

Challenges Associated with Valuation of Private Hospital Properties in Jos, Nigeria

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Abstract. Various valuation models were developed to value different interests in land and landed property. Although the basis of valuation might be the same, the methodology may sometimes differ to capture certain peculiarities and attributes in respect of a particular property. The study looked into the difficulties of valuing specialized properties such as hospitals. The study's participants are registered estate survey and valuer firms in Jos, Plateau State. The researcher used a random sampling technique survey approach and administered questionnaires. Both primary and secondary data sources were used to complete this study. Based on this, the sample frame for this study was made up of Estate firms; a total of 19 Estate firms were sampled. The researcher used the Statistical Package for Social Science Students (SPSS) to analyze the data. According to the study, in the valuation of private hospitals in Jos, estate surveyors and valuers used the replacement cost method, while 20% used the investment method. Information on land value should be published in a real estate gazette to keep estate surveyors and valuers up to date on land value trends. The study suggests that plant, equipment, and furniture values be published in a real estate gazette to alleviate estate surveyors' and valuers' sufferings and reduce valuation value gaps.

Keywords: valuation; hospital; property; Jos, Nigeria.

INTRODUCTION

The art and science of estimating the value of an ownership interest are known as valuation. Valuation is both a science and an art: it is a science because it employs scientific methods and techniques, and it is an art because it is not a science and uses fiction to express ideals. The process, science, and knack of estimating the financial attraction of property interest are known as valuation. Thus, valuation is the art of determining the worth of an interest in land and landed property/real estate [15].

It is considered art because it requires using a valuer's intuition, instinct, practice, and judgment. This is why valuation is highly subjective, as it is based on the valuer's expectations for the

future, his comprehension of the gerund, and his dexterity in interpreting relevant facts and underlying assumptions to arrive at a specific value for the property [3]. Many intellectuals and illustrious writers in the field define valuation as "the process of establishing an opinion of value for an interest in land and landed property/real estate," which is the process, science, and art of assessing the financial value of an interest in land and landed property [4]. An expert individual's opinion of the capital estimates of value worth of landed property is also described as valuation.

Replacement Depreciation The cost method is commonly used for properties that rarely move hands in the real estate market, such as town halls, schools, hospitals, and other quasi-public properties [17]. The contractor's method is

known as the Depreciated Replacement Cost (DRC) Method in asset valuation jargon [13]. Specialized Properties refer to specific types of Proprietary Land Units that fall outside of the general categories of commercial and residential properties and have no comparable competitive sales on which to base a valuation [18]. RICS [19] asserted that such properties are rarely ever sold in the market unless as part of the sale of the company or enterprise of it being a part, given the complexities arising from its specialized nature and design, as well as its configuration, size, location, and other factors. Their one-of-a-kind design is intended to meet the needs of a specific group or purpose; they lack adaptability to other, more traditional uses, and religious appraisals use only the cost model to value. Due to limited market sales data and the decreasing reliability of estimating depreciation as property age increases, professional appraisers' estimates of a specialized property's overall value tend to be broad [11].

A hospital is usually classified as a special-purpose property. Specialized properties are divided into several categories depending on the valuation techniques used. The profit and account method is commonly used for hotels, movie theatres, city halls and healthcare facilities, while petrol stations and agricultural properties have their ways. The replacement cost method can be used to value other specialized property types [9]. Because of their unique nature and the fact that they are not always sold and frequently bought in the market, valuing private hospital properties can be challenging. They still support mental evidence and are comparable despite these two facts. As a result of these facts, respecting them requires a great deal of expertise. In addition, the entire valuation process must be followed meticulously.

This study aims to use a cross-sectional survey to investigate the challenges associated with valuing private hospital properties in Jos to fill a critical gap left by the previous scholar.

Research Questions

1. What are the challenges associated with the valuation of Private Hospital Properties in Jos?
2. What are the challenges associated with valuing Hospital Properties in the study area?
3. What is the most appropriate method to adopt in the valuation of Private Hospital Properties in the study area?

