

Reliability of the Liquidation Valuation Models of Selected Real Estate Collaterals in Niger State

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Abstract

This study examined the dependability of Two-Third of Market Value (TTMV) model of determining liquidation value of real estate collateral in Niger State. It discussed the value concepts required for mortgage valuation and the models of liquidation valuation in Nigeria. Primary data were collected by questionnaire served on thirteen Estate Surveying and Valuation (ESV) firms and sixteen commercial banks (CBs) in the state. Descriptive statistics was used to analyze the data. The results showed that only one ESV firm identified Market Survey Model (MSM) as the appropriate model of liquidation valuation; that liquidation values assessed by the ESV firms ranged between 60% and 88.20% of market value (MV) in the state. The appropriate proportion of liquidation value (LV) to MV in the principal cities, using MSM, was assessed to be 55.28% for Minna; 57.05% for Suleja; 42.80% for Bida and 39.02% for Kontagora. These results provide the ESVs, the CBs and the academics in the state the necessary information on the appropriate LV –MV proportion for collateral valuation. It also enjoins NIESV and ESVARBON to review their valuation standards by substituting LV for FSV and to include rental value in mortgage valuations. It also recommends MSM to the valuation regulators as the basis of LV assessment where the property market is active in the state.

Keywords: Market value, Forced sale value, Rental value, Liquidation value, Real estate collaterals; Market survey model

Introduction

Real estate assets have remained one of the most applied collaterals by institutional lenders in the global financial credit market (Nwuba, Egwuatu and Salawu, 2011). Nwuba *et al.* (2011) also confirmed that the Nigerian commercial banks alternated real estate collaterals with the use of other assets such as treasury bills, certificates of cash deposit, government securities, bank guaranties and receivables of blue chip companies, bonds, stocks and shares, machinery and equipment among others. The vulnerability in the Nigerian stock market in recent times has dampened the interest of institutional credit operators in accepting stocks and shares as collaterals for securing loans (Asset Management Corporation of Nigeria Report, 2014). The Nigerian property market which provides the necessary data for market and forced sale valuations of real estate

collateral does not seem to be matured enough to allow forced sale value to be so easily measured by the current conventional method (Babatunde, 2011). Some scholars have also differed on the possibility of the pre- determination of forced sale value of real estate collateral before foreclosure of loan transactions. Crosby, Devaney and Matysiak (2003) argued that time was a critical factor in real estate marketing and sale and that forced sale implied that it had become mandatory and compulsory that the collateral would be sold. If this assertion is true, how valid then is the notion of “forced sale value” in valuation of collaterals for secured lending in Nigeria?

Similarly, the current conventional technique of forced sale valuation does not agree with the auction sale method adopted in the disposal of the pledged collaterals during the period of foreclosure. Chow,

Hafalir & Yavas (2013) emphasized the merit of auction sales for both foreclosed and non-foreclosed properties in Singapore. In the United Kingdom and America, the notion of forced sale value has become very contentious. Crosby *et al.* (2003) in U.K and Rice (2006) in America argued that liquidation value of pledged collateral was the intended requirement of the lender before and during the collapse of mortgage transactions. If this argument is valid, why do estate surveyors and valuers in Nigeria prefer forced sale value to liquidation value (as provided in NIESV's Guidance Notes on Property Valuation, 1985 and NIESV's Valuation Standards and Guidance Notes, 2006) when predicting the auction price of real estate asset during foreclosure?

Another critical issue of contention is the technique of assessment and analysis. The conventional technique adopted by estate surveyors and valuers in Nigeria is not currently acceptable in the developed markets of Europe, America and Asia. Many valuation scholars in Nigeria such as Ogunba (2004), Aluko (2007, 2010), Oluwumi, Ajayi, Olaleye & Fagbenle (2011) and Babawale (2012) have also lent their voices to the use of contemporary property valuation models in Nigeria. Aluko (2007) and Kalu (2007) declared that the use of conventional income capitalization method in the mist of rental volatility was highly flawed and consequently suggested the use of one of "its variant, the discounted cash flow (DCF) which was a much more contemporary option with the required local and necessary adjustments."

