

I. INTRODUCTION

Valuation is “the art and science of estimating the value of a particular interest in property for a particular purpose at a specific time, putting all the attributes of the property and also all the essential economic factors, encompassing the various alternative investments (Millington, 1988 as cited by Sakariyau, Ajibade & AbdulAkeem, 2021). Ogunba (2013) defined valuation an art of establishing the value of an interest in land and landed property.

It is said to be an art because it has to do the use of valuer’s judgement, instinct and practice. Hence, property valuation is largely subjective since it depends on valuer’s expectation on future happenings, this understanding is drawn from the laid down proposition as well as valuer’s skill in interpreting relevant facts and assumptions in establishing specified value for the landed property (Babawale, 2009 as cited by Sakariyau et al, 2021).

Depreciated Replacement Cost Method is mostly used for property that rarely have comparable like Town Halls, Schools, churches and other non-profit making public properties (Onyejiaka, Oladejo, & Emoh, 2015). In the parlance of Assets Valuation, Depreciated Replacement Cost is also known as Contractors Method (Mackmin, & Sams, 2012) Specialized Properties referred to certain classes of Proprietary lands Units that fall outside the general classes of commercial and residential properties without comparable in the property market on which a valuation exercise can readily be carried out (Parr, 2018). RICS (2005) opined that landed properties that are rarely sold in the open market such as churches are typically classified as a special purpose property, their unique design is intended to meet the requirement of a particular group or purpose, appraisals of this type of Property are valued only with cost approach. With the dearth in recent property sales data and the declining reliability of estimated depreciation rates couple with increase number of aging properties, the

overall value estimation of professional appraisers on religious property tends to be enormous.

The valuation methods generally adopted in estimating their value is the Depreciated Replacement Cost approach. It is against this backdrop that this study attempts to examine valuation of specialized properties.

II. STATEMENT OF THE PROBLEM

Valuation of specialized properties appear challenging sometimes especially for religious buildings. Religious buildings do not command rental values and are rarely sold in the open market hence, poses a serious challenge to valuers in preventing possible margin of errors. The impact of inflation and volatility of the market influences periodic fluctuation of cost of building materials which has also become a problem in achieving valuation accuracy of specialized properties.

III. AIM OF THE STUDY

The aim of the study is to examine challenges in valuation of specialized properties.

IV. OBJECTIVES

- i. To determine the most appropriate valuation method for specialized properties
- ii. To establish the steps for valuing specialized properties
- iii. To identify the setbacks encountered in the course of carrying out valuation of specialized properties.

V. RESEARCH QUESTIONS

- i. What method of valuation is most appropriate for specialized properties?
- ii. What are the steps in valuing specialized properties?

iii. What are the setbacks encountered in the course of carrying out valuation of Specialized Properties?

VI. SCOPE OF THE STUDY

The study is on valuation of specialized properties using Capuchin Friar Nigeria, Enugu as a case study. This is further limited to the building and facilities of the church.

Description of the Building

Capuchin Friar Nigeria, Enugu is a religious organization built in highly sophisticated materials with a touch of architectural state of the arts. The church is built with good materials and sound workmanship without visual of decay or uneven settlement. It has all necessary facilities and equipment to service worshipers and the hosts. Electricity supply is sourced from the Enugu State Electricity Distribution Company (EEDC), while water is supplied from the Enugu State Water Corporation (ESWC). Telecommunication has been extended to the property. The building situates in the centre of attraction of the metropolis with top notch developments within the neighborhood (Field survey. 2021).

The main auditorium is classified into; Sanctuary, Nave, Narthex, Blessed Sacrament Chapel, Confessional, Sacristy, Apse, Cry Room, Alter, Ambo, Presider's Chair, Credence table, Tabernacle, Pews and Ambry (Field survey. 2021).



Fig. 1: Front view of The Capuchin (Order of Friar), Enugu.

The structural details of the building include:

Main Auditorium:

Foundation: The foundation of the building is concrete strip type taken down to a firm base in accordance with approved specification.

Floor: This is made of mass concrete on hardcore filling tastefully finished in terrazzo and palladiana.

Ceiling: The ceiling is made of Poly Vinyl Chloride (PVC), coated with painted

Wall: The wall is of sand Crete block rendered with cement screed and painted internally and externally.

