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**CHALLENGES IN THE VALUATION OF SPECIALIZED PROPERTIES: A STUDY OF SELECTED HEALTH CARE CENTRES IN MINNA, NIGERIA**

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**ABSTRACT**

Valuation is the act or process of determining an opinion of or conclusion of value of an asset on a stated basis of value at a specified date in compliance with International Valuation Standard. The determination of the opinion of value of the healthcare properties is face with a lots of challenges or issues due to the uniqueness arising from its specialized nature and design, its configuration, size, location or otherwise. Healthcare properties are developed to provide healthcare services. These services make it design to be categorized under specialized properties. The scope of the study was to examine the challenges in the valuation of specialized properties with specific reference to Jummai Babangida Aliyu Maternal and Neonatal wing (Minna General Hospital Extension), Dr. Senetor Ibrahim Idris Kuta Memorial Primary Healthcare Centre and Dr. Musa Inuwa Hospital. The aim of the study is to examine the challenges associated with the valuation of selected health care properties in Minna with the following key objectives which include examine the methods of valuation (cost, income and sales method of valuation) of specialized properties, examine the process in the valuation of health care properties, examine the issues/challenges in the valuation of health care properties. The methodology utilized for this study are physical measurement of health care properties which produce site and floor plans with their details of constructions and questionnaire administration. Data were analysed using statistical techniques such as the percentage, frequency tables and graph. The result shows that issues associated in the valuation of healthcare property to include; limitation of method options or approaches to the valuation process of specialized property (healthcare property) due to its specialty and uniqueness in nature, inadequate record keeping for both assets and financial transactions and the inability to gain access to some restricted part

of the medical/healthcare facility leading to making assumptions which must not be 100% correct. This may affect the opinion of Value of the subject property. Also the result shows that when Estate Surveyor and Valuer has limited access to the subject property for valuation he can make use of technology like satellite imagery, Google earth application and making adequate enquiry from the staff of the hospital, make reasonable assumptions and state clearly in the valuation report that inspection was limited or restricted to the open surroundings of the property. It therefore recommended that the three (3) methods or approaches of valuation; Cost, Income and Sales Comparison Methods should be applied in the Valuation process in order to arrive with objective opinion of value of healthcare properties. There is need for the government to enforce compliance of International Valuation Standard which brought about International Public Sector Accounting Standards (IPSAS) and good Accounting Record Keeping in the health care industry as well as estate surveyors and valuers should embrace the culture of thorough market survey on hospital equipment through internet and visitation of sales outfit and self-adaptation to the characteristics of healthcare properties.

**Keywords:** Healthcare, Valuers, Challenges, and Valuation

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### **Introduction**

Valuation is the act or process of determining an opinion of or conclusion of value of an asset on a stated basis of value at a specified date in compliance with International Valuation Standard (IVS, 2022).

Valuation is an opinion of the value of an asset or liability on a stated basis, at a specified date (Royal Institute of Charter Surveyors) (RICS, 2022).

The determination of the opinion of value of the health care properties is pose with a lots of challenges or issues due to its uniqueness and lack of recent data for appropriate comparison or its inability of income or rental data for the application of sales comparison and income method, hence the recourse to cost method approach for the valuation of health care properties. Valuation of an interest in health care property is made by reference to its tenure, its use and its ability of income production (Scarrett, 2008).

Healthcare property provides either service potential or future economic benefit. Service potential is a measure of the capacity of an asset to provide services or benefits to those that use that asset. Future economic benefit is a measure of the

capacity of an asset to provide monetary benefits to those that hold or own that asset (IVS, 2013).

Health care properties are structures designed to accommodate healthcare services in order to ensure the maintenance or improvement of health via the prevention, diagnosis, treatment, recovery, or cure of disease, illness, injury, and other physical and mental impairments in people.

Access to health care may vary across countries, communities, and individuals, influenced by social and economic conditions as well as health policies. Providing health care services means "the timely use of personal health services to achieve the best possible health outcomes". The need to have a well design properties or structures to accommodate these services cannot be under score. Therefore, the need for their valuation to ascertain their worth for cost benefit analysis and proposed development are also of great imperative. An efficient health care and viable healthcare properties can contribute to a significant part of a country's economy, development, and industrialization (Scarrett, 2008).

Valuation of specialized properties which are developed purposely for the utilization of health service delivery often poses a lot of challenges because of their specialty or uniqueness in nature and for the fact that they do not always exchange hand in terms of sales in the real estate market. Furthermore, they lack evidence of rent and sales comparison. For these reasons, a thorough skill is needed in the valuation process or in determination of the worth or value of the specialized health care properties. Hence, the valuation process must be thorough in order to arrive at acceptable and reliable opinion of value (Scarrett, 2008).

