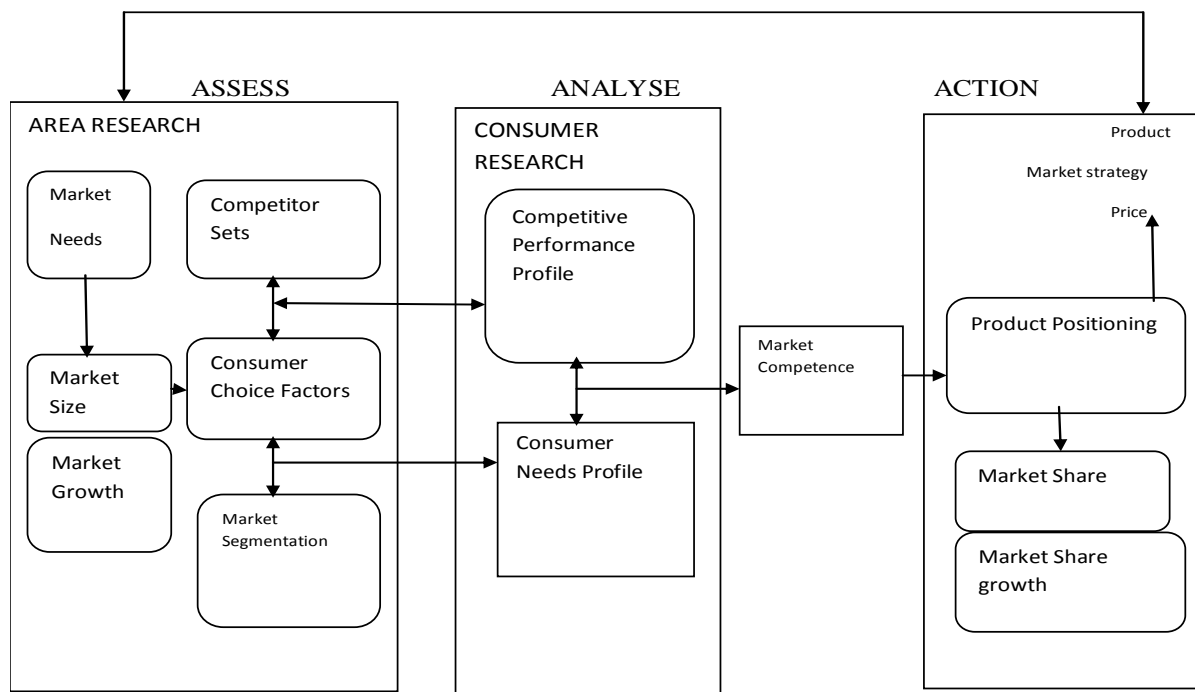
Assess opportunity& identify market   - Analyse business viability & success   - Develop Enterprise
Performance gap   - Technology factor
                                              - Human factor
                                              - Other factors

Figure 1. Conceptual framework

Figure2: Map of Lagos Metropolis, Nigeria
Source: www.lagosstate.govt.ng

4. Research Method

This study by classification is an evaluation research which enables data to be collected and valued judgments made for the purpose of improving a system or performance (Yalams & Ndomi, 2000). The research relied much on empirical findings. Three hundred Questionnaires were analyzed using inferential and descriptive statistics and inference drawn. Thirty feasibility study reports were examined to determine the extent of adherence to market research methodology. Unorganized interviews with Estate Surveyors and Valuers were conducted in few cases to investigate the thoroughness of market analysis applicably.

5. Results and Discussion

Table 1 shows that many Estate Surveyors under the investigation have been in operation for quite a while. It was gathered that a total of 62.5 per cent have spent over 10 years in practice. Just 16.7 per cent of the population spent 1 to 5 years in operation. Among those who have spent over ten years, 25 per cent, have spent between 21 and 30 years in practice. This suggests that a significant number of the respondents are well experienced. Table 2 reveals that Estate Surveyors and valuers are more into general practice than specialized operations. It shows 85.7 per cent of the surveyors are found in general practice. Surveyors were asked if they carried out Project Feasibility study. From their responses, it is shown in the Table 3 that all the surveyors carried out Project Feasibility Study in the course of their operation. Market research, an integral aspect of Feasibility study is investigated among Surveyors and Valuers. Table 4 shows 100 per cent of practicing Estate Surveyors and Valuers all admitted the use of market research while on feasibility study assignment. The Table 5 gives a clear indication that no matter the nature of feasibility study task, Market research among the surveyors and valuers does not take more than 5 days to complete. This is a complete departure from the opinion of Greer and Kolbe (2003) that market research should be a continuous process from the inception of the project to its completion. Table 5 reveals above 23 per cent conducted market research in a day. About 47 per cent executes market research in 2 days while only 30 per cent spent 3 to 5 days in carrying out the same task. It is obvious most Estate Surveyors and Valuers do not exhibit professional competence in carry out market research as ought to. Number of days spent in carrying out market research gives a fair indication of the quality and effectiveness of the market analysis conducted. This may elicit a claim that what the Estate Surveyors and valuers do is not more than a certification for fee. Table 6 shows that about 57 per cent get information about the market through local practice. This may not be an effective way of getting information about the market as some project inputs are beyond local practices and require international data. Ogbuefi (2002) also maintains that market research may require international input and study of international market. Table 6 also depicts that 40 per cent rely on client's briefing, while slightly above 3 per cent get information from phone calls. It is erroneous to rely on information from client and phone calls. The reason why market research is carried out by the Estate surveyor is shown in Table 7. Half of the Estate Surveyors and valuers indicate that market research is carried out to convince financiers on the project viability, above 33 percent to determine the practicability of the project while about 17 per cent to convince client that they have done a good job. In the opinion of Darlow (1988), market research is to achieve product positioning in order for a new project to effectively compete and complement existing ones rather than merely duplicating them. Miles et al. (2007), holds that market research is a tool for generating idea so as to discover who buyers and end users are and what motivates them to buy. Ogbuefi (2003) buttresses that, market research identifies relevant investment alternatives or those investments that have complementary capacity. In a similar development, Umeh (1977) contributed that market research and analysis examines both the supply and demand sides of the market for an investment project, it also looks at both the need for the project as well as the costs and benefits attaching thereof. To Greer and Kolbe (2003), market research helps identify alteration that will enhance a property's potentials, assess the quality of existing operations and evaluate proposed changes for optimum profitability. While Fanning (2005) put forward that market research links the property's attributes to market preferences and identifies the highest and best use of the property in terms of the property use, economic demand and absorption rates.

