Landed Properties Rental ValuesDetermination Methods in Port Harcourt Metropolis, Rivers State, Nigeria.

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ABSTRACT
The study assessed the "Methods of Determining Rental Values of Real Property by Estate Surveyors and Valuers in Port Harcourt, Rivers State." Accordingly, it critically analyzed the nature, causes and types of challenges faced while carrying out rental valuation based on a descriptive survey to draw out solutions from theory and practice for implementation by estate surveyors and valuers. Questionnaire was administered to 125 estate surveying firms and 78 questionnaires were retrieved and used for the analysis. Presentation and analysis of data was done using frequency tables and mean.The findings of the study revealed that valuers used almost all the methods but in varying degrees. It also found that each method of valuation for rental properties is faced challenges which includes; the sales comparison approach having a challenge of dearth in property data and absence of market information. Others include the Capital Asset Pricing Model (CAPM) the process which requires investors to know the risk actuated by investing in a residential property, encourages for proper investigation by Estate Surveyors and Valuers before renting. Furthermore, the income approach which is another method of determining rental value could be enhance in it delivery of proper rental cost by focus on a source of income While the Gross rent multiplier approach challenges borders on cash flow but can be reduce as the gross rent multiplier can be used to quickly survey the market for opportunities by filtering out properties with low price relative to the market based gross potential income, but the cost approach faces challenges like; determining if cost is based on reproduction of an exact replica or something that is judged to be functionally equivalent. However, even in the absence of market evidence Estate Surveyors and Valuers agreed that the problem is surmountable bydetermining construction cost minus depreciation, plus the value of land. The study also revealed that most estate surveyors and valuers assigned for valuation could make better valuation standard by improving their knowledge on the application of these methods for overall benefits to their practice and clients under extant laws. Hence, we recommend that estate surveyors and valuers' should have updated property records and Estate Surveyors and Valuers Registration Board of Nigeria (ESVARBON) should enforce the laws of practice to reduce unethical practices by some valuers.
Keywords: Rental Value, Landed Property, Estate Valuer, Port Harcourt Metropolis

I. INTRODUCTION
The real estate market in Nigeria is very dynamic and different participants such as property developers, property owners, investors, financial institutions and even different professionals would be interested to know the benefits they would receive from investment in real estate if let or leased in the open market. It is pertinent to note that aside several reasons for investment in real estate, one prominent reason is income from investment. Most investors desire to have a sustainable income from their investment. Also, the functions of professional Estate Surveyors and Valuers in the determination of rental values of different landed properties have also become very prominent over time.Thus, the unique characteristics of the real estate market must be accommodated. There are factors that also influence rental values of properties and this should be considered too.

II.   LITERATURE REVIEW
2.1 Concept of Rental Value
Ekenta (2010) and Udechukwu (2006) are of the opinion that 'Rent' is the periodic amount of money paid by a tenant to a landlord usually on annual basis while 'Rental value is thehighest rent which a property will command if given out on lease in the open market with both the lessor (landlord) and lessee (tenant) fully aware of the prevailing market conditions and none being subjected to undue pressure."

Udechukwu (2006) further argued that the rent paid in a lease may not actually reflect the full rental value of the property due to the following conditions; (i) Whether the rent fixed is old or current; (ii) Whether the leasee paid premium before entry; (iii) Whether there was blood ties or relationship between the lessee and lessor (iv) Whether the rent was fixed by statute or law; and (v) Whether there was "sale and lease back transactions."

It is therefore very pertinent to examine the above conditions critically before equating "Rent passing" to "open market rent" Richmond (1985) concluded that the open market worth of a property Is the rent such property or a similar one would attract when offered In the market on the usual tenancy or lease terms and conductions characterizing the market of such class and type of property.

III.   METHODS
The study adopted the survey methodusing the questionnaire to gather the necessary information from the estate surveyors and valuers. The study used the 125 estate firms in Port Harcourt obtained from the 2020- 2022 Directory of the Nigerian Institution of Estate Surveyors and Valuers Rivers State branch. The study used the 4 point likert scale of Strongly Agree-4, Agree -3, Disagree- 2, Strongly Disagree- 1 to gather information on the methods the valuers used to determine rental values and the problems encountered in the process with possible solutions to ameliorate the problems. The questionnaires retrieved were 78 in number giving a response rate of 62.4%. The data are presented in tables and analysed using descriptive statistics of mean and frequencies.

