

CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Shelter is a basic necessity in life. An individual can satisfy this need by either occupying his own (owner's occupier) property or renting another person's property. In our traditional society, the need for shelter is mainly met through the first alternative that is owner occupation. With the emergency of urban centers', the situation has changed. Many people are no longer about to own property because of the difficulty in the acquisition of land and the high cost of building construction. Therefore, they are left with the alternative of renting other people's properties in order to satisfy their need for shelter. Consequently two classes of urban resident have emerged, the landlord and the tenant under this arrangement the tenant pays to the landlord a certain amount of money in consideration for his use of the landlord's house. This amount is popularly known as rent.

During the civil war the Nigeria that is 1966 to 1970 many landed properties in the urban areas of the former Eastern Region of Nigeria, including Enugu, were destroyed. Consequently, there was a sharp decline in the supply of landed properties after the war. Furthermore, the post – civil war period witnessed an unprecedented number of the rural population trooping into the urban centres due to the conspicuous prosperity brought about in the urban area by the oil boom. This

resulted to high demand for the existing limited supply of landed properties. Consequent upon these, rent for landed properties increased considerably.

This trend has continued with the effect that “the average worker is paying 30% to 40% of his salary as rent” (Oshadiya, 1985). Thus the increase in rents on the properties has led to the variation of rent on properties.

In urban area due to location advantage (for example prime location) which some properties offer above others for commercial and residential uses, rent tend to vary on account of the type of use which a property can offer.

1.2 STATEMENT OF PROBLEM

Location of economic properties has been a difficult concept to understand. Although the primary objective of commercial properties is the derivation of financial gains, while that of residential properties is for habitation, shelter and comfort, the demand for land is a reflection of the profitability or utility derivable from its use. The greater the benefit to be obtained from a particular use, the higher the rent that the user will be willing to pay for it.

There appear to be wide ranging differences in the levels of rent passing on residential and commercial properties in Enugu and Nigeria generally.

This research is seeking among other things to find out the causes of rental variation in commercial and residential properties in Nigeria, Ogui New Layout and G.R.A as a case study.

1.3 AIM AND OBJECTIVES OF THE STUDY

The main aim of this research is to examine the reasons for rental variation in commercial and residential properties with a view to provide tool to be used in catching issues related to rent on these properties in Enugu and Nigeria generally.

To achieve the standard goal, the following objectives are to be pursued;

- i) To identify the level of rents for commercial and residential properties in the study area.
- ii) To ascertain and examine the factors influencing the rents being commanded by these properties.
- iii) To determine or examine whether the income of prospective buyers/tenants affect their decision to acquire properties.
- iv) To ascertain if there is disparity in rental values for residential and commercial properties in the study area.
- v) To find out the rate of demand between commercial and residential properties?

1.4 RESEARCH QUESTIONS

- i. What is the level of rent for commercial and residential properties in Ogui New Layout and G.R.A respectively between years 2002-2004?
- ii. What are the factors influencing rents passing on those commercial and residential properties.
- iii. Does the income of prospective buyers/tenants affect their decision to acquire properties?
- iv. Is there any disparity in the rental value or rent passing on residential and commercial properties in the study area?
- v. Amongst properties put for Commercial and Residential use, which is on a higher rate of demand?

1.5 SIGNIFICANCE OF THE STUDY

The finding of this study will be of benefit to the following groups;

Firstly, tenants who are charged rents based on different reasons, especially when the properties are of the same nature (physically). This will again enable the investors not only to understand how occupier thinks, but also why and the things they consider before acquiring properties for certain uses.

Secondly, the generality of the public can now understand the reason why the rents being commanded by these properties have to differ.

Lastly, this research work will help to determine the factors influencing, commercial and residential properties which is an essential pre-requisite to successful development as well as stimulating interest in the students to carryout out further research on the topic.