To this end, the valuer is often limited to option of valuation methods or approaches for the determination of the worth or value of specialized properties rather than exploring other methods of valuation such as investment method, sales comparison method and profit or accounting method which will enable the valuer to arrive at objective opinion of value of the specialized properties.

From the above, this necessitated the research to carry out an assessment of the challenges in the valuation of specialized properties of some selected health care centres in Minna, Niger State with a view to proffer solutions to address the challenges. The aim of this study is to examine the challenges associated with the valuation of selected health care properties in Minna. The specific objectives were to:

- Examine the methods of valuation (cost, income and sales method of valuation) of specialized properties.

- Examine the process in the valuation of health care properties.
- Examine the issues/challenges in the valuation of health care properties.

### The Study Area

Jummai Babangida Aliyu Maternity and Neonatal Wing (Minna General Hospital Extension) is located between latitudes 9.611408N and longitude 6.543501E, Dr. Senator Ibrahim Idris Kuta Memorial Primary Health Care Centre located between latitudes 9.624755N and longitude 6.537507E and Dr. Musa Inuwa Hospital located between latitudes 9.596450N and longitude 6.575811E.



Figure 1: Satellite Imagery of Dr. Musa Inuwa Hospital



Figure 2: Satellite imagery of Jummai Babangida Aliyu maternity and neonatal wing (Minna General Hospital Extension)



Figure 3: Satellite imagery of Dr. Senator Ibrahim Idris Kuta memorial primary health care centre

## Materials and Methods

The research data were obtained from two main sources of data namely primary and secondary sources of data. Primary data were collected through questionnaires, interviewing, observation, taking of photographs and physical measurement of the selected healthcare centres. Secondary sources of data will be obtained through, internet facilities, text books, journals and published and unpublished theses from University library.

According to NIESV Firms Directory, (2020). There are registered 12 Estate Surveyors and Valuers firms in Minna. Therefore, 20 questionnaires were administered to Estate Firms in Minna but only 17 were dully filled and returned same to the researcher. To achieve objective I, II and III, frequency-percentage was used for data analysis. The information and results generated from questionnaire and oral interview were subjected to statistical treatment using descriptive statistics (frequency-percentage) and presented in figures with analyzing comments so as to demonstrate the effectiveness of the responses.

$$\text{Frequency-percentage} = \frac{\text{Number of observed}}{\text{Total Number}} \times \frac{100}{1}$$

## RESULTS AND DISCUSSIONS

Table 1 shows that 94.12% of the respondents have in the course of their practice of Estate Surveying and Valuation have engage in the valuation of healthcare properties while 5.88% of the respondents have not in the course of their practice of Estate Surveying and Valuation have engage in the valuation of healthcare properties.

**Table 1: Valuation of previous healthcare property**

Categorization	Frequency of Respondents	Percentage (%)
<b>Engage in the valuation</b>	16	94.12%
<b>Not engage in the valuation</b>	1	5.88%
<b>Total</b>	17	100%

**Source: Field Survey (2021)**

Table 2 revealed that 82.35% of the respondents uses Cost Approach in the determination of Capital Value (CV) or Opinion of Value of the healthcare

properties; 5.88% of the respondents uses sales comparison approach in the determination of Capital Value (CV) or Opinion of Value of the healthcare properties while 11.76% of the respondents uses income approach in the course of determination of Capital Value (CV) or Opinion of Value of the healthcare properties. This shows that the greater proportion of sample Estate Surveyors and Valuers normally uses Cost Approach in the Valuation of healthcare properties.

**Table 2: Method of Valuation use in the Valuation of Healthcare Properties**

Methods	Frequency of Respondents	Percentage (%)
<b>Cost method</b>	14	82.35%
<b>Income method</b>	1	5.88%
<b>Sales comparison method</b>	2	11.76%
<b>Total</b>	17	100%

**Source: Field Survey (2021)**

Table 3 show that 100.00% of the respondents are of the opinion that summary of the process involves in carrying out Valuation Execution of healthcare properties (Land Building): After reconnaissance survey, the site/floor plan is sketched, measurements of structure or improvements on site including land size are taken, pictures of structures taken, construction/accommodation details are taken, location plan and coordination are taken.