IV.   DATA PRESENTATION AND ANALYSIS
Methods of determining, rental values of landed properties by Estate Surveyor and Valuers in Port Harcourt metropolis

Table 1: Methods of Determining, Rental Values of landed Properties by Estate Surveyor and Valuers in Port Harcourt Metropolis

S/N	QUESTIONS	FREQUENCY/ LIKERT SCALE				MEAN $\bar{X}$
		SA	A	D	SD	
1.	The Sales Comparison Approach	27	49	2	0	3.3
2.	The Capital Asset Pricing Model	5	23	27	23	2.1
3.	The Income Approach	6	37	17	18	2.4
4.	Gross Rent Multiplier Approach	4	11	49	14	2.1
5.	The Cost Approach	12	10	45	11	2.2
.	**GRAND MEAN $\bar{X}$**	-				**2.42**

Source: Field Survey, (2021)

Table 1 shows the methods of valuation used by valuers.The Sales Comparison Approach recorded27valuersstrongly agreeing that theyuse the method in rental value valuation, while 49valuers indicated that they agree to use the sales comparison method in their assessment.For the Capital Asset Pricing Model only 5 responses strongly agreeing to the use of the CAPM, 27 said

they do not use the CAPM in their assessment of rental values. The Income Approach had 6 respondents strongly agreed to using it while 37 of the valuers indicated using the method. Gross Rent Multiplier Approach had 49 respondents indicating that they do not use it. While the Cost Approach 12

responses indicating that they strongly agree that they use the method while the Gross Rent Multiplier Approach had 49 responses and Cost approach 45 respondents also disagreeing to using the method respectively. This indicates that the valuers used the Comparable methods more.

Valuers were asked to indicate the problems they encountered in determining rental values of landed properties

Table 2: Problems of each Rental Method and Possible Remedial Solutions as Encountered by Estate Surveyors and Valuers in Determining Rental Values of landed Properties

S/N	Problems and Possible Solutions	FREQUENCY/ LIKERT SCALE				MEAN $\overline{X}$
		SA	A	D	SD	
1.	The sales comparison approach, require market comparison which makes its difficult when there is none, but can be overcome through government policies enforcing availability of market information for professionals.	47	27	4	0	3.6
2.	The Capital Asset Pricing Model (CAPM), requires investors to know the risk actuated by investing in a residential property, thus with proper investigation by Estate Surveyors and Valuers clients can be better informed on potential risk attached to real estate investment	14	38	19	7	2.8
3.	The income approach relies on determining the annual capitalization rate for an investment through calculating market value with the application of the subject approach (i.e., calculating for income based on gross income, benefits, personal and charitable deductions, classes of income, the alternative minimum tax, second homes and non-statutory principles) meaning estimating the market value of the right to receive infinite income flows which us herculean in determination, however, proper research, focus on specific income subjects (areas)and good market policies makes for easy estimate.	5	53	10	10	2.7

4.	Gross rent multiplier approach problem borders on cash flow but can be reduce as the gross rent multiplier can be used to quickly survey the market for opportunities by filtering out properties with a low price relative to the market based gross potential income.	9	47	13	9	2.7
5.	The cost approach faces challenges like; determining if cost is based on reproduction of an exact replica or something that is judged to be functionally equivalent? However in even in absence of market evidence Estate Surveyors and Valuers can surmount this problem on residential properties by determining construction cost minus depreciation, plus the value of land.	11	57	10	0	2.8
	GRAND MEAN X̄					**2.9**

Source: Field Survey, (2021)

Table 2 shows; that 47 of the valuers agree that market comparison is a challenge in sales comparison approach due to lack of market information but can be overcome through structured and enforced regulatory policies. It also asserts that "The Capital Asset Pricing Model (CAPM)" requires investors to know the risk actuated by investing in a residential property, thus with proper investigation by Estate Surveyors and Valuers Clients can be better informed to avert potential risk attached to real estate investment as affirmed by 38 responses.