Statement of the problem

Forced sale value has become a controversial value notion among some critical valuation scholars in the global appraisal community. A more logical value alternative (liquidation value) that could be reasonably defined and assessed is being

canvassed .Similarly the methods and techniques of determining liquidation value of collaterals by estate surveyors and valuers could no longer provide a proxy for auction sale price. There is therefore an urgent need to explore a more appropriate technique that will produce a good substitute for auction price of real estate collateral for foreclosure purpose in the study area.

Aim and Objectives

The aim of this study is to examine the dependability of the current technique of determining the liquidation value of real estate collaterals in Niger State with a view to providing an alternative model that will ensure a more accurate value assessment. The aim is intended to be achieved by the following specific objectives:

- (i) identify the types of value of real estate collaterals required for secured lending practice in Niger State;
- (ii) examine the conventional and contemporary models of determining liquidation/ forced sale values of real estate collaterals and
- (iii) assess the liquidation value-market value ratio of real estate collaterals in the major urban centers of the study area.

Profile of the Study Area

The study area is Niger State. The state situates in the Northcentral geopolitical zone of Nigeria. According to the Niger State website (www.nigerstate.gov.ng retrieved on15/06/16) , the state is bounded to the south by River Niger and Kwara State; bounded to the north by the states of [Kebbi](#) and Zamfara; bounded to the northeast by Kaduna State; to the east by Abuja; and to the southeast by [Kogi](#). It also shares an international boundary with the [Republic of Benin](#) .It has a land area of 76,363 square kilometers (29,483.9 square miles which makes it the largest state in land mass in Nigeria. According to the

National Population Commission (2006), its population was 3,950,249 which made it the 18th largest state in the country. Minna is its capital city. It is subdivided into 25 Local Government Areas with Minna, Bida, Suleja and Kontagora as the four major urban centres. The map of Niger State showing the four major cities is displayed on Figure 1. According to the NIESV Directory (2014), there are 13 practising firms of estate surveyors and valuers in the state.

Value Concepts and Valuation Models for Secured Lending

Types of value

Two types of value were provided by the NIESV (2006) valuation standards and guidance notes on valuation of real estate collaterals for secured lending purpose. They comprised of market value and forced sale value. International Valuation Standards Council, [IVSC] (2011) however specified liquidation value in place of forced sale value. AMCON (2010) required rental value in addition to the two types of value required by the NIESV (2006) standards. In this subsection, the notions of market value, forced sale value and rental value are discussed.

Market value: Foremost valuation standard organizations such as Appraisal Foundation (2010), IVSC (2011), Royal Institution of Chartered Surveyors [RICS] (2014) and The European Group of Valuers Association, TEGoVA (2016) defined market value as *“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*

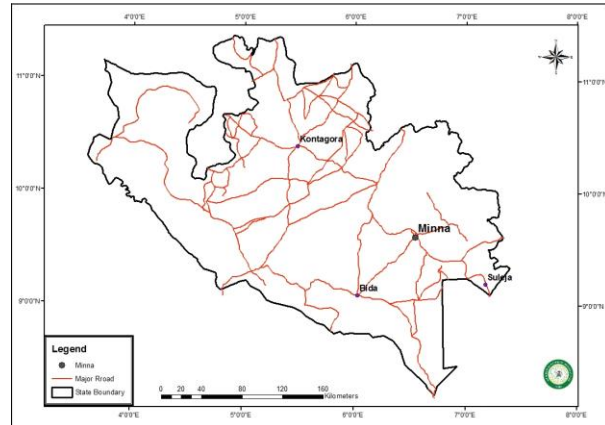


Figure 1: Niger State Showing the Four Major Cities
Source: Niger State GIS Agency, Minna (2017)

Ifediora (2005, 2009)) and Ogunba (2013) described it as the fundamental basis of value for properties for sale, mortgage, secured lending, liquidation, merger/acquisition and all other market based transactions. Babawale (2012) similarly portrayed it as the surrogate of market price. Arising from these academic connotations this paper accepts market value as the available substitute, proxy, alternate or replacement of market price of a property before actual sale thereof takes place.

Forced sale value: Encyclopedia of American Law (2008) described forced sale value (FSV) as not having any strong theoretical substance. The few academic postulations made on FSV did not refer to it as a concept of value rather it was conceived as the value that resulted from an action taken in a law court forcing the owner of a unit of real estate collateral to sell it and to utilize the proceeds of the sale to settle his mortgage debt (West, 2008). It is therefore an unintentional sale that takes place by the method and at the time specified by law so as to apply the proceeds to settle the mortgage debt incurred by the owner of the property. NIESV (2006) asserted that FSV was the same as liquidation value and subsequently defined

it as “the amount that may be reasonably received from the sale of a property within a time frame too short to meet the marketing time frame required by the market value definition.

