

Market Valuation of Residential Investment Properties: The Case of Reversionary Freehold and Leasehold Properties in Uyo, Nigeria

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Abstract

Prior to the advent of inflation in the property market worldwide, property investment valuation was solely based on the logic of the conventional technique which relies on some assumptions that there is no growth in future rental value over present rental value and that rents are the early 1970s affected the property market resulting in increases in rents and introduction of rent reviews in leases. Since then, contemporary techniques have been proposed by property researchers for the valuation of property investments in times of inflation. This paper examines the market valuation of residential investment properties with particular focus on the valuation of reversionary freehold and leasehold properties in Uyo, Nigeria. The paper argues that in the context of Nigeria's Land Use Act which provides for payment of ground rent which is subject to reviews, coupled with the rental reviews on the building, the conventional valuation technique can no longer produce accurate and logical valuation of reversionary freehold and leasehold residential investment properties in Uyo, Nigeria due to the fact that it cannot handle the problem of rent reviews and complex rental gearing. The paper concludes that contemporary techniques of property investment valuation can handle these problems and shows the adaptation of one of these techniques to the Nigeria situation based on data from the property market.