

Comparative Analysis of Rental Values of Residential Properties in Selected Neighbourhoods in Awka (2011-2020)

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Abstract

Rental value is the fair market value of a property rented out in a lease or tenancy contract. The rental value of a property type could vary from one location to another due to certain economic and non-economic factors. The aim of this study is to analyse the rental values of residential properties in selected neighbourhoods (GRA, Ngozika estate, Udoka estate, Ifite-Awka) in Awkaso as to identify the variations in them vis-à-vis the neighbourhoods characteristics within the period 2011 to 2020. The research methodology adopted was survey research. Respondents in the study comprise Estate Surveyors and Valuers practicing in Awka for the past ten years. Data collected were presented and analysed with tables, charts and Two Way ANOVA. Time series graph was used to present the trends of rental values of the 3-bedroom flat accommodations from 2011 to 2020. The study discovered that there are variations in the rental values of three bedroom flat among the neighbourhoods with Ngozika Estate having the highest rental value and Ifite-Awka having the lowest. It concluded that these variations are as a result of certain economic and non-economic characteristics of the neighbourhoods.

Keywords: Rental Value, Residential Properties, Neighbourhoods, Variations.

1.0 Introduction

Housing is one of the most basic human needs. It has a profound impact on the health, welfare, and productivity of an individual (Ajiwolo & Olujimi, 2010). According to Maslow's hierarchy of needs, it is only after we satisfy the basic needs (health, clothing and shelter) that we worry about social needs. Residential land use, among the various competing urban land uses, is the highest consumer of land in urban areas (Olayiwola, Adeleye, & Oduwaye, 2005). Further, Cruz (2008) stated that as the population and urbanization increase, demands for housing for both owner-occupancy and rental also increase. House renting is a crucial phenomenon in any economy.

Housing is a booming industry and it is of vital importance (Ariyawansa, 2007). The rental housing market is characterized as imperfect and inefficient, because the product is long-lasting, fixed on a given site, heterogeneous, and controlled by extensive government regulations. Since each rental housing market is confined to a given area, characteristics of a market in one area are not necessarily an accurate representation of other markets. There are factors that influence market rents of residential properties. These factors range from physical attributes to services and property management characteristics

(Nishani, 2016). Kim and Nelson (1995) put forward a model for determination of rental value of residential properties. According to them: $RENT = F(BC, LC, TC, NC)$. Where BC= building characteristics, LC= Landlord characteristics, TC = Tenant characteristics, NC= Neighbourhood Characteristics. Since housing units are fixed in location, they differ in terms of their surroundings, the kind of neighbourhood in which they are located, and their nearness to employment and shopping places. Locational area also means that a dwelling's surrounding is possibly of great importance in affecting its value (Aluko, 2011).

This study Therefore, analysed the rental values of three bedroom residential property in the Ngozika Estate, GRA, Udoka Estate and Ifite-Awka neighbourhood. These neighbourhoods are predominantly residential in terms of use. There are apparent variations in the rental values of the residential properties in the selected neighbourhoods and our concern here is to ascertain if the variations are statistically significant. In order to achieve the objective, the study used three bedroom flats of similar design and physical features in all the four selected neighbourhoods.

2.0 Literature Review

2.1 Concept of Property

Property can be seen as something tangible or intangible thing to which its owner has a legal title (Encarta, 2007). The word 'property' was coined from the Latin word 'proprius' meaning something personal and during the medieval times the feudal lords were the only one, allowed to acquire property which comes in form of land and human servants. These human servants are often referred to as commoners.

But as time went on the commoners began to acquire some property from the feudal lords in form of payments for the services they rendered to the feudal lords (Kevin and Sussan 1998). In this line, Selim (2008) defined property as any reward gotten from rendering or delivering service which the receiver can lay claim to.

This definition of property recognized property as been an intangible element, something of no definite description in the sense that even a chair or pencil can be regarded as a property as long as the owner can lay claim to it. However, as time went on some other writers like Oni (2009) defined property as any physical or intangible entity that is owned by a person or jointly by a group of people or a legal entity like a corporation.