From the definitions, description and explanation of FSV provided by Encyclopedia of American Law (2008), West’s (2008) and the Business Dictionary.com, it is not synonymous with liquidation value as intended by NIESV (2006). The action of carrying it out through auction sale is also that of liquidation. It similarly requires the order of the court before it could be executed. It is therefore not a forced sale but rather a court ordered sale. Juxtaposing all the aforementioned perceptions with the views of scholars in Europe and America, liquidation value seems to be the value notion contemplated by the lender before mortgage transaction. It is therefore accepted in this study as the value notion required, in addition to value concepts such as market value and rental value during loan underwriting.

Rental value: IVSC (2011) construed rental value as market rent and defined it as the “estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”. This definition, which is different in some instances from rent passing or rent reserved on a property, is the accepted description of rental value in this study.

AMCON (2010) popularized the demand for the inclusion of rental value and its definition in foreclosure valuations in Nigeria. Many commercial banks in Nigeria today such as the Unity Bank of Nigeria

Plc. and Stanbic-IBTC among others require it as a concept that should be included in secured lending valuations. Rental value of real estate collateral becomes significant where it is very difficult to find a buyer in good time for the property and it has to be subjected to receivership. In that instance, the receiver could lease out the property on the basis of the rental value.

Conventional liquidation valuation model

Conventional liquidation valuation that is incorporated into market valuation as part of secured loan underwriting documents in Nigeria today was adopted erroneously from the principles of fixing loan for property development and acquisition enunciated by British authors such as Britton, Davies, Johnson, Lawrence and Rees (1980). The guiding procedure under the latter was to determine the market value and the rental value; use trial and error method to initially fix the proposed property development/acquisition loan at two-thirds of the market (or acquisition) value; verify whether the net rent could defray the interest and part of the principal; and build an amortization table on the basis of the subject net rent for the tenure of the loan. If the loan could be repaid from the proceeds of the subject rent, then the two-third-figure earlier projected would be acceptable as the mortgage (loan). If the pre-determined net rent would not be able to defray the interest and the principal during the tenure of the mortgage, the fraction could be further reduced to 3/5; 1/2; 2/5 and in that geometric order continually.

All the auction sale valuations of collateral prepared by ESV firms for AMCON between 2010 and 2014 were based on the notion of MV. Today, TTMV is still adopted among ESV firms as the predicted auction sale value of collaterals in Nigeria (AMCON Report, 2014) as against a more

logically and scientifically researched proportion of market value (Rice, 2006). Studies such as Ogunba (2004) and Aluko (2007) among others which focused on the appropriateness of the assessed market values of real estate collaterals by ESVs in Nigeria did not examine the model they adopted in assessing the liquidation value of the collaterals.

Contemporary model of liquidation valuation of real estate collaterals

Before liquidation value of real estate collateral could be accurately assessed, two conditions, according to Crosby et al. (2003) should be precedent. They comprised of the appropriate assessment of the MV (through accurate data assembly and processing) and the adoption of a more acceptable technique of determining the appropriate proportion of the liquidation value to MV in the location. Aluko (2007) confirmed that a great number of MV of collaterals assessed by ESVs in Lagos, Nigeria were inaccurate and reviewed them through contemporaneous valuation. Aluko (2007) inferred contemporaneity to imply a situation where valuation exercise previously carried out by one valuer was reviewed by another independent valuer as if the exercise was carried out simultaneously by the two valuers at the same time. Aluko (2007), using the data extracted from the valuation reports prepared for deposit money banks in Lagos and provided by the Nigerian Deposit Insurance Corporation carried a contemporaneous market valuation of the collaterals. The study did not however carry out a contemporaneous assessment of the liquidation value of the affected collaterals. Also, Babatunde (2011) declared that in order to determine a reliable market value of any real estate collateral, there was need for the identification and selection of the appropriate method; use of accurate market data: and identification and adoption of the

appropriate model as a guiding procedure. The model adopted to determine the liquidation value in that work required more illumination and illustration.

