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Navigating abnormal uncertainty in valuation: The case of property valuation in Sri Lanka

Mendis B. S. N., Upuli Perera

Centre for Real Estate Studies, Department of Estate Management and Valuation, University of Sri Jayewardenepura

Correspondence: Mendis B. S. N. (email: bsnmendis@sjp.ac.lk)

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Abstract

Uncertainty is inherent to property valuation, and valuation practitioners are accustomed to managing it. However, the compounded events: Easter attack, Covid-19 pandemic followed by the economic crisis in Sri Lanka introduced an unforeseen, abnormal level of uncertainty in the real estate markets from 2020 to 2023 or so, with which valuers were relatively unfamiliar. The domain of practitioners' approaches to address abnormal uncertainty remains less explored. Accordingly, this paper aims to investigate how valuers in Sri Lanka dealt with abnormal uncertainty in valuation experienced during 2020 to 2023 or so. Employing a qualitative research approach, data for this study were gathered through in-depth interviews conducted in the first quarter of 2024 with purposively selected 12 professional valuers practicing in Sri Lanka. The study finds that the valuers largely relied on a mix of heuristic, pragmatic, and relationship-based strategies to navigate abnormal uncertainty against the background of data-poor and opaque real estate market. Professional judgement emerged as a central mechanism reconciling the conflicting market signals and the limited market evidence. While some of these practices demonstrate alignment with internationally recognised valuation guidelines and standards, some fall outside of formalised frameworks leading to behavioural uncertainty in valuation. The study highlights the need for the development of context-sensitive professional guidance for valuation under conditions of abnormal uncertainty to ensure consistency and transparency in valuation practice.

Keywords: Abnormal uncertainty, behavioural uncertainty, emerging markets, heuristics adjustments, professional judgement, valuation, valuation standards

Introduction

Dealing with uncertainty is an inherent aspect of property valuation (Joslin, 2005; Thorne, 2020). However, driven by the COVID-19 pandemic, the subsequent economic turmoil, a series of geopolitical and social shocks, likewise, the scale and intensity of uncertainty that emerged globally since 2019 and thereabouts was abnormal (RICS, 2021; Uddin et al., 2021; Ahmed & Sarkodie, 2021) This was a significant departure from normative uncertainty conditions that the property valuers usually deal with. The abnormal uncertainty (material uncertainty; RICS, 2021; RICS, 2024; Thorne, 2020; French, 2020)

is ‘a degree of uncertainty in a valuation that falls outside any parameters that might normally be expected or accepted’ (RICS, 2024). It demands heightened attention and a differentiated response from professional valuers (RICS 2021; RICS, 2024). This is primarily because valuations to reflect markets (RICS, 2024) becomes challenging as abnormal uncertainty leads to extreme scarcity of market transactions (data) (French, 2020), unusual asset characteristics and disrupted market conditions (French & Gabrielli, 2004). Thus, it is imperative to critically examine how valuers navigated the abnormal uncertainty in property valuation during 2019 and thereabouts, given its substantial implications for valuation reliability, market transparency and client’s confidence in decision-making.

Between 2020 and 2023, Sri Lanka experienced a sequence of extreme and overlapping disruptions. The country was affected by four successive waves of COVID-19, followed by one of the worst economic and political crises in its history (KPMG, 2020; UNICEF, 2020; World Bank, 2021; IMF, 2022). The 2019 Easter Sunday terrorist attacks also destabilized key economic sectors to some degree, even before the pandemic’s onset. The macroeconomic environment during this period was marked by hyperinflation, with official inflation figures ranging from 9% to 73% (CBSL, 2023), a surge in interest rates from approximately 6% to 30%, sovereign debt default, and steep declines in government revenue (CBSL, 2020;2022). This paper, therefore, aims to critically examine how property valuers tackled the abnormal uncertainty that arose under these contexts in the valuations.

Here, it is also noteworthy that, despite the century-long presence, the valuation profession in Sri Lanka remains unregulated, with no mandatory requirement to follow either local or international valuation standards. Thus, navigating abnormal uncertainty was largely at the discretion of the valuer. The real estate market in Sri Lanka is data-thin, opaque (Gamage & Perera, 2025), and structurally underdeveloped (Perera, 2010), while economic policies frequently shift with successive governments (Kelegama, 2000). Although the real estate sector contributes approximately 16% to the national GDP (CBSL, 2024), less than 20% of land is actively traded in the open market (Perera, 2010). Against this backdrop, the study’s findings go beyond documenting valuation practices under abnormal uncertainty during 2020–2023. It reflects the manner in which valuers responded to abnormal uncertainty within these structural realities.