Objectives of the Study

1. To achieve this aim, the following objectives were formulated.
2. To identify the challenges associated with the valuation of Private Hospital Properties in Jos.
3. To identify the challenges associated with the use of methods of valuation in valuing Hospital Properties in the study area.
4. To determine the most appropriate method to adopt in the Valuation of Private Hospital Properties in Jos.

Literature Review

Concept of valuation. "The act of valuing, or estimating value or worth, the specific act of setting or determining the price of something-as land or commodity by its market value," according to the Webster dictionary. Author [20] maintained that valuation is simply "The art or science of estimating the value for a specific purpose of a particular interest in the property at a specific moment in time, taking into consideration all the features of the property and also considering all the fundamental economic factors of the market, including a range of alternative investment options," valuation also encompasses "the art or science of estimating the value of the interest in property". But as explained by [10] "Valuation is a solution to a problem." A problem-solving strategy can take many different forms. It can be systematic and procedural on the one hand or ad hoc and unconditional on the other. The systematic approach to problem-solving is defined by its methodical approach. Valuation is a science and an art. It is a science because it follows the scientific method of establishing facts, making observations, and drawing conclusions based on empirical evidence. It is an art because it is more than a mathematical process. It is also based on the knowledge of several factors that influence value in a particular location. The conclusions reached by the valuers in valuation analysis are communicated to the client in a valuation report after they have completed the above actions. "Professional Valuers must conduct their valuation activities in compliance with the Standards of Professional Valuation Practice requirements, and Institution members must adhere to the organization's Code of Professional Ethics," according to [20]. "The purpose of valuation defines the use to which the valuation is to be put or the problem

to which valuation would provide the solution," according to [7].

As a result, the client determines the purpose for which a valuation is performed.

The author [14] defined valuation as "the art or science of estimating the value for a specific purpose," according to his definition. "Specific purposes" refers to the fact that properties can be used for various purposes. However, the real significance is that a Valuation can be required for multiple reasons (goals). Sales, purchase, mortgage, rating and taxation, compulsory acquisition, insurance, and probate are just a few of the many uses for valuation. Valuation refers to the process of estimating market values. The valuer's job is to provide financial advice on a real estate interest, considering the reason for the valuation and the factors that affect weight. The variables valuers use to accomplish this are determined by the evidence available, the type of interest being valued, and the intent of the valuation. The various approaches that an experienced Estate Surveyor and Valuer adopt in arriving at his valuation opinion are defined as the valuation methods [6]: (a) Direct comparison method, (b) Investment method, (c) Residual method, (d) Contractors method, (e) Profit (or account method), (f) Discounted cash flow technique are the six basic methods of valuation.

Issues in Real Estate Valuation Practice. In the foreword to "Guidance Notes on Property Valuation" in 1985, Udo-Akagha wrote, "There ought to be no reason why two or more valuers valuing the same interest in a property for the same purpose and at the same time should not arrive at the same or similar results if they use the same data and follow the same valuation approach."

Also, an editorial comment on "property valuation and the credibility problems" appeared on page 2 of *The Estate Surveyor and Valuer* in 1998.

According to the Nigerian Institution of Estate Surveyors and Valuers' professional journal, "the valuation process has been the focus of recent debate and controversy both within and outside the profession as cases of two or more valuers giving different capital values with wide margins of variation for the same property abound." Due to remarks like these, many people have questioned whether estate surveyors and valuers are value interpreters or value creators. As a result, a few clients' claims that not all registered estate

surveyors and valuers are qualified to appraise all real estate interests should be considered. For example, a federal government estate surveyor and valuer may not be the best person to appraise his employer's real estate assets, which could be for sale or subordinate to residential mortgage nickelodeon. The estate surveyor may have a conflict of interest regarding his obligations to his employers because of their relationship. Because large sums of money are invested in real estate each year, such investments must be carefully managed over time to maintain their value. The recent events in the US real estate market, which have already impacted the fortunes of other countries around the world, should give real estate investors and experts food for thought. While achieving 100% valuation accuracy in market price prediction is an "aim," it is worth noting that [14]. In a previous valuation, it should not be expected or sought to be fully realized. According to [12], more sophisticated and enlightened clients in today's emerging real estate market demand enhanced valuation reliability and precision. The property market has changed dramatically in the last forty years. Property's primary attributes as an asset class, The imperfect nature of the property market, the lack of a central register of sales, and information confidentiality are all factors that could prevent accurate valuation. According to [2] Nigerian Estate Surveyors and Valuers have been slow and hesitant to adapt to the required accuracy changes in valuation practise, resulting in complaints from clients about valuation estimates.