**Table 3: Summary of the Process Involve in Carrying out Valuation Execution of Healthcare Properties**

Process	Frequency of Respondents	Percentage (%)
<b>Land Building: After reconnaissance survey, the site/floor plan is sketched, measurements of structure or improvements on site including land size are taken, pictures of structures taken, construction/accommodation details are taken, location</b>	17	100%

<b>plan and coordination are taken</b>		
<b>Total</b>	17	100%

Source: Field Survey (2021)

### Issues Associated in the Valuation of Healthcare Valuation Execution

From the Figure 4 shows that 11.76% of the respondents encountered an issue in the course of carrying out Valuation of healthcare property with poor or inadequate record keeping for both assets and financial transactions; 11.76% of the respondents are of the view that getting current cost of hospital equipment is an issue in the Valuation of healthcare property; 41.18% of the respondents are of the opinion that inability to gain access to restricted areas or parts of the healthcare facility is also an issue associated in the determination of the opinion of value of healthcare property; 11.76% of the respondents sees the difficulty in placing or determining the rental value of the healthcare property as an issue in the Valuation of healthcare property which make the application or use of income method in the determination of healthcare property as inappropriate while 23.53% of the respondents are of the view that they find it difficult in determining the construction cost and land value per square meter (m<sup>2</sup>) whenever they carried out Valuation of healthcare property.

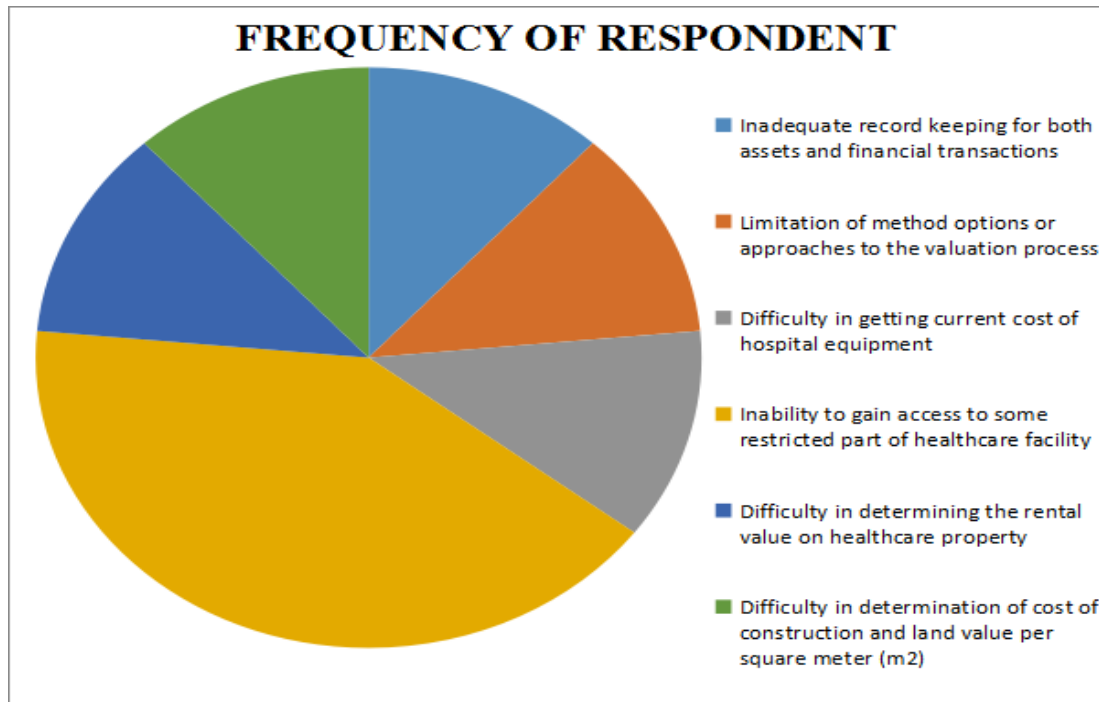
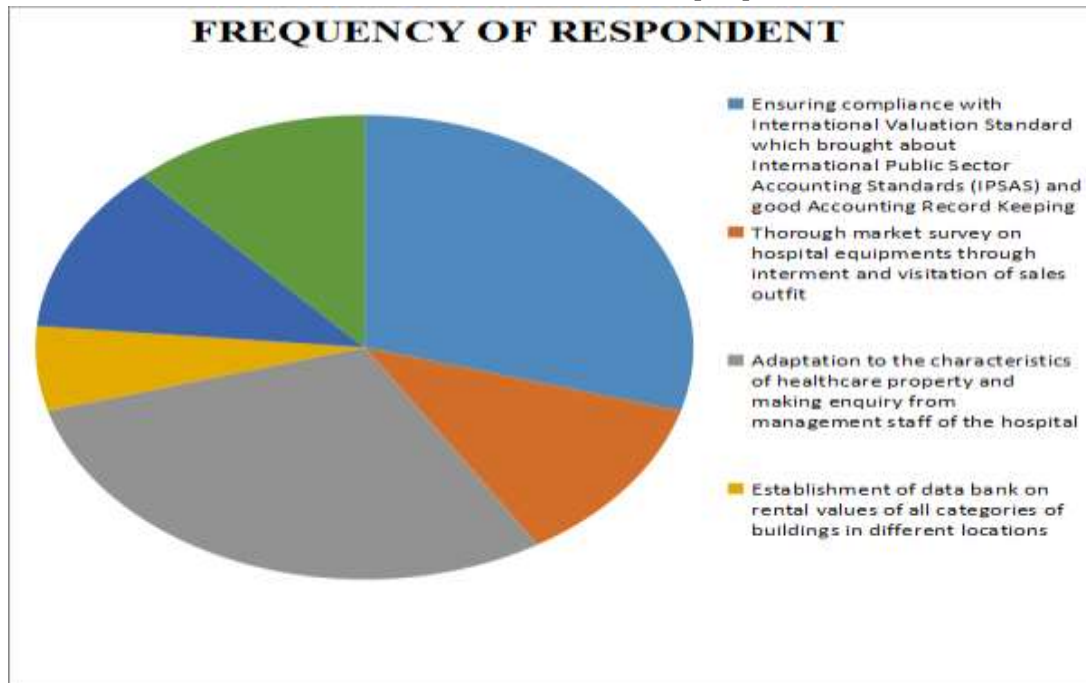