Igbiosa (2011), opines that property is used to describe particular concentration of power over things and resources. Narang (2007), defined property as the ability an individual or group of persons have to express power or authority over a substance, thing or substance based on its relationship with the substance and depending on the nature of the property, an owner of property has the right to consume, sell, rent, mortgage, transfer, exchange or destroy it, or to exclude

others from doing these things. These definitions also like Selim (2008), further explains the importance of control over a property and without control no one can be seen as the owner of a property. However other authors have viewed the word 'property' from another angle some see it as a means to generate income for the owner. This opinion was shared by Smersh, Smith and Schwartz (2002), when they described residential property as a source of generating income to its owner and the ability of such owner to exclude others from doing so. (Egbenta, 2009) sees property as social tool, especially landed property as it helps to define the social relations of man in his community which can be seen in most sub-Sahara African countries, where land defines the social, economic and political relations of man in his society, especially in urban areas. For the purpose of this work property can be defined as any tangible or intangible thing or substance over which ownership rights can be exercised based on its relationship with the thing or substance and the owner can exclude others from using such rights.

2.2 Types of Real Property

Barlowe (1965), classified property based on the form in which the property is been used. Generally, the value of a property is determined by the type of such property. This includes:

i. Residential Properties:

These are highly needed by mankind; hence command high demand when the location is good. These are properties that are occupied in order to provide shelter for the occupants and serves as a habitation for them (Aina and Somefun 2007).

Examples of residential properties are bungalow, duplex, semi-detached, storey-building, self-contained, bed-room flat be it 1, 2, 3 and so on.

ii. Commercial Properties:

This also referred to as investment or income property are properties intended to generate profit for the owner either from capital gain or rental income they can also be described as properties that are used solely for business purpose, for example; hotels, office buildings, shops, shopping malls etc.

iii. Industrial Properties:

These are properties used exclusively for industrial purpose examples include factory-office multiuse property, warehouse, manufacturing buildings and development parks. Factories and Warehouses are collectively referred to as industrial properties. It is divided into three main types.

- a) Factories purposely built for special industrial purposes.
- b) Modern multi-purpose buildings easily adaptable for most light industrial purposes on warehousing.

c) Multi-Storey factories and warehouse.

iv. **Special Properties:**

As the name implies this are property specifically designed and improved for a specific purpose, they hardly change hand in the market. These are the properties which are not liable to pay property tax but pay other dues. These include police station, cemetery, public libraries, filling stations, public houses and other place of entertainment.

v. **Agricultural Properties:**

These are land zoned for agricultural or farming activities regardless of the physical type or quality of land in some areas. It also includes agricultural land or pasture which includes woodlands and any building used in connection with the intensive rearing of livestock or fish as well as farm buildings and farm house together with the land occupied by them. Agricultural property can be divided into arable land, permanent crops and permanent pastures.

vi. **Recreational Properties:**

These are properties used for refreshment of health's or spirits by relaxation and enjoyment. Examples include sport fields, gymnasiums, playgrounds, public parks and swimming pools.

vii. **Institutional Properties:**

These are properties used for educational purposes examples include schools and universities.

2.3 Concept of Value

Value is the power of a commodity to command other commodities in exchange between a willing buyer and willing seller. There are various kinds of values, they include: aesthetic values, sentimental value, political value, probate value, physical and social values, rental values, capital values etc. The value of a commodity may be determined by the use to which it is put and varies with the profitability of its present or anticipated use.

International Valuation Standard Council (IVSC) (2003), defined value as the estimated amount for which an asset should exchange on the date of appraisal between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.. From the above definition value can be seen as the worth of a property or assets on the date of transaction between a willing buyer and seller at a given time.

There are four interdependent economic factors that create value: utility, scarcity, desire and effective purchasing power. Utility is the ability of a product to satisfy a human want, need, or desire. Scarcity is the present undersupply of an item relative to the demand for it. Desire is a purchaser's wish for an item to satisfy human needs. In the case of effective

purchasing power, it is the ability of an individual or group to participate in a market, i.e. to acquire goods and services. However, in relation to property and real estate, it is called 'Market Value'. Market value of a property is a function of the factors of demand and supply. market value is defined as the highest price in terms of money which a particular property will fetch in the open market under a free market condition (Nelson, 1999).