1.6 SCOPE OF THE STUDY

The study covers a period of three years (2002 to 2004) and it is restricted to selected properties (Residential and commercial) comprising blocks of flat and tenements in Ogui New Layout and G.R.A, Enugu.

1.7 LIMITATIONS OF THE STUDY

Expectedly, this work met with some hindrances during the stage of data collection. The issue of rent passing on a property (residential or commercial) is usually regarded as classified information, which is not easily disclosed to people particularly researchers. This was largely suspected to be the reason why some Estate surveyors, property owners, tenants, Estate firms, property companies and even Estate agents who were approached through oral interviews, discussions and visitations found it rather difficult to reveal essential information despite every explanation that the exercise is strictly for academic purposes, a good number of them, still nursed the fear that it may be for property rating and taxation purposes.

There was also the problem of logistics occasioned by the society. The researcher worked with a very light budget throughout the period of study as the frequent and repeated visits to relevant persons and offices entailed quite some money. Moreover, also recall that some of the interview respondents were not co-operative as they kept on playing to the gallery as a means of avoiding supplying the required information. On a general note however, the researcher ensured that these bottle – necks never affected the findings of this study since the success far outweighed the hindrances as enumerated.

1.8 OVERVIEW OF STUDY

Chapter one treats the introduction of the project work. Chapter two deals with literature review, chapter three treats the research methodology, chapter four is on data presentation, analysis and interpretation and chapter five deals with findings recommendation and conclusion.

1.9 DEFINITION OF RELEVANT TERMS

RENT: The universal dictionary of the English language (1971) defined rent as the regular payment made for the use of land or buildings that belongs to someone else. The Economist defined rent as “the revenue from land resources that is equal

to the value of its marginal services rendered in a productive process” (Richfield, 1974).

In summary therefore, the word rent is that fixed periodic payment made by a tenant to his landlord for the exclusive possession and use of leased property.

PROPERTIES: According to the High Court, the Court of Appeal and the Supreme Court, property is the right to possession, enjoyment and disposition of all rights and things subject to ownership.

Property is therefore a legal right expressing the relationship between a person, the owner and his possession of the thing owned.

A RESIDENTIAL PROPERTY: according to Kilpatrick (1999) is a land use in which housing predominates, as opposed to industrial and commercial areas. Housing may vary significantly between, and through, residential areas. These include single-family housing, multi-family residential, or mobile homes.

COMMERCIAL PROPERTY: According to Malys (2012), this refers to buildings or land intended to generate a profit, either from capital gain or rental income. It includes office buildings, industrial property, medical centers, hotels, malls, retail stores, farm land, multifamily housing buildings, warehouses, and garages. In many states, residential property containing more than a certain number of units qualifies as commercial property for borrowing and tax purposes.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 CONCEPTS OF PROPERTY

2.1.1 LEGAL MEANING AND CLASSIFICATION OF PROPERTY

Property is the subject matter of valuation. Like value, it is a word of common usage, but unlike value, property, has a precise legal meaning. Both the exact meaning of property and its nature have strong bearing on valuation. What thesis meant by the word property?

In popular imagination and common usage, property suggests possession, or better still, the belongings of a person which he can deal with as he likes. This accord with the Latin derivation of property, “properties”, “proritus”, meaning, one’s own, (Ajayi, 1998). In law property is defined as the highest right a man can have to anything, being that highest right a man can have to anything, being that right while, one has to lands or tenements, goods or chattels which does not depend on anthers courtesy. (Hill, 1961)

Property in law has three different connotations:

a) **The Right of Ownership:** Where a man lends his goods to a friend, the property is still the man’s own. While the goods are with the friend, the property in the goods remains in the lender. We thus speak of property in land, which is in the

possession of another. This includes right to use, right to alienate, right to assimilation, right to succession, right to claim to title.

b) The Objective of Ownership: It may be said that certain goods are the property of a certain man or speaking of land, that the property of one man adjoins the property of another, or that the property may consist either of immovable things, such as Land or of movable things as coined money.

c) Valuable Things: Such as assets or things which can be owned and which can be turned into money or assessed at a money value. In other words, rights and assets, which may be exchanged for the ownership of money, are valuable and therefore property. It is in the last sense that the word property seems to be used when a man speaks of all his property, or of his real as opposed to his personal property.