Scholars and professional bodies have proposed actions for valuers treating abnormal uncertainty. (e.g., IVSC, 2021; RICS, 2024; French, 2020). However, empirical evidence remains largely limited on how practitioners interpreted and managed such abnormal uncertainty in valuations, amidst the aforesaid structural realities and opaque real estate markets such as Sri Lanka. This study addresses this gap by offering practice-based insights into valuers’ approaches to data gathering, processing, and reporting under abnormal uncertainty. The findings emphasise the need for regulatory frameworks and context-sensitive valuation standards that acknowledge behavioural and contextual complexities in managing valuation uncertainty.

Literature review

Methods to deal with uncertainty in property valuation

A valuation is provided for a specific date and basis, representing a professional opinion rather than an absolute fact (RICS, 2024). As valuations reflect prevailing market conditions, the presence of market uncertainty is an integral component in the valuation process (RICS, 2024). Thus, identifying, assessing, and clearly communicating uncertainty doesn't confuse the valuation users (Lorenz et al., 2006; RICS, 2024). Guidance Note 5 of the RICS Appraisal and Valuation Standards (2003) identifies three (03) main approaches to identify, assess, and communicate uncertainty in valuation: qualitative commentary, reporting a range or hierarchy of values, and sensitivity or probability analysis.

a. Qualitative commentary

The RICS Red Book outlines the minimum reporting requirements, including qualitative explanations of uncertainty (RICS, 2024). Valuers typically address this by embedding assumptions into key input variables (Kaluthanthri & Hippola, 2023) such as cash flows, yields, or vacancy allowances supported by explanatory narratives (Kucharska - Stasiak, 2013), for example, "A 15% vacancy rate reflects the current low market absorption." In addition, tools such as SWOT analysis can be effectively employed to provide qualitative commentary (Bywater, 2011).

b. Reporting a range or ranking of values

Some scholars argue that reporting a range-based output better reflects valuation uncertainty than single-point estimates (e.g. Brown, 1991; Lorenz et al., 2006). Technically, the legal recognition of margins of error in Singer & Friedlander Ltd v. John D. Wood & Co (1977) in UK and empirical studies recommending tolerance levels of ±5% (Hager & Lord, 1985), ±15% (McGreal & de la Paz, 2012), and ±10–20% (Crosby, 2000) reinforces this argument. Similarly, ranking has also been proposed, using simple scales (e.g., 1 = very low to 4 = very high variation) to indicate risk (Mallinson, 1994). However, concerns also remain that ranges and rankings, especially in development property contexts, may heighten uncertainty for users and risk misinterpretation (French and Ward, 1995; Adair & Hutchison, 2005; RICS, 2019).

c. Sensitivity or probability analysis

Sensitivity and probability analyses systematically quantify valuation uncertainty (RICS, 2023). In sensitivity or scenario testing, key inputs are varied to assess impact. For instance, a 5% rise in vacancy may reduce value by 20%, illustrating how changes in yields, rents, growth, or vacancy translate into risk. This acts as an implicit disclaimer by showing valuation sensitivity to critical variables. More advanced probabilistic methods, such as Monte Carlo simulations (Meszek, 2013), assign probability distributions to key inputs and generate multiple iterations to produce a value distribution that explicitly quantifies valuation risk (French & Gabrielli, 2004).

Abnormal uncertainty (2019 and thereabouts) – Calling for actions

Recent calls for action on abnormal uncertainty in valuation, particularly during and after COVID-19, emphasize transparency through qualitative disclosure. Where data scarcity constrains quantification per se, valuers are urged to convey abnormal uncertainty clearly via caveats and explanatory notes. The International Valuation Standards (IVS) states, Commentary on any material uncertainty in relation to the valuation where it is essential to ensure clarity on the part of the valuation user (IVSC, 2021).

