An Evaluation of the Determinants Causing Variation in Residential Property Rental Values in Minna, Niger State, Nigeria.

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Abstract

It has been observed that various authors and scholars agreed that variation exists in residential property rental values of similar residential properties across neighbourhoods within a geographical area. This research therefore examined various determinants causing variation in residential property rental values in Minna Niger State, Nigeria. The population for the study comprised residential property tenants who are the household heads occupying the residential properties in Minna as well as registered Estate Surveyors and Valuers firms in Minna Niger state. Geometric mean was used to obtain the rental growth rate for the period of study for two bedroom and three bedroom flats. , Relative importance index (RII), Simple Descriptive Statistics were adopted in achieving the set objective Analysis of Variance was used to determine the variation in rental values and the Relative Importance Index to rank the factors causing variation across the various neighbourhoods of the study area. The study revealed several factors responsible for variation and also revealed the dominant factors causing variation in each neighbourhood of the study area which include condition of the building, size of the building, number of bedrooms, number of toilets and bathrooms, quality of the neighbourhoods, direct access to tarred road and presence of tertiary institution, banks and public. Findings from contemporary empirical studies also revealed that rental growth factors vary in different perspectives ranging from physical, structural, and neighbouring facilities in particular areas and units from locality to locality. The study recommended sustainable measures to be adopted to increase awareness of the determinants and improve property investment.

Keywords: Determinants, Neighbourhood, Property, and Residential, Variation, and Values

1. Introduction

Residential dwelling symbolizes one of the most basic needs of human beings and it has a profound impact on the health, welfare, and productivity of individuals (Julius, 2010). More so, not only a house is an essential need of human beings but it is also an object of investment as well as a means of storing wealth.

This has resulted in people buying houses and those who cannot afford to buy do rent to satisfy their needs hence, the creation of the residential property market. Unlike every other commodity market, the property

market is not centralized as the market for a particular property is located where the property is situated. As a result of the lack of a centralized market for real properties, property values usually vary irrespective of the similarity level of such properties (Udoekanem, 2015).

The rate of variation in residential property rental values in Minna is visible which may be due to so many reasons and many more determinants that this study will assess. Using Minna, Niger State as a case study will, therefore, reveal or help to establish the relationship between property values and the determinants that result in variation of rental values in Minna and its environs.

Referring further to Minna, the residential property market is rapidly growing and this is not far-fetched from the fact that the population of the city is growing by the day as a result of many factors which may include among others the situation of tertiary institutions (Federal University of Technology Minna both Bosso and Gidan kwanu campuses, College of Education Minna, School of Midwifery Minna, New Gate University Minna); branches of top commercial banks; and being close to the Federal Capital Territory. Residential property rental values vary within and across the various neighbourhoods of the Minna metropolis. A typical example of the variation in residential property rental value in Minna can be observed in properties located within the neighbourhood of the various tertiary institutions in the city.

Against this background, the researcher examines the various determinants responsible for variation in residential property rental values in Minna.

2.0 The Study Area

Minna lies at latitude 9º 33' N and 9º 45'N and longitude 6º 34′ E and 6º 42'E. The town has a mean annual rainfall of 1334mm (52 inches) taken from an exceptionally long record of 54 years. Minna is a town of migrants. Nine in ten of the household heads in the town have migrated to the town from elsewhere. Work is the main attraction. Without the migrant population, the skilled services and trades, for instance, would not be able to function (DAP Niger State, 2007).