2.1.2 MEANING OF PROPERTY FOR APPRAISAL

Appraisal usage perceives property as importing into itself all these ingredients, both in law and common usage, namely tangible, intangible and Rights, ownership, monetary value and legal assertion.

We can thus define property for valuation purposes:

“Corporeal and incorporeal, tangible and intangible things, capable of pecuniary and legal assertion, over which ownership gives control” (Ifediora

1995). The meaning of the word property, when used in connection with value and valuation, is closely associated with the idea of ownership. In fact, a “valuation” can be defined as the determination of the monetary value at some specific date, of the property right encompassed in the ownership. (Ifediora,1993) These right are the exclusive rights to possess, to enjoy, and (in some case) to dispose of a thing owned. Property rights devolve on the legal concept of ownership. In general, the rights of ownership are rights which are defined and protected by law. It is the exercise of rights of ownership that animals, property to attain its value potential or usefulness (utility).

Property rights may vary widely depending on various factors. However, under most conditions, the three most significant ones are,

- i) The use and enjoyment of the income and benefit
- ii) The use and enjoyment of the property
- iii) The right to alienate, dispose of, transfer and other wise transact with the property.

In practical as well as legal terms, property is the right to the use of an economic good. The light of use and enjoyment of property is one of the fundamental elements of ownership. The valuation of property is indeed, the valuation of the right to the use of the property. This provides one of the value concepts, value in use or value to the owner, the right of use and enjoyment. To

gather these two groups of property right from the fundamental underpinning of the income or investment value concept. The right of alienation enables an owner to transact with the property by way of lease, mortgage, lien or indeed any other means. It is this right which results in the exchange or market value concept.

The right of ownership are however not absolute. They may be limited, usually be statues or acts of government or by previous actions and creations of the owner. The scope of property rights and limitation thereto are very pertinent, since valuation is an attempt to put monetary value to these rights.

2.1.3 NATURE OF PROPERTY

What are the scopes of these property rights? For a more detailed consideration of the nature of property, we shall for ease of reference and convenience in consideration, adopt the general legal classification of property under:

Immovable property; lands;

Movable property; chattels;

Intangible property; rights

a) IMMOVABLE PROPERTY – LANDS;

Land or landed property is commonly used in Nigeria and most of common wealth in referring to ownership of land as distinct from ownership of other

chattels. Real estate or real property, though known and used is a term for the same thing; they are more commonly used in United State of America, Canada. The use of the term land or real estate appears to refer to the physical land and appurtenances including structures affixed thereto. The chief characteristics of land or real estate are its immobility and tangibility. It comprises land and all things of a permanent and substantial nature affixed thereto, whether by nature or by the hand of man. By nature, is meant trees, natural resources; while by the hand of man refers to those objects – buildings structures, fences and bridge – which the owner erects upon the land.

Real property or landed property may be said to be a composite term because it embraces the tangible (physical) elements of land or real estate plus those intangible attributes which are rights of ownership.

b) MOVEABLE PROPERTY (CHATTELS)

Chattels are goods possession over which the rights for ownership here in discussed apply. The determination of the monetary value of property rights encompassed in ownership brings chattels within the orbit of appraisal. The rights of property in chattels include the three significant rights of ownership.

- i) The rights to use and enjoyment of the chattels.
- ii) The rights to use and enjoyment of the income from the chattels.

iii) The right to sale traffic or dispose of the chattels.

Most chattels are owned for their use and enjoyment consumable goods and possession, because of their very nature, are not generally subject to appraisal functions. Some movable properties are owned for some purpose other than use and enjoyment, for example, investment, that is for the receipt of future income or for capital appreciation. Such chattels are capable of valuation and do feature in appraisal application.