Furthermore, [5] found that valuers lack adequate market knowledge and, in some cases, valuers follow clients' instructions to analyze. When preparing a valuation in a heterogeneous market environment, you must use available information, pass judgment, and react to specific pressure from stakeholders. Authors [8], whose work in the UK was among the studies that sparked much of the subsequent survey of valuation accuracy, proposed a range of 5% on either side of the "correct" value; [7] cited "error margins" of 5% to 15% that Nigeria has. Following to [8] authors [16] used a margin of error of 5%, whereas [15] used a margin of error of 10%. Authors [5] surveyed valuation stakeholders in Australia to determine the acceptable margin of error for mortgage loan security. According to the findings, 36% of participants replied a 5% margin of error was adequate, 40% thought a 10% variance was acceptable, and 24% thought a

15 % variance was reasonable. Besides the difficulties of producing a long-lasting opinion of value, there is another risk in the litigation context: the valuer provides a wrong interpretation of the property's value that the client relied on while negotiating to transact property. Of course, if the client suffers a loss due to the Estate Surveyor's deceptive advice, the Estate Surveyor may be prosecuted for carelessness.

METHODOLOGY

The research method employed is quantitative. A questionnaire was developed and distributed to the participants. As a result, the study's population is the Estate Surveyor and Valuer in Jos. The target population is based on records obtained from the (NIESV) Nigerian Institute of Estate Surveyor and Valuation Directory for a list of Estate Surveyors and Valuers in Jos when this study was conducted. Simple random sampling was also chosen because it is one of the simplest and quickest sample selection methods. In Jos, the sample frame consists of 20 Estate surveyors and valuers. The sample size determined by Krejcie & Morgan's table is nineteen. Following extensive data collection, descriptive, mean ranking, and multiple linear regression were used to analyze the data collected from the field using SPSS Version 22.

The Study Area

Jos, the capital of Plateau State, is located on the Jos Plateau (elevation 4,250 feet (1,295 metres) in central Nigeria. It is located on the Delimi River near the Jamaari River's headwaters (called the Bunga farther downstream). With its high elevation and one of Nigeria's coolest climates, Jos has been a hill resort since the beginning of World War II. Many of its streets are tree-lined and wide. The Jos Museum (1952) displays terracotta figurines made by the Nok culture, which flourished in the area between 500 BCE and 200 CE; bronze, brass, wood, and pottery artefacts are also on-screen. The museum runs an exhibition technologist school in collaboration with UNESCO. The town has a zoo, a wildlife park, a nature reserve, and an open-air museum of traditional architecture. The University of Jos, which includes a teaching hospital, was founded in 1975, and the town also houses the Federal School of Medical Laboratory Technology. Jos is served by general and specialized hospitals that

are public, private, or religiously financially supported. It is located 378 miles (608 km) south-southwest of Port Harcourt on a transit spur and has road connections with Lafia, Bauchi, Kaduna, and Zaria. An airfield is located 2 miles (3.2 kilometres) south. Nine hundred twenty-five thousand people live in the urban agglomeration (as of 2016). Plateau state is Nigeria's most important mining region and is a significant exporter of tin and columbite. The container is melted near Jos, the state capital and largest town. Rail transports the metals to Port Harcourt for export. Other minerals mined on the plateau include tantalite, kaolin, tungsten (wolfram), zircon, and thorium compounds. In the eastern part of the state, around Wase, Zurak, and Kigom, lead, zinc, and silver are mined on a small scale.