2.1 Population

The 2006 census states that the population is 3,954,772, comprising 2,004,350 males and 1,950,422 females. These represent the proportional share of 51.5% for males and 48.5% for females. As opposed to a national annual growth rate of 3.2%, Niger State is growing at 3.4% annually and is a peaceful State reputable for its hospitality and good neighbourliness.
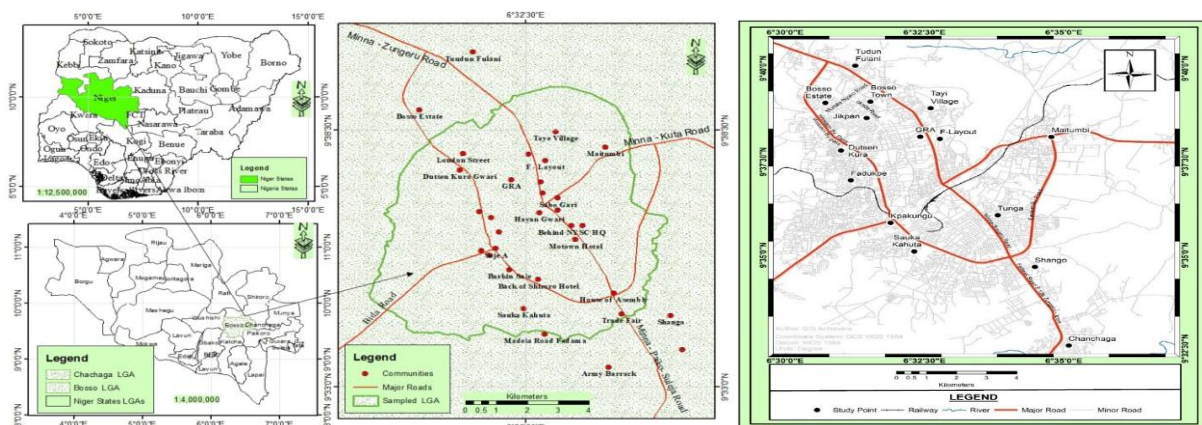
Figure 1: Nigeria Showing Niger State, Minna and the Residential Neighbourhoods.

3.0 Conceptual Framework

In the past, real estate was perceived as a legacy a parent bequeaths to their children. However, with the understanding that real estate investment is characterized by capital appreciation and boasts a good hedge against inflation, the real estate market is becoming more popular and important (Igbinosa, 2011). More so, the residential property market represents one of the most important sub-sectors of the real estate industry (Anthony, 2012). The demand for residential accommodation is on the increase as a result of the ever-growing human population. This increase has caused rental growth and variation over the years and has ultimately led to the enticing nature of residential Property investment and the consequent attraction of investors, public and private, to residential property investment (Olalere, 2016).

However, rent determination in Nigeria has often been left basically to the choice of the owner who fixes rent based on his estimation of what his house should command as per rental value (Kemiki et al., 2014).

4.0 Materials and Methods

This study utilized both primary and secondary sources of data. The primary data comprise rental data of residential properties in the study area across the neighbourhoods. These include annual data on rental trends for residential properties under study for 2013-2023 and their specific characteristics, the rental growth rate, and factors that cause variations in rental values.

4.1 Population and Sample Frame for the Study

The target population for this study consists of residential properties in the Minna metropolis that are strictly for investment and can generate income for the property owner in the form of rent and are said to have income-earning potential or rent, tenants of residential properties and all firms of registered Estate Surveyors and Valuers in Minna, Niger State that manages residential properties. The number of registered Estate Surveyors and Valuers firms was obtained from the directory of Estate Surveyors and Valuers Registration Board of Nigeria (ESVABON) register.

4.2 Sampling Technique and Sample Size

Primary data for the study were collected through field surveys. These stages included the selection of Estate Surveying and Valuation firms involved in the management of residential properties and the selection of tenants of residential property types such as two-bedroom and three-bedroom flats for data collection. The number of registered firms of Estate Surveyors and Valuers in Minna is 12, the figure was obtained through the information provided in the current Directory of the Nigerian institution of Estate Surveyors and Valuers. Thus, all the 12 registered firms of Estate Surveyors and Valuers involved in residential property management were selected for data collection. In selecting residential properties used for this study, the study area was delineated into sections. These sections were identified as two-bedroom and three-bedroom flats for rental purposes. A total of fifteen neighbourhoods were selected which constitutes the neighbourhood with high demand for two and three bedrooms. Thus, a total of 250 residential properties across the 15 neighbourhoods in Minna were selected for the study.