Door: The doors are a combination of polished wooden flush and glazed aluminum type

Window: This is made of projected glazed aluminum type

Roof: The roof is corrugated long span aluminum sheets

Office Block:

Foundation: The foundation of the building is concrete strip type taken down to a firm base in accordance with approved specification.

Floor: This is made of mass concrete on hardcore filling tastefully finished in ceramic tiles.

Ceiling: The ceiling is made of Plaster of Paris (POP), coated with painted

Wall: The wall is of sand Crete block rendered with cement screed and painted internally and externally.

Door: The doors are a combination of polished wooden flush and glazed aluminum type

Window: This is made of glazed casement.

Roof: The roof is corrugated long span aluminum sheets concealed with reinforced concrete facial board.

Sacrament Block:

Floor: This is made of mass on hardcore filling and finished in ceramic tiles

Ceiling: The ceiling is of acoustic Plaster of Paris (POP) well coated with emulsion paint

Wall: The wall is made of sand Crete block rendered and painted internally and externally.

Door: The doors are of a combination of glazed projected and polished wooden type.

Window: There were no visible window installed.

Roof: The roof is made of long span corrugated aluminum sheets on wooden trusses and firmly fastened on rafters. The ceiling boards are concealed with aluminum facial boards.

Statue: This is constructed in smooth stone walls compacted and reinforced with cement screed. The flooring is of high-quality ceramic tiles.

Site: the site is constructed of well casted mass concrete on hard core fillings, finished in combination of asphalt and interlocking stones with flowers and kebbs (Field survey. 2021).

VII. LITERATURE REVIEW

Valuation has been variously described as an act of assessing the worth of landed properties. Kuye (2011) defined valuation as a model which tries to ascertain price. He further stated that understanding the property market, legal influence, physical hindrance, the planning system, availability of finance, the demand for product and general economy influences the value of property.

Valuation is therefore the process of determining market worth, determination of the price of exchange in the open market.

Valuation is seen as science because the valuer has to adopt well-tested skills and experience in arriving at a possible value of the asset being valued. Just like the scientist the valuer must begin with a clear understanding of the objectives of the valuation assignment, then come upon with available methodology consistent with the economy, he will ensure to collate and analyze his field data to finally produce an accurate valuation opinion. The core of the functions of an Estate Surveyor and Valuer which actually requires true professionalism and scientific skill is the valuation of different types of properties for various purposes (kuye, 2011).

Valuation is also regarded as an art due to intelligent opinion influenced by intuition which is essential if an acceptable figure is to be produced. Creativity and writing skills will also enable the valuer to produce an acceptable report. It is even postulated that valuation is more of an art than science because it requires judgement which is the capacity to assess situations convincingly and to draw sound conclusions. (Kuye, 2006 as cited by Sakariyau, 2021)

The Valuation Process:

According to Ifediora (2009), there are four major stages of the valuation process:

- i. Definition of problem
- ii. Data program
- iii. Application of the methods of valuation and
- iv. Defined value and valuation report.

Definition of the Problem:

It is essential for any valuation assignment to begin with a clear cut out objectives in mind. Defining the problems in a valuation process aims at developing a concise image of the challenge for a solution.

Definition of the problem asks such questions as:

What are the client's requirements?

What is the purpose of valuation?

What type of value indicator will satisfy that purpose?

What is the nature of the property?

The definition of the valuation problems therefore covers the following:

The identification of the property, the subject of valuation, its nature and the attendant proprietary rights.

The purpose or objective of the valuation and the resultant basis of valuation.

The scope of valuation – what the valuation is to cover the whole property or components thereof.

The Determination of the Effective Date of Valuation.

The particular date of valuation is important because the factors that affects value are continually changing. Generally, valuation assignments require the determination of current property values. The subsequent data program follows along trending situation and condition as at the date of valuation. Occasionally, a valuer may be expected to determine the value of a property at a given time in the past, but even with a retrospective valuation, an opinion of value is valid only for that point in time for which it was expressed.

Data Program:

The second stage in the valuation process, the data programme, tries to encompass all the various forces which might conceivably have bearing, relative to the valuation objective, on the subject of valuation. These forces occur on three categories, namely the local, the national and the global category.