Market Value is the best price a property may be sold by mutual agreement at the date of valuation. Values of properties are seldom constant for a long time, they fluctuate with changing situation of demand and supply.

According to Oyebanji (2003), a number of factors affect property values in Nigeria. These include population change, change in fashion and taste, institutional factors (culture, religious belief, and legislation), economic factors, location, transportation and planning control. He stated further that good spread of road network has tendency to increase accessibility with certain areas becoming less accessible as a result of traffic congestion thereby causing value to shift to areas that are accessible.

3.0 Research Methodology

Survey research method was adopted as the research design for this study. A survey research is a process whereby a group of people or items are studied by collecting and analyzing data from only a few people or items considered representative of the entire group (Nworgu, 2006). The population of study includes Estate Surveyors and Valuers who had practiced in Awka for the past 10 years and Residents of the selected neighbourhoods who had lived in the neighbourhood for the past 10 years. Two-way Analysis of Variance was used in testing the hypothesis. In two-way analysis of variance (ANOVA), $p \leq 0.05$ indicates there is a significant variation among the mean scores on the dependent variable (Pallant, 2011).

4.0 Data Presentation and Analysis.

A total of thirty five copies of questionnaire were distributed to Estate Surveyors and valuers who had practised in Awka for the past ten years of which 25 copies were returned.

The distribution and return rate of these questionnaires are shown in Table 1.

4.1. The Rental Value of Residential Properties in the Selected Neighbourhoods from 2011 to 2020.

Table 1. present the average rental value of 3bedroom flat in GRA, Ngozika Estate, Udoka Estate and Ifite –Awka as obtained from practicing Estate Surveyors and Valuers in the study area.

Table 1.The Average Rental Values for 3 Bedroom Flat Among the Selected Neighbourhoods Between 2011-2020

Year	Ngozika Estate (000)	Udoka Estate (000)	Ifite-Awka (000)	GRA (000)
2011-2013	550	500	350	450
2014-2016	650	600	350	500
2017-2020	700	700	450	750

From table 1 in 2011-2013 3bedroom flat in Ngozika estate was #550,000, in Udoka Estate it was #500,000, in Ifite-Awka it was #350,000 and in GRA it was #450,000. From 2014 to 2016 in Ngozika estate it was #650,000 in Udoka estate it was #600,000 , Ifite-Awka it was #350,000 and in GRA it was #500,000. From 2017 to 2020 in Ngozika Estate it was #700,000 in Udoka Estate it was #700,000 in Ifite-Awka it was #450,000 and in GRA it was #750,000