Rice (2006), nevertheless, declared that the Market Survey Model (MSM) was one of the most suitable models of determining liquidation value. Rice (2006) of Rice Group popularized the use of the model for the determination of liquidation value of real estate collaterals in the United States of America. According to him, the usual procedure was: to determine the duration of the sale; classify the property according to its neighbourhood; find out, through market survey (the discount allowable on market value of such property within the neighbourhood); and make necessary adjustment for appeal factor. The result should produce a fair estimate of liquidation value. Babatunde (2011) agreed with Rice (2006) on MSM for liquidation value and consequently assembled evidence of rents in Niger State of Nigeria through multiple listing system, MLS, (market survey from estate agents); gathered evidence of liquidation value of similar properties from recent auction sales that emanated from foreclosure procedures; found the proportion of each auction sale to market value derived from contemporaneous valuation of such real estate asset; determined the mean percentage as the proportion of LV to MV. The result was the LV percentage for the subject cities of Minna, Suleja, Bida and Kontagora in the state.

According to Babatunde (2011), the strong message that this model conveyed to valuers and users of valuation service was that the proportion of liquidation value to market value varied from one city or town to another and it was a function of actual auction sale evidences and accurately assessed market value. He also declared that

where a city was very big, it could also vary from one neighbourhood to another. Babatunde (2011) however did not generate a specific formula that would generally define the model, which among others this study seeks to accomplish.

The challenge of keeping records of: foreclosed mortgage transactions involving real estate collaterals by Niger State High Courts; transfer of title of auctioned real estate collaterals and accurate assessment of MV of real estate collaterals could however be some of the difficulties encountered by estate surveyors and valuers in putting this model into optimum use in the state. Similarly, the model may not be applicable where the property market is not active.

Methodology

The study relied on primary data generated through a survey conducted with questionnaire and interview guide. There were two sets of questionnaire each of which was structured according to the objectives of the study. The first set was administered on the 13 No practicing firms of estate surveyors and valuers (ESV) in Niger State while the second one was similarly administered on the 16 No commercial banks (CBs) in the state. The questionnaire for the ESV firms consisted of one aptitude question on the appropriate method of determining the liquidation value (or FSV as recognized by NIESV, 2006).

The questionnaire for the CBs however consisted of two sets of questions. The first section sought information on MV and FSV of real estate assets that were used as collaterals for mortgage transactions which failed and were subsequently foreclosed. The second section contained questions on the auction sale prices of the properties at foreclosure. Also the valuation reports of the mortgaged properties involved in foreclosed transactions were requested from

the banks. Thirty two (32) of them were made available for examination. Descriptive statistics (frequency, percentages, means and ratios) and the market survey model were the main tools of data analysis. Data derived from the reports were used to reassess the contemporaneous market value of the properties. The auction sale prices of the subject properties were compared with their respective contemporaneous market values in order to determine the proportion of liquidation value to market value in each of the four principal cities of the state.

Data Analysis and Discussion

All the thirteen (13) registered firms of estate surveyors and valuers who received the questionnaire completed and returned them giving a response level of 100 %. 16 CBs were given questionnaire. Only seven (7) of them completed and returned them, indicating a 43.75% response level. The criteria for the determination of LV or FSV by ESV firms during loan underwriting period, ESV's model of LV, contemporaneous MV, liquidation and auction sale price after foreclosure, auction price percentage of MV and contemp. MV and determination of appropriate MSM percentage in the study area were presented, analyzed and discussed in this section.

Table 1 showed the criteria adopted by the ESV firms in determining LV of collaterals in the study area.

Table 1: Analysis of Criteria for Determination of Liquidation Value

S/N	Criteria	Frequency	Percentage (%)
1	2/3 of Market Value	10	76.92
2	Rule of the Thumb	2	15.39
3	Market Survey	1	7.69
Total		13	100

The result on Table 1 indicated that 1 No ESV firm or 7.69 % selected market survey model which is the appropriate model;

while 10 No ESV firms or 76.92 % and 2No ESV firms or 15. 39% selected TTMV and rule of the thumb respectively.This implied that the conventional TTMV model was the practice in the state. It really indicated that ESV firms in the state were yet to be conversant with the contemporary market survey model of liquidation valuation.