RESULTS AND DISCUSSION

Table 1 – Questionnaire Distribution

Study Group	No. of Questionnaires Distributed	No. of Questionnaires Returned	No. of Questionnaires Duly completed
Estate Surveyor and Valuers	19 (100%)	16 (84 %)	10 (53 %)

The table above depicts the distribution of questionnaires within the study area, which is the Estate Surveyors and Valuers in Jos Metropolis. 19 (100 %) questionnaires were distributed to Jos Estate Surveying and Valuation Firms, with 16 (84 %) of the questionnaires duly completed and returned. The total number of Valuers who have appraised Private Hospital Properties is ten (53 %).

Table 2 – Gender of Respondents

Male	Female	Total of Respondents
7 (70 %)	3 (30 %)	10 (100 %)

According to the table above, among Estate Surveyors and Valuers in the study region, 7 (70%) are male, and 3 (30 %) are female.

Table 3 – Age Range of Respondents

20–29	30–39	40–49	50–59	Total Respondents
0 (0 %)	3 (30 %)	3 (30 %)	4 (40 %)	10 (100 %)

According to the table above, 0 % of the respondents were between the ages of 20 and 29; 30 % – between 30 and 39; 30 % – between 40 and 49; 40 % – between 50 and 59.

Table 4 – Assessment of Estate Surveyors and Valuers that have carried out a valuation of Private Hospital Properties and those that have not on hospital properties in Jos

Total no of Estate Surveyors and Valuers Assessed	Total number of Estate Surveyors and Valuers that have carried out a valuation of Private Hospitals Properties	Total number of Estate Surveyors and Valuers that have not carried out a valuation of Private Hospitals Properties
19 (100 %)	10 (53 %)	6 (32 %)

The table above shows the number of properties developed in the study area due to feasibility and viability studies. It shows that 19 Estate Surveyors and Valuers (100 %) were evaluated to see if they had performed valuations on Private Hospital Properties in Jos. A total of ten Estate Surveyors and Valuers (53 %) have valued private hospital properties in Jos, while six (32 %) have not.

Table 5 – Challenges associated with the valuation of Hospital Properties

	Frequency	%	Valid %	Cumulative %
Lack of comparable properties	2	20	20	20
Lack of specific information about the sales or rent passing on comparable properties	2	20	20	20
Rate of depreciation used may be inadequate.	6	60	60	100
Total	10	100	100	

According to the table above 20 % of survey participants also said the deployment of the Depreciated Replacement Cost method was due to a lack of comparable properties, and 20 % said a lack of information on rent passing on similar

properties, and 60 % said that the rate of depreciation utilized could be insufficient.

Table 6 – What method of valuation did you adopt for the valuation of the Private Hospital Properties?

	Frequency	%	Valid %	Cumulative %
Investment method	1	10	10	10
Replacement cost method	9	90	90	100
Total	10	100	100	

According to the table above 10 % of survey participants used the investment approach to value private medical properties, while 9 % used the replacement cost method.

Table 7 – An assessment of the level of depreciation adopted in the valuation of buildings?

	Frequency	%	Valid %	Cumulative %
10-15 %	1	10	10	10
16-20 %	2	20	20	20
21-30 %	6	60	60	60
Above 30 %	1	10	10	100
Total	10	100	100	

According to the table, 10 % of respondents use a depreciation rate of 10 to 15 % when valuing private hospital properties, 20 % use a rate of 16 to 20 % when valuing private hospital properties, 60% use a rate of 21 to 30 % when valuing private hospital properties and 10 % uses a rate of 30 % or more when valuing private hospital properties.

CONCLUSIONS

The study reveals that Estate Surveyors and Valuers know the difficulties in valuing specialized properties such as hospitals. According to the study, in the valuation of private hospitals in Jos, Estate Surveyors and Valuers use the replacement cost method. At the same time, 20% use the investment method to value hospital properties.

The following recommendations are made in light of the findings to determine the challenges associated with the valuation of Private Hospital Properties. Information on land value should be

published in a Real Estate Gazette. Plant, equipment, and home furnishing values should be published in a Real Estate gazette so that Estate Surveyors and Valuers can access them. Where the replacement cost method has been used, Estate Surveyors and Valuers should use the investment

method valuation as a check. More investigation into the Property Market should indeed be encouraged by the Nigerian Institution of Estate Surveyors and Valuers to provide regular updates on estimates and projections of construction parameters.

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