Specific Local Data:

The specific data has to do with the physical character of the subject property under valuation. Such data cover the title, the particulars of property and other developments, the site, the interest to be valued, the appropriate planning permission and demand for property and other specific local market conditions.

General National Data

The general national data seek to connect the economic forces affecting open market values, cost and income in the nation, state, town and the environment in which the subject of valuation is located. This covers the state of economy, population, earning capacity, condition of local and national economy, funds available, such as stocks, shares and other interests.

Global and International Data

The international data recognizes the linkage impact, particularly on multi-national concern, of international and other national policies and trends. By so doing, attempts are made to incorporate the possible impact of these development as part of the data programme.

The relevance of the various levels of the data programme varies hugely with the nature of the problems associated with valuation. The entire process of data collection and analysis represents the basis for sound valuation report. Moreover, the conclusion can be no better than the reliability of the data considered or the competence of the analysis and reasoning applied to it.

Determination of Values

The determination of value which is the solution to valuation problem marks the next stage of the valuation process. There are three universally accepted valuation approaches in economic and appraisal theories and they include:

- i. Income capitalization or investment method;
- ii. Market data method and
- iii. Replacement cost method.

There are two other methods of valuation namely, profit or accounts method and residual or developmental method of valuation, which may be used periodically, depending on the peculiarity in the circumstances hovering around the valuation and property. These two methods we may observe subsequently, are variations of income capitalization and cost methods respectively. There are also periods when government legislation specifies a method, which may not conform with any of the valuation methods aforementioned in determining value. Valuation method stipulated by statute must naturally override any other methods in any valuation carried out under the enabling law. We shall therefore for comprehensiveness, include statutory method as one of the methods of valuation.

Doctrine of Three Approaches and Correlation

The valuation process anticipates the use of more than one method and the correlation of the various values indicated to arrive at the final value opinion. The doctrine of the three approaches, as the use of the three basic methods has come to be called, requires the valuation of the property, as long as it is appropriate, by all three methods of valuation. The doctrine rests on the assumption that the three theoretical methods of valuation will yield substantially close results and that the use of the three methods, rather than one will help to avoid the inherent weakness of each individual method. The principal of correlating the results of the three approaches evolved from the observation that the three methods, replacement cost, market data and income methods of valuation, rarely yield similar values.

The doctrine of the three approaches and correlation is central to valuation practice in the United States and some other countries. It is however not of general application in the United Kingdom and in Nigeria. Appraisal practice in Nigeria is fairly recent and still developing. The country is also developing, with a volatile market and acute economic and political situations which affect property values. The

adoption of an approach that provides alternative methods of valuation before the determination of the final value should be of overwhelming importance.

Valuation Report

This is a formal written presentation of the value arrived at, the data considered and analyzed, the methods applied, the assumptions adopted and the conclusions reached. The valuation report is the written expression of the valuation exercise. It is the medium by which he reports and seals the valuation instruction from his client who must have paid for the services.

Concept and Meaning of Real Estate:

Aniagolu (2020) opined that “in the beginning, God created the Heaven. He created the firmament, the sea, the dry land and all the birds of the air. He then created the Garden of Eden which was God’s first estate. When he saw that all was good, He created Adam. “The Lord God took man and put him in the Garden of Eden to work and take care of it”. There are no doubt that legal and medical professions for centuries have claimed to be the most prominent professions the world over. But history bears testimony to the fact that God’s first estate the Garden of Eden was created in the beginning and that Adam being the first human created by God was charged with working the Garden (Estate) and taking care of it. However, the global history of Real Estate is one of a rare and respectable Noble Profession, but was the exclusive preserve of Kings and Princess, Barons, Lords, the knights, the sons of the nobility and the powerful landowning class. They held this monopoly for too long until civilization and pressure brought land into limelight. The profession then became too sensitive to be limited to nobility only. The doors were then thrown open to larger class of the rich until. It eventually becomes open to all. It then spread like wildfire throughout world. What was once the exclusive presence of the kings and

princess of England has attained national and international acceptance in all corners of the world” (Aniagolu, 2020).