The result of the analysis on Table 2 showed that 17No properties in Minna,11 No properties in Suleja,3No properties in Bida and 1No property in Kontagora were assessed by the ESV firms. The percentages of the assessed FSV in Minna ranged between 60 and 88.20; those of Suleja ranged from 60% to 70% while the ones in Bida and Kontagora ranged between 66.66% and 66.67%. Out of the 17No properties assessed in Minna, TTMV model was presumably used to produce 2/3 of MV of eleven (11) of them. The model for the

assessment of the liquidation value of the six (6) other properties could not be ascertained. They could have been assessed either on the basis of intuition, rule of the thumb, instruction by the creditor/borrower or by mere guess work. Out of the 11No properties considered for liquidation valuations in Suleja, six (6) of them were apparently assessed on the basis of TTMV while other models that could not be easily verified were used for the five (5) others that produced 70%,70%,60%, 60% and 70% respectively. The model of liquidation value in Bida was 2/3 of MV for the three properties assessed. The result also showed that the TTMV model was adopted by the ESV firm to assess the LV of the collateral enumerated in Kontagora.

Table 2: Analysis of Forced Sale Valuations of ESV Firms during Loan Underwriting Period

Identification of ESV	Date of Valuation	Types of Property	Location	MV N'000	FSV N'000	% of FSV
RSV/MNA/01	10/2007	Flat	Bosso,Minna	29,390	19,594	66.67
RSV/MNA/02	07/2007	Block of Flats	Tunga, Minna	30,000	20,000	66.67
	2005	Duplex	Tunga, Minna	3,000	2,500	83.33
	2005	Tenenment	Tunga, Minna	3,600	3,000	83.33
	2005	Tenenment	Bosso, Minna	5,000	4,000	80.00
	2009	Commercial (shops and office units)	Tunga, Minna	10,000	7,500	75.00
RSV/MNA/03	9/1/07	Fuel Station	Kuta Rd,Minna	15,144	10,600	70.00
	31/5/07	Block of Flats	F -Lay Out Minna	30,000	20,000	66.67
	26/2/09	Flat	Suleja	15,108	10,575	70.00
	5/3/09	Fuel Station	Suleja	32,000	22,000	70.00
RSV/MNA/04	2004	Flat	Tunga,Minna	6,000	4,000	66.67
	2006	Bungalow	D/Kura, Minna	7,500	5,000	66.67
	May,2013	Flat	Tayi, Minna	5,500	3,667	66.67
RSV/MNA/06	2005	Bungalow	Nassarawa Ward B, Minna	3,750	2,500	66.67
RSV/MNA/07	2008	Flat	Tunga,Minna	2,800	2,100	75.00
	2008	Bungalow	GRA,Minna	17,000	15,000	88.20
RSV/MNA/08	2010	Maissionette	London St Minna	30,000	20,000	66.67
	Nov,2010	Factory/ Warehouse	Suleja	120,000	80,000	66.67
RSV/MNA/09	July,2010	Flat	M.I.W.Estate Minna	6,000	4,000	66.67

	Aug,2010	Flat	M.I.W.Estate Minna	6,000	4,000	66.67
RSV/SUL/01	Jan,2010	Bungalow	Suleja	6,000	4,000	66.67
	Nov,2010	Flat	Suleja	5,000	3,000	60.00
RSV/SUL/02	June,2010	Shops	Suleja	12,000	8,000	66.67
	March 2010	Flat	Suleja	6,000	4,000	60.00
RSV/SUL/03	26/2/09	Flat	Suleja	15,108	10,575	70.00
	27/8/2010	Bungalow	Suleja	13,050	8,700	66.67
	2/9/2010	Bungalow	Suleja	2,100	1,400	66.67
RSV/BDA/01	14/07/12	Tenement	Suleja	7,850	5,230	66.62
	2010	Flat	Bida	5,000	3,333	66.67
	2010	Mixed Res/Comm	Bida	70,000	46,667	66.67
RSV/MNA/02	Feb, 2013	Bungalow	Bida	9,150	6,100	66.66
	2011	Bungalow	GRA,K/gora	10,000	6,670	66.67

Further analysis of Table 2 is presented on Table 3.