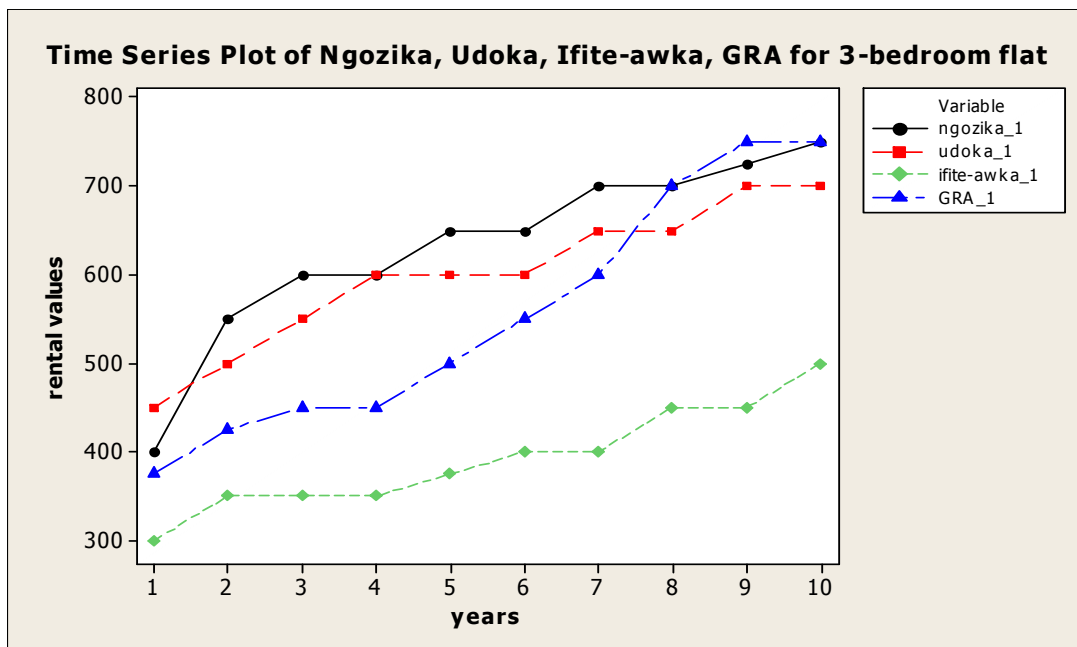


Fig 1: Time series plot of rental values of 3 bedroom flat among the selected neighbourhoods from 2011-2020.

4.2 Test of Hypotheses

H₀₁: There is no significant variation in the rental values of residential properties from 2011 to 2020 among the selected neighbourhoods in Awka (Ngozika estate, Udoka estate, Ifite-Awka and GRA)

The data in table 4.3 was used to test hypothesis two using two-way analysis of variance (Two-way ANOVA)

The two-way ANOVA was carried out to test the variation between the mean rental values of residential properties among the selected neighbourhoods from 2011-2020. A two-way anova was done for each of the properties to determine whether there is a significant variation between the rental values of residential properties among the selected neighbourhoods at different years interval.

Table 2. Descriptive Statistics: Three Bedroom Flat

Variable	Mean	SE Mean	Standard Deviation	Variance	Minimum	Median	maximum
Value	545.8	39.1	135.6	18390.2	350.0	525.0	750.0

Table 3. Two-way ANOVA for Three Bedroom Flat

Source	DF	SS	MS	F	P
Year	2	72917	36458.3	12.80	0.007
Neighbourhood	3	112292	37430.6	13.15	0.005
Error	6	17083	2847.2		
Total	11	202292			

The analysis in table 2 and 3 was conducted to determine if the values of three bedroom flat varies for the selected neighbourhoods in different years.

The null hypothesis states that there is no significant variation between the mean value of 3 bedroom flat in Ngozika estate, Udoka estate, Ifite-Awka and GRA. From the ANOVA result obtained above, we reject the null hypothesis because the p-value (0.005) is less than 0.05 and we conclude that there is a statistically significant different between the value of 3 bedroom flat among the selected estates. Also the p-value for the different years is 0.007 which is also less than 0.05. This means that the rental values of 3 bedrooms flat varies among the years.

5.0 Findings and Conclusion

5.1 Findings

The study discovered that the rental value of three bedroom flat varies among all the neighbourhoods (GRA, Ngozika Estate, Udoka Estate, Ifite-Awka). This is evidenced in the analysis carried out in Table 3 where we rejected the null hypothesis that states that there is no significant variation between the rental value of three bedroom flat among the neighbourhoods. The study rejected the null hypothesis because the p-value of the ANOVA test conducted which is 0.005 is

less than 0.05. the study therefore, accepted the alternative which states that there is significant variation between the rental values of three bedroom flat among the selected neighbourhoods.

From the time series plot of 2011 to 2020 in figures 1 it can be seen that the rental values of residential property increases as the year increases. The time series plot displays that Ngozika estate, Udoka estate and GRA have almost the same trend which is the highest. The trend for ifite-awka is lower than other estates. This means that three bedroom flat is more expensive in Ngozika estate followed by Udoka estate, GRA and ifite-awka with the least rental value.

The variation in the rental values of the residential properties in the selected neighbourhoods could be attributed to neighborhood characteristics and other economic factors which affects the rental value of residential property in Awka. The study has been able to establish that the rental values of residential property in Awka varies by location or neighbourhood.

5.2 Conclusion

The study has been able analyse the rental values of three bedroom flat from 2011 to 2020 and concludes that there is variation in the rental value of the residential property (three bedroom flat) among the selected residential neighbourhoods in the study area. This could be as a result of certain economic and non-economic characteristics of the neighbourhoods.

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