Concept and Meaning of Property

According to Odumodu (2018), the concept of property has no single or universally accepted definition and various academic disciplines like law, economics, anthropology and sociology treat the concept more systematically and within or between the different disciplines and fields definitions vary. In common use, property may be regarded as simply one’s own thing and it is the relationship between individuals and the objects, which is seen as being the holders’ “own” to dispense with as they see fit. The social scientists conceive property as a bundle of rights and obligations, he stressed further that property is not a relationship between people with regard to things and it is often conceptualized as the rights of ownership defined in law, and may be private or public property, the latter belongs to an individual while the former belongs to a community collectively or a state. Property rights encourage holders to develop the property, generate wealth and efficiently allocate resources based on the operation of the market to produce more wealth and better standards of living (Odumodu, 2018). Property may be classified into real estate, immovable property, estate in land, real property, tangible and intangible, personal property, interests in land and improvements personal property may be tangible such as cars, clothing, animals and intangible or abstract (e.g., financial instruments such as stocks and bonds), which includes intellectual property (patents, copyrights, trademarks) (Ogunba, 2013).

Real property in common law system refers to land or any permanent feature or structure above or below its surface. Immovable property is any immovable object or item of property that cannot be moved and includes premises and proper by, houses, land and associated goods and chattels. In common law system, personal

property may be called chattels and distinguished from real property or real estate, while in civil law systems personal property is called movable property that can be moved from one location to another. In distinction with immovable property or immovable, such as land and buildings, property may be classified in variety of ways such as goods, money, negotiable instruments, securities and intangible assets (Aniagolu, 2016)

There is further distinction between personal and private property. Personal property refers to things that an individual has an exclusive right to use but only while they are in use or used regularly. It differs from private property, which refers to things owned by an individual regardless of whether he is using them and has a right to prevent others from using what he does not use or has no intention of using. Real estate (immovable property) is synonymous with real property, in contrast with personal property (also sometimes referred as chattel) (Aniagolu, 2016).

Classification of Property

Odumodu, (2018) classified landed properties according to their uses, the classes prevalent in Nigeria are:

Residential properties

Commercial properties

Industrial properties

Agricultural properties

1. Residential Properties : Residential properties are those properties which has been specifically designed and constructed to satisfy the basic shelter need of man. It may be rented out or owner-occupied, residential buildings can be owned by private individuals, government or corporate organization or institution. Residential properties can be grouped as single-family homes such as detached houses, bungalows, duplexes etc, while multi-family residence are developed in the form of flats and tenement buildings.

- 2. Commercial Properties :** Commercial properties are those properties specifically designed and constructed for use as offices and shops. Commercial properties can be developed as high-rise buildings or as bungalows and they are mostly constructed in downtown commercial areas.
- 3. Industrial Properties :** Industrial property includes all the land and other facilities involved in the production, storage and distribution of goods. An industry can be classified as light or heavy depending on the nature of product achieved. Heavy manufacturing industry involves the use of industrial plants such as steel mill, automotive plants and petroleum refineries. Heavy manufacturing plants are usually owner-occupied and are always designed with the specific needs of the user in mind. Light manufacturing, assembling, assembling or warehousing can be achieved in similar buildings with fewer unique specifications. Buildings designed for light industry can be rented and used for another type of manufacturing process. This has created big attractions for this kind of development as buildings that were not designed for manufacturing process are now let out to people who intend to start manufacturing or who are in need of warehouses. (Odumodu, 2018).

Specialized Properties

Specialized properties are properties that are specially built or designed for a specific purpose or need. They are rarely available for sale in the open market. Due to the challenge in converting, or using special properties for other use disposing them in the open market appears difficult. During their design stage the architects take their time to come up with an acceptable design that best represents the pictorial imagination of their client. Sometimes designing specialized properties go as far as consulting ancient diaries so as to have a perfect or nearest to the ideal caption of a

background or history. Valuing specialized properties come with a lot of care, skill, creativity and judgement to arrive at an accurate value opinion.

Specialized properties such as schools, churches, cemeteries, parks, utilities, government buildings, library, military barracks, power station, hospitals, hotels, mosques, theater, factory buildings and similar properties, because of the lack of sales data, cannot readily be valued by the usual valuation methods, such properties are referred to as specialties or special purpose properties.