Table 3: ESV's Model of Liquidation Value

Type of Model adopted by ESVs	Frequency of collaterals	Percentage
TTMV	21	65.62
MSM	0	0
Unidentified Models	11	34.38
Total	32	100

Findings on Table 3 indicated that TTMV model was adopted to assess liquidation value of 65.62% of the collaterals surveyed. The use of other unverifiable models was considered to have been adopted for the remaining 34.38% of the collaterals enumerated. MSM was not applied to assess any collateral. Only twelve (12) real estate collaterals out of the thirty two enumerated had been fully foreclosed with concluded auction sales after court orders. Their contemporaneous valuations were subsequently carried out. The analysis of

the review is presented on Table 4. Table 4 was further analyzed to produce the auction price percentage of both the MV and Contemp. MV presented on Table 5.

The results on Table 5 showed that TTMV could not be a suitable basis for liquidation value since none of the proportions of auction prices of the foreclosed collaterals to market values (i.e. the LV) was up to 66.67%. It therefore implied that any value assessed by TTMV could not be a suitable proxy for auction price in the study area. The proportion of auction prices to market values assessed by ESV for Minna ranged between 33.33% and 53%. The ones for Suleja ranged between 50% and 51.72% while those for Bida ranged between 30.30% and 35%. The proportion of auction price and market value in Kontagora was 32%.

Table 4: Contemporaneous MV, Liquidation and Auction Sale Price after Foreclosure

Bank ID	ID of ESV	Property	Location	MV N'000	C/ MV N'000	FSV N'000	Auction Price (‘000)
CB/MN/01	RSV/MNA/01	Block of Flats	Tunga, Minna	30,000	25,000	20,000	15,000
CB/MN/01	RSV/MNA/02	Tenement	Bosso, Minna	5,000	4,000	4,000	2,000
CB/MN/02	RSV/MNA/04	Flat	Tunga, Minna	6,000	4,500	4,000	2,200
CB/MN/02	RSV/MNA/07	Bungalow	GRA, Minna	17,000	15,000	15,000	9,000
CB/MN/03	RSV/MNA/09	Flat	M.I.W Estate Minna	6,000	4,300	4,000	2,000
CB/MN/03	RSV/MNA/04	Flat	Tayi, Minna	5,500	5,000	3,667	2,750
CB/SL/04	RSV/SUL/02	Flat	Suleja	6,000	5,000	4,000	3,000
CB/SL/05	RSV/SUL/03	Bungalow	Suleja	13,050	12,500	8,700	6,750
CB/SL/05	RSV/SUL/03	Tenement	Suleja	7,850	7,000	5,230	4,000
CB/BD/06	RSV/BDA/01	Flat	Bida	5,000	3,500	3,333	1,500
CB/BD/06	RSV/BDA/01	Bungalow	Bida	9,150	5,500	6,100	3,200
CB/KT/07	RSV/MNA/02	Bungalow	GRA,K/gora.	10,000	8,200	6,667	3,200

Table 5: Analysis of Auction Price Percentage of MV and Contemp. MV

Bank ID	ID of ESV	Property	Location	%AP of MV	% AP of C/MV
CB/MN/01	RSV/MNA/01	Block of Flats	Minna	50	60
CB/MN/01	RSV/MNA/02	Tenement	Minna	50	50
CB/MN/02	RSV/MNA/04	Flat	Minna	43.33	57.77
CB/MN/02	RSV/MNA/07	Bungalow	Minna	53	60
CB/MN/03	RSV/MNA/09	Flat	Minna	33.33	48.88
CB/MN/03	RSV/MNA/04	Flat	Minna	50	55
CB/SL/04	RSV/SUL/02	Flat	Suleja	50	60
CB/SL/05	RSV/SUL/03	Bungalow	Suleja	51.72	54
CB/SL/05	RSV/SUL/03	Tenement	Suleja	51	57.14
CB/BD/06	RSV/BDA/01	Flat	Bida	30.30	42.86
CB/BD/06	RSV/BDA/01	Bungalow	Bida	35	42.73
CB/KT/07	RSV/MNA/02	Bungalow	K/gora	32	39.02

Table 6 presents further analysis of Table 4 in order to determine the MSM percentage for the four cities under consideration. Results of the analysis on Table 6 showed that the percentages of liquidation value to market value in Minna, Suleja, Bida and Kontagora were 55.28, 57.05, 42.80 and 39.02 respectively. The MSM percentage for each city was obtained by computing its mean %AP of Contp. MV. The percentage of liquidation value in relation to market value in the study area could be generally defined by the following MSM equation which was derived from Table 6:

$$P = \frac{\sum a}{m} \quad N$$

Where P= percentage figure; a= auction sale price; m= properly assessed market value and N=number of sales transactions

The results of the analysis further revealed that where the property market was not active in terms of frequent sales of foreclosed collaterals as it was in case with Kontagora, the MSM equation might be misleading to the lender in the event the market later becomes active.