5.0 Results and Discussion

PHYSICAL/STRUCTURAL FACTORS AFFECTING RENTAL VALUE

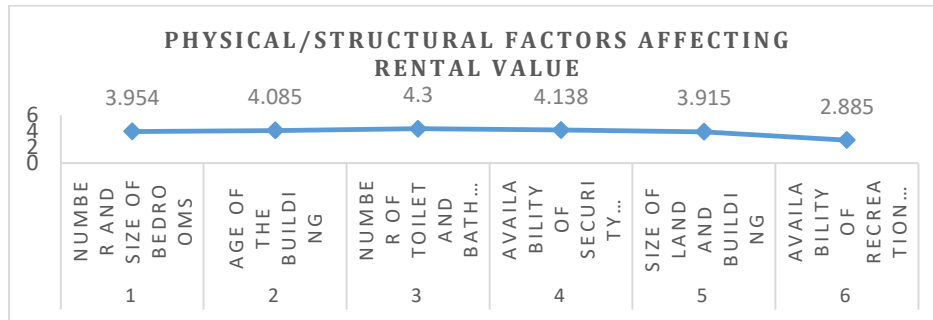|					
3.954	4.085	4.3	4.138	3.915	2.885
NUMBER AND SIZE OF BEDROOMS	AGE OF THE BUILDING	NUMBER OF TOILET AND BATH…	AVAILABILITY OF SECURITY…	SIZE OF LAND AND BUILDING	AVAILABILITY OF RECREATION…
1	2	3	4	5	6

Figure 2: Physical/ Structural Factors Responsible for Rental Variation

Analysis of physical/structural factors affecting residential property rental values showed that the number of toilets and bathrooms indicated by a relative importance index of 4.300 on the RII scale is the most important factor affecting value. This is closely followed by the Age of the Building an RII of 4.085 as well as the size of land and building with a RII of 3.954. Moreover, the availability of security personnel and recreational facilities has the minimum RII of 3.915 and 2.885 respectively meaning they have less influence on residential property value in the study area.
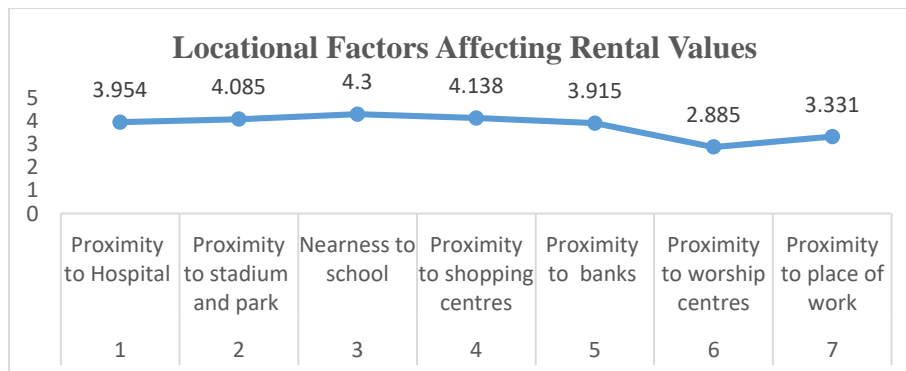

Locational Factors Affecting Rental Values

3.954	4.085	4.3	4.138	3.915	2.885	3.331
Proximity to Hospital	Proximity to stadium and park	Nearness to school	Proximity to shopping centres	Proximity to banks	Proximity to worship centres	Proximity to place of work
1	2	3	4	5	6	7