Because of the lack of market sales evidence, the cost approach is often used in valuing special purpose properties. The approach has been much criticized as starting with a cost that may have no relation to value, and then deducting depreciation, which must usually be estimated without sufficient factual data.

When dealing with special purpose properties, which are those developed with unusual improvements of value only to the owner or to a few owners and which are rarely bought and sold, proof of the sort usually admissible to establish the value of the property is lacking, if not completely non-existent enabling law concerning allowable methods of valuation and proof in support of valuation are relaxed (NAS-NAE Library, 1970).

Key Words

The Sanctuary: The elevated portion of the church where the clergy and other ministers perform their proper functions in the worship of God. The sanctuary symbolizes heaven.

The Nave: The main body of the church where the congregation gathers.

The Narthex: The lobby or “gathering space” outside of the church proper.

The Blessed Sacrament Chapel: The chapel where the tabernacle is located for the faithful to come and pray.

The Sacristy: The room where the sacred vestments, vessels, and other items used in the celebration of the liturgy are stored and prepared.

The Apse: The curved area behind the altar where the tabernacle is located in many churches.

The Altar: The sacred table on which the sacrifice of the Mass is offered to God; the table from which the faithful receive the Blessed Sacrament.

The Ambo: The lectern from which the readings are proclaimed.

The Presider's Chair: The chair on which the priest sits during Mass.

The Credence Table: The table on which objects are kept during the celebration of Mass.

The Tabernacle: (Latin: tabernaculum, “tent”) The golden container in which the Blessed Sacrament is reserved. The name derives from the Old Testament tent in which God dwelt among his people.

The Pews: The benches on which the congregation sits.

The Ambry: The cabinet in which the three holy oils are kept (Roman missal, 2002).

Depreciation: This is a loss in property value, as indicated by replacement cost from any cause. IVSC described it as adjustments made to the cost of replacing the building to reflect physical deterioration and functional and economic obsolescence so as to estimate the value of the asset in hypothetical exchange in the market where there is no direct sales evidence available (Ogunba, 2013).

VIII. RESEARCH METHODOLOGY

A field survey research approach was adopted for the study. Data were collected by use of well-structured questionnaires with close ended questions. The questions were structured for registered estate surveying and valuation firms in Enugu metropolis. The study adopted the use of Likert Scale in administering the questionnaires. A total of 45 questionnaires were administered to registered Real Estate Firms out of which 42 questionnaires were filled and returned. The retrieved questionnaires formed the basis of the data analysis. The mean ranking was incorporated in Likert 5 points scale where SA, A, UD, D, SD represented strongly agree, agree, undecided, disagree and strongly disagree respectively with points assigned as 5,4,3,2 and 1 respectively.

IX. PRESENTATION OF DATA

In order to answer the research questions, well structured questionnaires were administered to Registered Estate Surveying and Valuation Firms in Enugu Metropolis, the results of the questionnaires are presented in tables below;

Question 1: Data from Question 1 are Presented in Table 1 Below.

Table 1: Response on the Most Appropriate Method in Valuation of Specialized Properties.

S/n	Response	SA (5)	A (4)	UD (3)	D (2)	SD (1)	Total	Mean Average	Rank	Remark
1	Investment method of valuation	0	0	0	2	40	42	1.05	5 th	Reject
2	Market approach to valuation	0	0	1	31	10	42	1.79	3 rd	Reject
3	Depreciated Replacement Cost Method	25	17	0	0	0	42	4.60	1 st	Accept

4	Profit Method of valuation	0	0	0	0	42	42	1.00	6 th	Reject
5	Developmental method of valuation	1	5	7	10	19	42	2.02	2 nd	Reject
6	Statutory method of valuation	0	0	0	20	22	42	1.48	4 th	Reject

The cut-off point for mean average response on the most appropriate method in valuation of specialized properties is 3.00, see details below:

$$5+4+3+2+1 = 15/5 = 3.$$

Depreciated Replacement Cost was accepted as the most appropriate method of valuation of specialized properties. 25 registered Estate Firms strongly agreed while 17 firms agreed representing an average mean of 4.60 and ranking 1st on the table.

Question 2: The Steps to Determining the Value of Specialized Property are presented below.