Furthermore, Table 2 shows "The income approach" is plagued with determining the annual capitalization rate for an investment through calculating market value and in Nigeria evidence arenot readily available as firms do not readily show their market transactions but with the application of the subject approach makes for easy estimate, this had response value 53responses agreeing that the problem exist and can be solved by the proposed solution. Also "Gross rent multiplier approach" as a means of determining rental values based on income approach is faced with the problem of cash flow; the real industry which makes for large income variations implies that the approach can be used mainly for similar small rental properties whose prices can be correlated 47 valuersindicated that they agree to this.

The cost approach faces challenges like; determining if cost is based on reproduction of an

exact replica or something that is judged to be functionally equivalent. However even in the absence of market evidence Estate Surveyors and Valuers can surmount this problem on residential properties by determining construction cost minus depreciation, plus the value of land, this is affirmed by 57 respondents. It was also gathered that Government policies makes for challenges to Estate Surveyors and Valuers in Rental Property valuation with laws differing in rating standards, thus they assert that with government permission Estate Surveyors and Valuers should be allowed to recommend best fit rating and rental laws for specific region as best fit for fair valuation.

V. DISCUSSION OF FINDINGS
5.1 Methods of determining, rental values of different landed properties by Estate Surveyor and Valuers in Port Harcourt metropolis

Table 1 was designed to show the methods of rental valuation with intent of choosing the best for Port Harcourt metropolis. Thus, we analyze as follows; Sales Comparison Approach is simply a comparison of similar homes that have sold or rented locally over a given time period. Most investors will want to see a Sales Comparison Approach over a significant time frame to glean any potentially emerging trends. When properties are rented using specifics scales like #/ per square metre then it is easier for investors to reasonably

expect income in that light provided comparables in the area are going for that, too (Abraham, 2020). The capital asset pricing model (CAPM) is a more comprehensive valuation tool which introduces the concepts of risk and opportunity cost as it applies to real estate investing.

This model looks at the potential return on investment (ROI) derived from rental income and compares it to other investments that have no risk, such as United States Treasury bonds or alternative forms of investing in real estate, such as real estate investment trusts (REITs) (Abraham, 2020).

For income-producing real estate, the NOI is the net income of the real estate (but not the business interest) plus any interest expense and non-cash items (e.g. depreciation) minus a reserve for replacement. The Gross Rent Multiplier or Gross Income Multiplier is a ratio that is used to estimate the value of income producing properties. The GRM provides a rough estimate of value. Only two pieces of financial information are required to calculate the Gross Rent Multiplier for a property, the sales price and the total gross rents possible. If this information is available for multiple recent sales of similar types of income properties in a particular area, it can then be used to estimate the market value of other similar properties in that area. Some investors use a monthly Gross Rent Multiplier and some use a Yearly GRM.

The monthly Gross Rent Multiplier is equal to the Sales Price of a property divided by the potential monthly rental income and the Yearly GRM is the Sales Price divided by the yearly potential rental income (ABC Real Estate School, 2010).

The Cost Approach,Liberto and Anderson (2021) defines the cost approach as a real estate valuation method that estimates the price a buyer should pay for a piece of property is equal the cost to build an equivalent building. In the cost approach, the property's value is equal to the cost of land, plus total costs of construction, less depreciation. It yields the most accurate market value for when a property is new than through alternative methods. Hence the findings; in absence of market information, Real Estate firms can apply the cost approach for rental valuation otherwise the market comparison and income approach are good methods of deducing fair values for rental properties.

5.2 Problems encountered by Estate Surveyors and Valuers in determining rental values of real properties and what the remedial solutions are
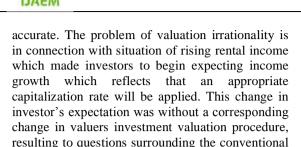
Table 2 was designed on the rental methods to understand its challenges to Estate firms and proffer solutions. The average challenge as recorded in the study was on the absence of market evidence which aids comparison for determination of consistency in values, the study postulates that adequate policies and provision of a data bank through research could eliminate this occurrence.

From the findings of Table 2 it was ascertained that The Sales Comparison Approach, The Capital Asset Pricing Model, the Income Approach (Gross Rent Multiplier Approach) and the Cost Approach is used to valuing rental properties. It is expedient we state that when there is ample market information of rental values these approaches functions best but in absence of records on rental property values as ascertained in this study, it requires the Estate Surveyor and Valuer to surmount the challenge and produce fair values on rental properties while maintaining the laws of the State, for this is good for both their client and their firm, as well as the tenants.