VPGA 10 of the RICS Red Book (RICS, 2024) required valuation reports to acknowledge a 'higher degree of uncertainty' when assets have unusual characteristics that make value assessment difficult, when information is limited, or when the valuation date coincides with significant market disruption arising from financial, economic, legal, political, or natural events. This requires valuers to articulate the sources of risk rather than rely solely on numerical outputs, with particular emphasis on awareness of and compliance with VPS 3 and VPGA 10 (RICS, 2024) for regulated members. The Australian Property Institute (API), the Property Institute of New Zealand (PINZ), the New Zealand Institute of Valuers (NZIV), and the European Group of Valuers' Associations (TEGoVA) have also taken a similar stance (API, 2020; TEGoVA, 2020).

The emphasis is that valuers must clearly state their level of confidence in the opinion as of the specified date. Abnormal uncertainty does not relate to general market risk or future fluctuations but arises from exceptional factors: insufficient data, unusual asset characteristics, or disrupted market conditions. Therefore, transparent communication of such uncertainty is an ethical and professional responsibility (KPMG, 2020; Lorenz et al., 2006), ensuring consistency and transparency in valuation practice (Uhruska & Małkowska, 2021). As French (2020) notes, "it would be odd for a valuer not to declare material uncertainty" during severe global downturns, and such disclosure does not diminish professional skill or judgment. Rather, it allows clients to make informed decisions while mitigating the valuer's exposure to professional indemnity risks arising from factors beyond their control.

Even so, this does not mean valuers play a passive role under abnormal uncertainty; rather, it reinforces the active and judgement-intensive nature of valuation. Valuers are required to remain forward-looking, with value estimates grounded in expectations of future income, market behaviour, and risk adjustments (French & Gabrielli, 2004; Thorne, 2020). Valuers are expected to employ prospective assumptions, scenario-based analysis, and informed professional judgement to address information gaps and support defensible opinions of value (French & Gabrielli, 2004; Thorne, 2020).

Additionally, professional bodies, particularly RICS (UK), have issued guidance on special considerations for valuation approaches under abnormal uncertainty. For the income approach, valuers are advised to possess relevant experience, market familiarity, and to use the most accurate and up to date income data (KPMG, 2020; RICS, 2020). Under the market approach, attention should be given to market activity levels and the reliability of recent comparable evidence (RICS, 2020). As noted by Cayman Compass (2006), depending on property type, data availability, and market conditions, a higher margin of error may be acceptable during periods of elevated uncertainty. Nevertheless, professional guidance consistently stresses minimizing valuation errors through valuers' expertise and rigorous market observation.

Impact from behavioural uncertainty

Uncertainty in valuation, whether normal or abnormal is often attributed to market factors. However, it can also be amplified through valuers' behavioural responses (Mohammad et al., 2018). Globally, patterns emerged during COVID-19, valuations relying on relationship-based approaches coupled with digital tools used to manage disruptions (Uhruska & Małkowska, 2021; Toivonen et al., 2023). More particularly relevant to data-thin and opaque markets, a study in Johor Bahru, Malaysia, found that valuers facing abnormal uncertainty in 2020 heavily relied on heuristics such as anchoring, herding, and professional judgment, which in turn can lead to valuation bias (Ali & Khalidi, 2020) thus behavioural uncertainty. Anchoring biases decisions toward initial reference points (Tversky & Kahneman, 1974), while herding favours others' decisions over independent judgment (Banerjee, 1992). Heuristics are not confined to emerging markets or crisis times but are inevitable in valuation practice as a whole (Ali & Khalidi, 2020; Mohammad et al., 2018). It is also seen in structurally developed markets such as the UK and the USA to a noticeable degree (Diaz, 2002; Wilkens, 2014; Iroham et al., 2014; Warren-Myers, 2015). Besides, when valuation is inherently an expert opinion, professional judgement is integral to the process; this reliance becomes more pronounced where objective market evidence is limited, leading valuers to draw on experience, discretion, and intuition (Diaz & Hansz, 1997). Disclosure itself is shaped by ethical judgment and personal values (Aydt, 2020). Consequently behavioural uncertainty in valuation is seemingly inevitable particularly under abnormal uncertainty in emerging economies. However, as Diaz (2002) points out, behavioural responses that come along with heuristics can enhance valuation efficiency and decision-making when applied judiciously. This challenges traditional efficient market assumptions (Friedman, 1953; Gau, 1987) and supports Wyman et al. (2011) call for a new valuation paradigm that integrates behavioural, informational, and dynamic complexities, especially in emerging economies.