They Include:

- i) Machinery
- ii) Equipment and vehicles
- iii) Furniture and furnishing
- iv) Painting, art collection and anti goes
- v) Stamp collection

Machinery, equipment, furniture and fitting generally constitute fixed assets of undertaking or enterprises. As capital goods, they have income potentials as factors of production. Furthermore, some of them are commonly leased or rented and produce direct income.

c) INCORPOREAL PROPERTIES (INTANGIBLE)

Incorporeal properties are rights of ownership not backed by the physical incident of property. Otherwise, such rights satisfy the other attributes of property, to wit – capable of ownership, valuable and legally enforceable.

These intangible rights include:

Patent

Copyright

License

Royalties

Debenture stocks

Dealers' franchise

Ownership of any of the above, like ownership of other properties, conveys rights of enjoyment devolve in the enjoyment of the returns of ownership and the right of sale and enjoyment of the proceeds of the sale.

2.1.4 CLASSIFICATION OF PROPERTY FOR VALUATION PURPOSES

Adopting Trott (1980) classification, we shall classify property for valuation purpose into

- i. Investment
- ii. Marketable non – investment properties

iii. Non – Investment and non – marketable (Service properties).

But for the purpose of this work, we are interested in investment properties.

INVESTMENT PROPERTIES

These are those properties, which are expected to produce benefits in the form of direct monetary return. An investment property is one, which is produced, acquired or held for the sake of monetary income or monetary profit. An investment property is thus said to have an earning expectancy. It is important to note that, in valuation work, the term earning expectancy denotes the whole series of forecasted net monetary returns beginning with the valuation date and continuing to the date the ownership terminates.

The first step in classifying a subject whole property for purpose of valuation is to determine whether or not it may be expected to produce benefits in the form of direct monetary returns. If the subject property does have an earning expectancy, it is classed as investment property regardless of any other consideration, if it does not, it is classified as a non – investment property.

Examples of investment property include interest or estate in;

Residential houses

Commercial property

Industrial property etc.

The above are held for the flow of income, capital gain or both.

2.2 CONCEPTS OF RENT

2.2.1 DEFINITIONS OF RENT

Rent is a periodic payment for the use of property. Rent is used mainly for land or land and improvement, but it could be used in respect of other chattels such as plant, machinery and equipment. Rents from property arise not from the considerations of investment which operate on different sets of conditionality and parameters.

In addition to the above definition, the word “rent” was derived from the Latin word “redditus” which means any income or yield from an economic agent. (Field, 1987) However it has been given several definitions depending on the shade of opinion for instance, the lawyer sees rent as “a certain and periodic payment or service made or rendered by the tenant of a corporeal hereditament (Hemingway 1973 to 1974), or more precisely in present day usage” a sum of money paid for the occupation of land.

On the other hand, economists see rent from a different perspective. According to Ricardo (1971), a well-known classical economist sees “rent as that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of soil”. According to Marshal (1964), another

distinguished classical economist sees “rent” as the income derived the portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible power of the soil. Also to senior, Sundharam and Vanish (1978) “rent is the surplus produce arising from the use of an appropriate natural agent”.

A close look at the definition as given above by classical economists shows their attachment to the word “rent” only to free gift of nature with land. However, it has been rejected by modern economists who argue that because there is a “land aspect” in all factors of production, there is no rationale to associate rate with land to the exclusion of other factors of production. This argument is reflected in their definitions of rent. For instance, according to Boulding (1995) “rent is any payment to a unit of a factor of production in an industry in equilibrium which is in excess of the minimum amount necessary to keep that factor in its present occupation”. This concept applies to any factor of production, which does not have a perfectly elastic supply.

2.2.2 FORMS OF RENT

From the definitions of rents given earlier, one can easily note two forms of rent held by different people, via,

- i. Contract rent
- ii. Economic rent

Contract rent: this refers to the actual payments tenants make for their use of the property for others. The amount of these payments are normally agreed to by the landlord and tenant in advance within the period the property is in use and thus form a mutual contractual arrangements.