Figure 3: Locational Factors Responsible for Rental Variation

The analysis showed that proximity or nearness to school whether tertiary or secondary ranked highest among the listed locational factors affecting property value. This is closely followed by nearness to shopping centres and markets while nearness to the banks raked lowest on the relative importance index scale. It would be noted that nearness to the place of work is ranked higher in the RII scale than nearness to worship centres and this is because there are a lot of civil servants within or around the study area that reside in the neighbourhood.
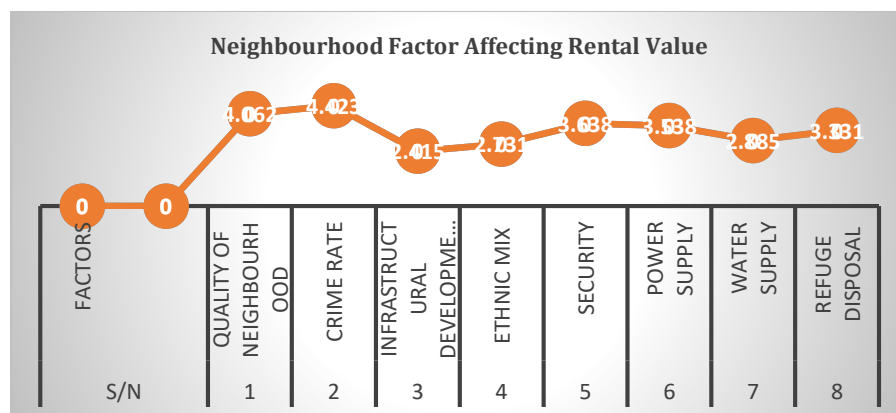
Figure 4: Neighbourhood Factors Responsible for Rental Variation

Analysis of responses about neighbourhood factors affecting residential property value revealed that the crime rate with an RII of 4.423 is the most important neighbourhood factor influencing property values followed by the quality of the neighbourhood (Estate plan and quality designs) with an RII of 4.062. Ethnic mix and owners/renters mix, infrastructural development are of less influence on property values when compared to others in this category. Most residents of the Estate are attracted to the security of the area not only because of the level of infrastructure development with RII of 2.415 such as road and drainages as well as good estate plans and quality designs.

Table 1: Dominant Factors Influencing Rental Variation in the Study Area

S/N	Name of Neighbourhood	Factors Influencing property values in the study area
1	Tudun-Fulani	Number of toilets and bathrooms, number of bedrooms, condition of the building, direct access to tarred road, quality of neighbourhood and size of the building.
2	Bosso Town	Presence of tertiary institutions, banks, public offices, etc., condition of the building, and size of the building
3	Bosso Estate	Quality of neighbourhood, number of bedrooms, and size of the building
4	Jikpan	Presence of tertiary institutions, banks, public offices, etc., condition of the building and number of bedrooms.
5	GRA	Direct access to tarred road, number of bedrooms and size of the building.
6	F-layout	Direct access to tarred road, size of the building, and quality of neighbourhood.
7	Dutsen Kura	Number of bedrooms, condition of the building and number of toilets and bathrooms.
8	Fadikpe	Number of bedrooms, condition of the building and number of toilets and bathrooms.
9	Maitumbi	Condition of the building, size of the building and direct access to tarred road.
10	Tayi village	Quality of neighbourhood, direct access to tarred road, stable electricity supply, and presence of tertiary institutions, banks, public offices, etc.
11	Kpakungu	Number of bedrooms, number of toilets and bathrooms and condition of the building.
12	Sauka-kahuta	Condition of the building, number of bedrooms and size of the building.

13	Tunga	Quality of neighbourhood, condition of the building and number of bedrooms.
14	Shango	Number of bedrooms, condition of the building, adequate water supply, number of toilets and bedrooms and size of the building.
15	Chanchaga	Adequate water supply, quality of neighbourhood and condition of the building.

Table 1 indicates the dominant factors common to all the fifteen(15) locations studied, and these factors are; the number of bedrooms, number of toilets and bathrooms, size of the buildings, condition of the buildings, quality of neighbourhood and direct access to tarred roads were found to be ranked uppermost while other factors such as proximity to recreational facilities, availability of day and night watch security, stable electricity among others played a significant role in the choice of residential accommodation but not as much as the other factors identified as the uppermost.

5.0 Conclusion

In conclusion, the research indicates that there is variation in residential property rental values in Minna, Nigeria. These variations are attributed primarily to factors that determine residential property rental values of which the condition of the building, size of the building, number of bedrooms, number of toilets and bathrooms, quality of the neighbourhood, presence of tertiary institutions, banks and public offices proved to be the dominants factors. The study also indicates that the various factors relating to the physical, location and neighbourhood characteristics of residential property which determine the rental values of residential property influence tenants' choice of accommodation in the various neighbourhoods across the study area and consequently determine variation in residential property rental values in the study area.

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