Methods

Data and respondents

The study employed a qualitative phenomenological approach and collected data through in-depth interviews with experienced valuers (Osborne & Grant-Smith, 2021; Creswell, 2009; DiCicco-Bloom & Crabtree, 2006). Participants (Table 1) were purposively selected practitioners affiliated with the Institute of Valuers of Sri Lanka, the Royal Institution of Chartered Surveyors, or both (Bryman, 2016). Twelve (12) respondents participated, a sufficient number for data saturation in a homogenous sample (Guest et al., 2006), with no new insights emerging after the eighth(8^{th}) or ninth(9^{th}) interview (Dworkin, 2012; Marshall et al., 2013). One-on-one interviews were conducted in person or online in early 2024, guided by pre-shared interview guides, protocols and study information to facilitate recall of valuation experiences from 2020 to 2023. Each session lasted one to two hours, yielding rich narratives (DeJonckheere & Vaughn, 2019), and all interviews were recorded and transcribed for analysis.

Interview focus and data analysis

The in-depth interviews used a semi-structured interview guide focused on: the types of valuations conducted; the unusual market or institutional conditions encountered; and how these were managed in terms of data (inputs), methods to account for abnormal uncertainty (process), and reporting and client communication (outputs). Guided by the research questions (Bryman, 2016), these aspects captured the valuation process holistically, recognizing that managing abnormal uncertainty spans across all stages of a valuation. Probing questions (e.g., asking participants to explain a particular method adapted with an example) were used to elicit deeper insights where necessary (Kontogianni et al., 2020).

Data were analysed thematically (Bryman, 2016). Codes were guided by the research questions examining how abnormal uncertainty was managed in terms of data inputs, methods to account for abnormal uncertainty, and reporting and client communication. The analysis was iterative, allowing for constant comparison across interviews to ensure thematic coherence and depth.

Table 1. Profile of the respondents

	Qualification	Years of experience	Types of valuation projects handled during the 2020-2023
#01	Qualified Valuation Practitioner	40+	Visa, Insurance and mortgage purposes
#02	Qualified Valuation Practitioner	6	Visa and Insurance purposes
#03	Qualified Valuation Practitioner	20+	Financial reporting, Selling, Insurance, Stamp duty, Visa purposes
#04	Qualified Valuation Practitioner	9	Financial reporting, Selling, Insurance, Stamp duty purposes
#05	Qualified Valuation Practitioner	10	Financial reporting, Visa, Selling purposes
#06	Qualified Valuation Practitioner	40+	Financial reporting, Selling, Business valuation purposes
#07	Qualified Valuation Practitioner	3	Development properties
#08	Qualified Valuation Practitioner	2	Financial reporting, Visa Selling purposes
#09	Qualified Valuation Practitioner	9	Mortgage, Visa Selling purposes
#10	Qualified Valuation Practitioner	40+	Mortgage purposes
#11	Qualified Valuation Practitioner	5	Visa purposes
#12	Qualified Valuation Practitioner	11	Mortgage, Financial reporting purposes

Source: Author's own work, 2024

Results and findings

Data

Between 2020-2023, valuers faced unprecedented data collection barriers. Physical access restrictions from lockdowns and fuel shortages prevented site inspections and land registry visits. Published data that valuers use; building schedule rates, land value indices, or economic indicators, were neither updated on time nor reliable. As "Collecting market transactions is always difficult in Sri Lanka because we don't get many in a given location. But this period was worse than ever…We couldn't even visit properties during lockdowns, and with all these fuel crises. Traveling was very expensive, and even collecting data from land registries was nearly impossible. …websites didn't have updated information… (R4)".

Valuers were even more distressed when the data inputs for the cost method became uncertain, given that it often serves as a dependable fallback method in Sri Lankan valuations. "The worst thing was…normally, we could use the cost method without having much of a problem. But during this period, we were even heavily puzzled about determining construction cost per square foot... no published data …. With the dollar crisis …, scarcity of construction materials…prices were skyrocketing … prices kept changing every day… black markets… reliable cost data became a real challenge… R1".

When construction costs were rapidly escalating and constantly fluctuating, income of those properties showed declining with less market absorption, highlighting atypical asset conditions that significantly heightened valuation uncertainty. This divergence between cost and income of assets caused substantive challenges for valuers reconciling value estimates with check method approaches.

Faced with a significant scarcity of data, valuers shifted their approach from relying on hard market data to leveraging multiple other sources: past valuations, proxy sources, and limiting valuation assignments to locations in proximity to their work base. Valuers are intensively mining their proprietary databases of past transactions to establish baseline market positions. Those were considered as a primary reference point.