Summary of Major Findings

The summary of major findings in this study arranged in accordance with its objectives indicated that 10 No ESV firms representing 76.92% and 1 No ESV firm representing 7.69% of the respondents selected the conventional TTMV model and MSM of determining liquidation value respectively. Twenty one (21) real estate collaterals representing 65.62% of the collaterals surveyed had their liquidation values assessed on the basis of TTMV model while the liquidation values of the remaining eleven (11) collaterals (signifying 34.28% of the total) were assessed on the basis of unverifiable models. It was also discovered that TTMV could not be a suitable model for the assessment of the proxy for auction price in the study area.

contemporaneous valuation in Minna, Suleja, Bida and Kontagora indicated aggregates of 55.33%, 57%, 42.86% and 39.02% of market values respectively. These percentages proved to be closer to those of auction sale prices of collaterals foreclosed in the recent past in the state.

Conclusion and Recommendations

The study reviewed the use of the TTMV model of assessing LV of real estate collaterals during valuation for secured lending in Niger State. It discovered that TTMV model was the most popular model for assessing liquidation values of collaterals amongst estate surveyors and valuers in the state. The study considered MSM of liquidation valuation popularized by Rice (2006) to assess the liquidation values of some foreclosed real estate collaterals in the state. It discovered that the LV of such real estate assets could be proxies, surrogates and replacement values

Table 6: Determination of Appropriate MSM Percentage

Bank ID	ID of ESV	Property	C/MVN '000	Auction Price (AP)N '000	% AP of C/MV	MSM %
CB/MN/01	RSV/MNA/01	Block of Flats, Minna	25,000	15,000	60	
CB/MN/01	RSV/MNA/02	Tenement, Minna	4,000	2,000	50	
CB/MN/02	RSV/MNA/04	Flat, Minna	4,500	2,600	57.77	
CB/MN/02	RSV/MNA/07	Bungalow, Minna	15,000	9,000	60	
CB/MN/03	RSV/MNA/09	Flat, Minna	4,500	2,200	48.88	55.28
CB/MN/03	RSV/MNA/04	Flat, Minna	5,000	2,750	55	
CB/SL/04	RSV/SUL/02	Flat, Suleja	5,000	3,000	60	
CB/SL/05	RSV/SUL/03	Bungalow, Suleja	12,500	6,750	54	57.05
CB/SL/05	RSV/SUL/03	Tenement, Suleja	7,000	4,000	57.14	
CB/BD/06	RSV/BDA/01	Flat, Bida	3,500	1,500	42.86	42.80
CB/BD/06	RSV/BDA/01	Bungalow, Bida		2,350	42.73	
CB/KT/07	RSV/MNA/02	Flat, Kontagora	8,200	3,200	39.02	39.02

Similarly, the use of MSM was yet to be recognized as a model for assessing liquidation value of collaterals in the study area. Liquidation values of collaterals assessed by the use of MSM in a

for their auction prices during foreclosure since they were at close range to ones indicated by the proportion of auction prices to MVs of collaterals assessed by ESVs in the study area.

The study is concluded with the recommendation that MSM percentage of market value should form the basis of the determining liquidation values of real estate collaterals where the property market is active in the state. Similarly, NIESV and the Estate Surveyors and Valuers Registration Board of Nigeria (ESVARBON) should replace forced sale value with liquidation value as canvassed by IVSC (2011) and other international valuation standards organizations in their valuation templates. Since valuation users now demand for the inclusion of rental value in valuation reports for secured lending, NIESV and ESVARBON should include it in their standards. Academics in Estate Management and Valuation are also advised to carry out similar studies in other states of Nigeria in order to explore the possibility of building more valuation models that would reduce lenders' losses whenever real estate collaterals are foreclosed in Nigeria.

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