Determining the Capital Value of Specialized Properties Using Depreciated Replacement Cost Method involves four (4) steps:

Step 1: Determining the value of land as if vacant, this is done by comparing the subject land with recent sales of similar land in same neighborhood.

Step 2: Determine the replacement cost new of the building at present. This is the cost of constructing the building as at the date of valuation.

Getting the cost of construction will entail the engagement of qualified Quantity Surveyors to provide recent cost of construction new of all developments on site. The cost of constructions provided by the Quantity Surveyor will then be multiplied with the area (in m²) of developments gotten on site to arrive at the replacement cost new. This takes into consideration; the main auditorium, sacrament, statue, site finishing and, fence work.

Step 3: Make adjustment for depreciation (obsolescence) that has occurred to the building and deduct the depreciation estimate from the replacement cost of the building and deduct the depreciation estimation from the replacement cost of the building.

At this point, the valuer's skills, experience and professional judgement come into play. The valuer must consider the following factors before decided on the depreciation rate; the age of the building, its level of deterioration, wear and tear of building, maintenance level, damages from external forces.

Less allowance for depreciation and obsolescence to arrive at the Depreciated Replacement Cost.

Step 4: Add the estimated worth of the land to the depreciation cost figures to arrive at the capital value of the building.

Determination of Value of Capuchin (Order of Friar) Nigeria, Enugu.

Block A (Auditorium):

Area 234m ² @100/m ²	23,400,000	
dep@15%	3,510,000	19,890,000

Block B(offices):

Area 128 m ² @70,000/ m ²	8,960,000	
dep@ 15%	1,344,000	7,616,000

Block C (offices)

Area 115 m ² @70,000/ m ²	8,050,000	
dep@10%	805,000	7,245,000

Block D:

Area 102 m ² @90,000/ m ²	9,180,000	
dep@10%	9,180,000	8,262,000
Statue	1,800,000	
dep@5%	90,000	1,710,000

Paved area:

Area 602 m ² @15,000/ m ²	9,030,000	
dep@15%	1,354,500	7,675,500

Fence work:

Area 140mrun@8,000/mrun	1,120,000	
dep@20%	224,000	896,000
Add: Land value		150,000,000

Capital value: 203, 294, 500

Table 2: Response on the Major Setback Encountered in Determining the Capital Value of Specialized Properties

S/n	Response	SA (5)	A (4)	UD (3)	D (2)	SD (1)	Total	Mean Average	Rank	Remark
1	Insufficient market data	15	20	2	5	0	42	4.07	3 rd	Accept
2	Lacking recent sales transaction	40	2	0	0	0	42	4.95	1 st	Accept

3	Possibility of inadequate depreciation rate.	5	15	10	5	7	42	3.14	4 th	Accept
4	Limited comparables	15	22	5	0	0	42	4.24	2 nd	Accept
5	It negates location advantage of value and neglects the historical importance of the property.	5	12	10	11	4	42	3.07	5 th	Accept

Table 3 reveals the acceptance of insufficient market data, lack of recent sales transaction, possibility of inadequate depreciation rate, limited comparables and negating location advantage of value and neglect of historical importance of the property as the setbacks encountered in the course of determining the value of specialized property, however, lack of recent sales ranks 1st amongst the other setbacks as the most setback encountered in valuation of this nature.

X. CONCLUSION

The above data draws the attention of Estate Surveyors and Valuers on the challenges with valuation of specialized properties, the relevance of Depreciated Replacement Cost Method of Valuation as an appropriate option in determining the worth of Capuchin Friar Nigeria (a religious building) and the setbacks encountered. The mean score helped to reveal the problems associated with valuation of specialized properties in order of their gravity hence, should serve as benchmark to curtailing this anomaly.

XI. RECOMMENDATION

In order to reduce problems with valuation of specialized properties Estate surveyors and valuers should come up with a more acceptable and faultless model for valuation of properties with no market comparable. Otherwise, it is strongly recommended that a viable data bank of sales transaction for special purpose properties be

established, with the help of registered and experienced Quantity Surveyors most recent rates/cost of construction of historical/symbolic buildings will be recorded. Also, estate surveyors should show great professional judgement in adopted a suitable depreciation rate in valuation of specialized properties.

XII. REFERENCES