"We used our own database records to get an idea of where the current [2020-2023] prices were most likely to be at the valuation date. It gave us a starting point… R6"

Additionally, valuers gathered information through proxy sources such as asking real estate brokers, fellow professionals and clients. "During that time, …, we had to rely more on brokers and other property colleagues … to arrive at a reasonable figure… R1". "…We had only one sale or none in a given area. We had to ask opinions from different brokers about what they were seeing in the market. We also took our clients' input seriously. The person [client] who is running a business in that area knows the market conditions too… R11"

Those opinions were used to curate data, verify data and build consensus on property values. Rather than the market data itself, it's the perspectives about markets gathered via brokers, clients, and fellow professionals, coupled with professional judgment that become the data for valuation. Demonstrating a herding behaviour, the strategy seems to minimize margins of error by cross-referencing these different figures and making sure the valuation doesn't deviate significantly from the client's or peer perspectives.

For site inspection difficulties, valuers adopted pragmatic strategies, such as limiting assignments to geographically proximate areas where they had established market knowledge. In other cases, they used everyday virtual communication channels and selectively accepted valuations from known clients or referral sources, enabling them to rely on trusted information electronically shared without having to do physical. "We started taking jobs closer to our office...which makes travel somewhat feasible [during year 2021/22]... sometimes, we used … video calls to view properties and collect documents via email…But I did this only if I knew the client very well previously or the job came from someone I knew very well…it minimized traveling while still doing our job properly… R3"

Methods to account for abnormal uncertainty

Per se, to account for abnormal uncertainty, valuers relied on heuristic adjustments; methods typically used even under normal uncertainty.

Valuers, where relevant, anchored their comparisons to pre-crisis 2019 prices, using them as a baseline or minimum reference, despite valuations conducted during the 2020–2023 crisis period. "Let's say… before the crisis (in early 2019), land in a particular area was Rs. 800,000 per perch. By 2022, asking prices reached Rs. 1.1 million per perch, but properties remained unsold for about a year or so. This indicates that actual transaction values probably wouldn't exceed the pre-crisis level of Rs. 800,000. So, in such cases, I typically used 2019 prices as a more safe and reliable indicator under these circumstances… R11"

In some cases, valuers treated 2019 prices as the floor and adjusted asking prices at the valuation date (i.e. a date between 2020-2023 crisis period) downward using professional judgement. "We discounted [2020-2023 asking prices] about 20% -30% to be on the safe side yet keeping the figure above the 2019 transacted price. Otherwise [under normal conditions], we usually discount asking prices at 10% only [for the effect of buyer and seller negotiations] … R5"

Valuers treated 2019 prices as a floor, drawing on historical trends in the Sri Lankan real estate market, which typically exhibited price stagnation rather than negative equity during downturns. As informed by Respondents #5, 7, and 10, it's noteworthy here that this discount applied to asking prices ranged from 15% to 30%, depending on the valuer's judgement.

Invariably, for the cost approach, valuers anchored on 2019 construction cost rates. "Construction costs may have doubled in 2022 compared to 2019. However, we didn't adopt the exact 2022 figures at face value. Instead, we adjusted. For instance, if the cost of constructing a two-storey building was around Rs. 6,000 to Rs. 6,500 per square foot earlier (2019), and 2022 market quotes are around Rs. 14,000 per square foot, we wouldn't use that full amount. Rather, we applied a moderate rate, say, around Rs. 10,000 per square foot but make sure it's higher than the 2019 rate… R1"

By anchoring valuations to 2019 prices and costs, valuers implicitly assumed that the conditions in 2021–2023 reflected temporary market distortions with abnormal uncertainty, rather than a fundamental shift in underlying property values.

With the market comparison method, another strategy of valuers was averaging price opinions taken from different proxy sources (from brokers, peer professionals, and clients). "We had to get an average price by asking brokers, owners, etc… R11"

By averaging, valuers subconsciously were herding with the perception of peers, and clients likewise attempted to be safe by minimizing variations in valuations.