In carrying out valuation practice certain features are responsible for the problem of accuracy and irrationality in Nigeria. They include among others; According to Ogunba and Ojo (2007), inflation in Nigeria has resulted in a reverse yield gap situation since the beginning of the recession of the 1980s which has been responsible for the invalidation of rules of thumb previously held in stable market conditions. This has resulted in confusion among valuers as to the ability of the investment method of valuation to produce accurate results. Another cause of inaccuracy in rental valuation has to do with the use of different methods of valuation for the same property even when the basis of valuation is open market value. Ajayi (1998) recommended the use of investment method of valuation by valuers when determining open market value for income producing properties. However, because of the influence of the reverse yield gap which the investment method inadequately account for, many practicing valuers use the cost method as a preferred method to determine open market value of properties. Heuristic valuation and client's influence which is a situation where a valuer forms a preconceived opinion on the worth of a property to be valued and works as to arrive at that pre-conceived value. Some cases arise where the client is aware of the worth of his property before the actual valuation is carried out. Where this is the case the valuer will resort to adjustment of the value to arrive at that pre-conceived amount without necessary analytical judgment.

Also the increasing rate of client influence especially in rental valuation is very challenging. In this situation the valuation calculation cannot be

accurate. The problem of valuation irrationality is in connection with situation of rising rental income which made investors to begin expecting income growth which reflects that an appropriate capitalization rate will be applied. This change in investor's expectation was without a corresponding change in valuers investment valuation procedure, resulting to questions surrounding the conventional investment valuation method. Real estate investing isn't out of vogue by any stretch of the imagination.

5.3 Summary of Findings
The attribute of rental valuation requires that there be; a property, a landlord, the investor, and the estate firm all functioning at the dictates of the laws on the area (UN-Habitat, 2004). Some people rent because they are not yet in a position to own. Some do not have the money to own, while others do not wish to, at least for the time being. Many have no choice but to rent; others choose to rent for one of a variety of reasons such as been able to mobility especially if there is a new job that requires a change of accommodation. Renting gives people considerable freedom over how they manage their household budgets, moving to cheaper housing when times are hard and to better housing when their incomes increase. It is in this light that it is imperative for rental valuations to be done right so as to give both the landlord and tenant the needed satisfaction. Property valuation is a matter of opinion, albeit expert opinion based on research and calculation, reason two surveyors looking at the same property on the same day could arrive at different opinions as to its value. From the study it is observed that valuers applied different valuation methods to arrive at rental values or even market values of property. the study also observed that the valuers agree to the fact that each valuation method has its own challenges and also ways to ameliorate such challenges.

VI.   CONCLUSION
The aim of the study is to examine the Methods of Determining Rental Values of Real Property by Estate Surveyors and Valuers in Port Harcourt, Rivers State. The study asserts that it has been established from the findings that rental valuation is not an easy one. Moreover, Estate firms in Port Harcourt use different approaches to value properties, thus for any valuation to occur on rental properties it must be carried out by an accredited estate firm. In this part of the world, data is not made available to valuersand when it is made available it is often insufficient and unreliable. However, the determination of rental value is important as it directly impacts the cash flow of

real estate investment and helps in planning and forecasting. As such in applying any of the discussed methods the Estate firm should be experts in delivering values that will be consistent with the law, practice and investors satisfaction.

VII.   RECOMMENDATIONS
Having considered the challenges associated with rental valuation, the following recommendations are proffered.
i.   It is established by this study that valuers use varying and unethical approaches while carrying out real estate rental valuation. Here, the study recommends that Estate valuers should as a matter of fact adhere to valuation guideline in all their dealing especially as it relates to rental valuation.
ii.   Irrespective of the challenges found on rental valuation methods; it is expedient for the Estate Surveyor and Valuer to apply the best method of valuation for any give area.
iii.   The Estate Surveyors and Registration Board of Nigeria (ESVARBON) should enforce valuation standards in Nigeria to curb inconsistency in values for same property causing wrong investment decisions.

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