6. Conclusion

An investigation into market research applicability among Estate Surveyors and Valuers reveals that 70 per cent of Estate surveyors and Valuers spent only 1 to 2 days in carrying out market research which demonstrates gross incompetence in carrying out market research. The findings of the study revealed that about 57 per cent of Estate Surveyors and valuers indicated that little time is required for market research so as to avoid time wastage while on feasibility studies

assignment. This reveals the neglect to which market research receives from professionals in project appraisal. Worthy of note is the fact that market analysis can be a separate study from feasibility studies but feasibility studies cannot be completed without market analysis. Therefore, feasibility studies cannot be successful without effective market research to determine the development potentials of the scheme and remain flexible enough to respond quickly to changing market condition as necessary. The study distilled from attestable inability of most Estate Surveyors and Valuers, which constituted 60 per cent of the respondents to differentiate between feasibility studies, economic impact studies and needs assessment; therefore provides us the ground to assert that market research is not carried out with the required competence among Estate Surveyors and valuers. Incompetence in carry out market research is by implication a clear demonstration of ineptitude in project appraisal which could have potential consequences in investment decision. Also, the competence with which this investment tool is handled is a reflection of a nation's level of property market complexity and maturity in the global panorama. Therefore, the need to address this professional paucity with all the needed attention is paramount and imperative.

7. Recommendations

Globalization necessitates the need for standardization of professional practice and a revamp of professionalism as a whole. It is against this backdrop that the following recommendations are pinched:
1. The Nigerian Institution of Estate Surveyors and Valuers should provide a methodological framework for effective market research in project appraisal.
2.   The professional practice committee of the Institution should awake to their supervisory role so as to ensure all practicing Estate Surveyors and valuers adhere to the minimum practice standards.
3. There should be sincerity on the side of the professionals in upholding professional ethics.
4. Government should provide the legal framework that will encourage professionalism in the wake of globalization.

Table 1: Years In Operation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5	40	13.3	16.7	16.7
	6-10	50	16.7	20.8	37.5
	11-20	90	30.0	37.5	75.0
	21-30	60	20.0	25.0	100.0
	Total	240	80.0	100.0	
Missing	System	60	20.0		
Total		300	100.0		

Table 2: Operational Area

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	General Practice	240	80.0	85.7	85.7
	Project Management	10	3.3	3.6	89.3
	Valuation & Agency	10	3.3	3.6	92.9
	Appraisal & Agency	10	3.3	3.6	96.4
	Valuation, Project Appraisal & Agency	10	3.3	3.6	100.0
	Total	280	93.3	100.0	
Missing	System	20	6.7		
Total		300	100.0		

Table 3: Participation in Feasibility study Assignment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	300	100.0	100.0	100.0

Table 4: Rate at which Estate Surveyors and Valuers Employ Market Research.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	270	90.0	100.0	100.0
Missing	System	30	10.0		
Total		300	100.0		

Table 5: The Duration of Market Research in Project Appraisal

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 day	70	23.3	23.3	23.3
	2 days	140	46.7	46.7	70.0
	3-5 days	90	30.0	30.0	100.0
	Total	300	100.0	100.0	

Table 6 : How Information Is Got While On Market Research

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Phone	10	3.3	3.3	3.3
	Study of Local Practices	170	56.7	56.7	60.0
	Client's Brief	120	40.0	40.0	100.0
	Total	300	100.0	100.0	

Table 7:   Reason For Market Research

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To Determine Project Feasibility	100	33.3	33.3	33.3
	To Convince Financiers on the Project Viability	150	50.0	50.0	83.3
	To Convince Client of Good Job	50	16.7	16.7	100.0
	Total	300	100.0	100.0	

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