Under the investment method, uncertainty was also accounted for with adjustments to key valuation inputs. It included an additional risk premium to the capitalisation rate or discounting rate. “We added an additional 3% premium to the cap rate to capture this increased risk… R5”

The adjustments ranged from 1% to 5%, depending on the valuer’s judgment. Similarly, contingency adjustments were also made to cash flow projections. For instance, “Under normal market conditions, a hotel [in the Southern Region] operating at an optimal level typically maintains an occupancy rate of around 80%. However, during this challenging period, occupancy dropped to between 30% and 40%. We accounted for the actual vacancy rate of 60% to 70% in the early years and projected a gradual return to the standard 80% occupancy by the fifth or sixth year. From that point onward, we applied the 80% occupancy rate in all subsequent periods… R5; R10”

Invariably, depending on the valuer’s judgment, the anticipated recovery timeline varied between (02) two to (06) six years. Overall, valuers appeared to err on the side of caution, providing pessimistic estimates to minimize the risk of client misjudgement on investment decisions. However, these discretionary adjustments inevitably introduced variation across valuations (R6; R8; R10).

Reporting and client communication

Qualitative commentary was the way to report and communicate the abnormal uncertainty to clients. i.e. disclosure. Valuers attempted to disclose abnormal uncertainty in valuation reports by means of providing a brief economic outlook in the background sections of the report, explanations for adjustments to valuation variables (e.g., the assumed vacancy rate would normalise after the 6^{th} or 7^{th} year’ (R6), or recommendations for revaluation (e.g., ‘revaluation recommended after six months’ (R3). Notably, no response revealed that valuers made explicit disclosure as such that the value estimate was subjected to abnormal uncertainty. This implies there is ‘fear’ for lower client confidence in the value.

In some situations where valuers anticipated potential disagreement from clients, some chose to explain the effects of the crisis on valuations verbally. “We verbally explained the current situation, having a meeting with the client…., because some clients might be like, 'Okay, the construction cost is like this, so why is my building valued lower?' So, then we have to explain to them and say that we, as valuers, don’t go by sudden fluctuations with the crisis…. R5”

Conversely, some had deliberately avoided written disclosures as they viewed such statements would make the valuation report a ‘conditional’ one. Respondent 10 argued, “Valuers can't give conditional valuation reports by simply disclosing risks…We provide valuation as at a certain date; We are professionally qualified. We should analyse the market and provide the valuation as of the date of the valuation, whether it's normal or abnormal uncertainty”.

This statement reveals that valuers carried varying levels of understanding regarding the purpose of ‘disclosure’ as a means to communicate abnormal uncertainty to clients.

Discussion

During the 2020–2023 crisis period, valuers in Sri Lanka experienced abnormal uncertainty in valuation with intensified data scarcity (French, 2011) and the atypical behaviour of real estate characteristics (RICS, 2021; RICS, 2024), where costs and income generation relationships deviated from normal patterns. Professional judgement with heuristic approaches assumed a greater role in navigating the abnormal uncertainty in valuation, complemented by relationship-based strategies (Mohammad et al., 2018): known clients, peer opinions, known geographies and the use of everyday technology for data collection (Uhruska & Małkowska, 2021): video calls, emails etc.

To overcome data gaps, valuers drew on multiple sources, including recognised data such as proprietary valuation databases and asking prices (RICS, 2024, 2022), supplemented by price opinions from brokers, clients, and peers. These proxy sources, considered unobservable inputs, had not been formally recognised as observable data for valuation purposes (RICS, 2024,2022). By triangulating multiple information sources and herding with peers and clients, valuers attempted to mitigate (surfacing) of potential valuation 'errors' or variations and reconcile the scarcity of market evidence during the crisis with their professional duty to produce credible and defensible valuations.

Standard valuation methods were applied by layering several heuristic-driven strategies to manage abnormal uncertainty. These adaptive strategies included anchoring on pre-crisis (2019) market data as a reference floor price and applying professional judgment to discount crisis-period asking prices to derive comparable; (ii) anchoring on the latest pre-crisis (2019) construction costs and discounting subsequent cost escalations to estimate replacement cost under the contractor's method; (iii) averaging price points collected from proxy sources (brokers, clients, peers) to derive comparison evidence; (iv) introducing additional allowances for higher vacancy rates to adjust cash flow estimates; and (v) applying a premium to capitalization rates to reflect heightened risk. (vi) forward looking to predict market behaviour (Thorne, 2020; French & Gabrielli, 2004) in terms of when the disruption is likely to end or so. In all these strategies, valuers' professional judgement in their own right was central. This is not unique to Sri Lanka, as similar evidence exists elsewhere. For example, Cheloti & Mooya (2021) reported similar adaptive strategies in Kenya during COVID-19, while Ali et al. (2020) highlighted similar findings in Johor Bahru, Malaysia. This suggests that, at least in emerging markets, professional judgement backed by heuristic applications become unavoidable and significant as a pragmatic means to offset the absence of reliable transaction evidence, particularly at times with abnormal uncertainty.