Figure 4: Issues Associated in the Valuation of Healthcare Valuation Execution



From the Figure 5 shows provide an over view of the solutions to the various issues associated with the Valuation of healthcare properties.



**Figure 5: Solutions to Issues Associated in the Valuation of Healthcare Valuation Execution**

Table 4 revealed that 58.82% of the respondents are of the view that whenever an Estate Valuer have limited access to healthcare property in the course of the Valuation exercise, the Valuer can make use of technology like satellite imagery and google earth application to carry out measurements of structures within the premises as well as the delineation and finishing can be easily identify while 41.18% of the respondents are of the opinion that the Valuer can make adequate enquiry from the management staff of the property with regards to finishing and accommodation details and also state in clear terms in the Valuation report that inspection was limited or restricted to open surroundings of the subject property.

**Table 4: What a valuer can do when he has a Limited Access to the Subject Property for Valuation**

Options	Frequency of Respondents	Percentage (%)
A valuer can make use of technology like satellite imagery and Google earth application	10	58.82%
Making adequate enquiring from the staff of hospital, make reasonable assumption	7	41.18%

<b>and state clearly in the valuation report that inspection was limited or restricted to open surroundings of the property</b>		
<b>Total</b>	17	100%

**Source: Field Survey (2021)**

### Conclusion

The Valuation of specialized property (healthcare property) is so challenging due to its specialty and uniqueness in design for the use which is subjected to. This uniqueness in design make Estate Surveyors and Valures to encountered some challenges or issues ranging from inability to access some restricted areas or part of the healthcare property and limitation of methods options or approaches to the Valuation process leading to making assumptions which must not be 100% correct. This in turn may affect the opinion of value. Therefore, there is need by Estate Valuers to adapt to the characteristics of the specialized property; training on specialized properties/assets Valuation and self-development to equip and acquire knowledge on technology driven areas like satellite imagery and google earth application to be used in picking the gross dimensions of the site and buildings as well as image of the buildings. This may help to address the issues associated with limited access of inspection for Valuation execution of specialized properties (healthcare properties).

The following were recommended to enhance the effective and efficient practice of Estate Surveying and Valuation in the area of specialized properties in Minna and Nigeria at large.

- ❖ The three (3) methods or approaches of valuation; Cost, Income and Sales Comparison Methods should be applied in the Valuation process in order to arrive with objective opinion of value of healthcare properties.
- ❖ The cost method of Valuation should be applied by Estate Surveyors and Valuers in the Valuation of specialized properties (healthcare properties) when other methods of valuation are not viable.
- ❖ There is the need for an Estate Surveyors and Valuers when using cost method of valuation to consult Quantity Surveyors Cost Index (Bill of Quantities) for a given reference type of building with respect to the quality of finishing so as to obtain Cost of Construction per square meter (m<sup>2</sup>).

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