The challenge here is that such practices are likely to introduce a considerable level of margins of error and lower the overall confidence placed in value estimates, which can lead to another level of (behavioural) valuation uncertainty (Mohammad et al., 2018). As the empirics highlighted, the professional judgement to discount asking-price or cost-based benchmarks typically ranged from about 10–25%; capitalization-rate premiums to reflect crisis risk varied by roughly 1–5 percentage points; and assumptions about the expected duration of economic recovery ranged from approximately 2 to 6 years. Studies recommend tolerance levels of up to ±10–20% (Crosby, 2000), but on the condition that the valuer has adhered to professional standards and good practice. However, in the context where valuation standards are not mandatory, the determining factor is the valuer's intuition or heuristic strategies. Thus, they may not necessarily

eliminate the underlying epistemic risk associated with margins of error in valuation and market transparency.

The disclosure of abnormal uncertainty in valuation reporting was typically conveyed through brief economic outlook statements (Kucharska - Stasiak, 2013), explanations of the adjustments applied to key valuation variables (Mallinson & French, 2000), or recommendations for more frequent revaluations within the reports. However, none of the respondents indicated that abnormal uncertainty in valuation was expressly communicated through disclosure statements that explicitly acknowledged the heightened degree of uncertainty to which the reported value was subject at the valuation date, as advocated in VPGA 10 of RICS (2024) and by the IVSC (2021).

This absence suggests a deliberate choice by valuers, who may have considered such disclosures as potentially eroding client trust in both the valuation and the valuer, thereby risking the credibility of their work in already fragile market conditions. Instead, they opted for indirect commentary, which provided context without formally highlighting uncertainty in a way that could diminish the authority of the report. An additional nuance that emerged from the study was that some valuers interpreted disclosure statements as transforming the report into a conditional document. Thus, valuers' reluctance to employ explicit uncertainty disclosures reflects a divergence from emerging global norms in valuation reporting.

Conclusion

The study aimed to understand how valuers in Sri Lanka navigated the abnormal uncertainty in valuation that prevailed during the 2020–2023 crisis period. The evidence showed a clear and consistent pattern: valuers pragmatically combined formal, standardized valuation methods with experiential, relationship-based, and heuristic adjustments to produce value estimates in the context of severe data scarcity and atypical asset behaviour. There, professional judgement played a crucial role in valuation practice. These behavioural adaptations were not peripheral but were, in most cases, core operational responses which allowed valuation work to continue under crisis conditions.

Amidst abnormal uncertainty conditions, valuers adopting pragmatic approaches appeared to do their utmost to produce 'defensible' valuations in their own right. However, the non-standardised, intuition-driven methods couldn't avoid subjectivity and inter-value variability, failing to fully mitigate the epistemic risks inherent in valuation opinions or ensure market transparency. One could even argue that such behavioural adaptations compounded uncertainty by introducing behavioural variance on top of existing market opacity.

Equally important, valuers largely avoided explicitly disclosing the abnormal uncertainty in valuation to which their value estimates were subjected, instead preferred indirect communication that they believed would preserve client trust and professional credibility. This reluctance was sometimes based on concerns that a formal disclosure would render a valuation "conditional" or undermine its utility. These practices are at odds with international calls for clear disclosure of uncertainty in valuation.

Professional standards and guidance on uncertainty must therefore evolve beyond conventional market-efficiency assumptions and provide usable direction that captures the realities of relational and behavioural practices, particularly in emerging markets. In

parallel, professional institutions should build capacities and awareness of the purpose and value of transparent uncertainty communication in valuation reporting.

Finally, this study highlights the need for further empirical work. Comparative research across emerging markets would help test how universal these behavioural adaptations are to handle uncertainty in valuation and identify which systematization strategies most effectively reduce valuation variability. Quantitative studies that measure the contribution of heuristics and disclosure practices to valuation dispersion, and experiments that test the effects of different disclosure wordings on client trust and market behaviour, would provide the evidence base needed to redesign professional standards responsibly.

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