Economic rent: in economic theory, economic rent is the payment made to a factor of production which is in excess of that which is needed to keep it employed in its current use or its transfer earning. This situation arises when demand for the factor increases and the supply cannot fully respond to the increased demand. This type of economic rent arises because of scarcity in the supply of factors.

Land economy experts, on the other hand have come – up with another concept of rent known as “land rent” or comparative rent”. The concept mainly aims at isolating the component parts of the other two concepts of rent. The concept distinguishes between the bare lands from the improvements on land. According to Chapman (1969) writing on farm rents, “the competitive rent which will be obtained for a particular holding will result from the value (not the cost) for farming, use of the fixed equipment as well as from the advantage in terms of situation and fertility. Again, competitive rent for an urban land will result from the value of use of the improvements for example buildings as well as from the advantages by way of situation and other special reasons”.

According to Richfield (1974) in connection with land rent, enumerated four specific component parts of rent, via

1. Payment for the raw land representing nature's original gift.
2. Payment by way of return on the capital expenditure on building and works.
3. An allowance for depreciation of the works and buildings.
4. Any continuing expenses incurred in occupying and owning the land and building.

In the words of Barlowe (1978) "this broader concept of land rent appears more meaningful today and is accepted because,

1. Nearly all land sites have been sited from some manmade improvement.
2. It is often difficult to distinguish between the shares, of rent that should go sites or raw land as compared with improvement.
3. The concept is on broad concept of land and real estate resources, which includes both land sites and the improvement legally attached to them.

An estate surveyor and valuer in practice are normally concerned with the contract rent, that is the amount agreed under the tenancy or lease agreement which the tenant must pay the landlord as consideration for the occupation of the landlord's property."

However in dealing with contract rent, the estate surveyor and valuer will also be very much, concerned with t what the tenant is an open market would pay

for the occupation of the same property. In fact, the broad objective of investment property management is centered on the realization of this open market rent. Open market rent is the price at a given date which a property would likely fetch if it were exposed for sale in the open market for a reasonable time, assuming a willing buyer and a willing shelter are not acting under compulsion.

Often there is disparity in the rental value and rent passing on a property. This disparity is referred to the following situation.

1. Where the lessee paid premium under the lease.
2. Where the lessee surrendered an existing lease in order to be granted the new lease,
3. Where the lessee contracted to carry out improvement on the property or to forgo compensation receivable by him from the lessor.
4. Where there is a special relationship between the lessor and the lessee for example where both the lessor and the lessee are members of one extended family (Briton 1980).

2.2.3 THEORY OF RENT

In the theory and practice of estate management, the term “rent” features prominently. It focuses on the theory of rent and aims at highlighting why rent exists in the first place, what factors influence or determine it and why it is

always rising? As earlier discussed, rent is a periodic payment for the use or hire of any capital asset. It is a contractual payment fixed in terms of money and normally paid on annual basis.

The pertinent question is why does rent exist? In attempt to answer this question, it has thrown up many theories on theories on rents.

The theory of rent can be looked at in the light of one model.

THE URBAN MODEL

The theory of rent in urban lands has not been given much attention by economists. According to Richfield, (1974) this positions is due mainly to two reasons; via

- i) The decline in the importance of land in the present economic set – up land
- ii) The argument by modern economists is that rent is not peculiar to land; it could well be earned by any other factors of production.

Despite this, however land economy experts have come – up with theories of rent on urban land. According to Hurd, (1903) he observed that as a city grows, more remote and inferior sites come into use. The difference in desirability between the superior and inferior lands produces economic rent for the superior site. If a much more inferior land is put into use such as commercial or residential, the inferior land starts to receive rent while the rent get on the superior land increase. The trend continues in that order.

According to Robert Murray Haig (1926), in his book *Regional Survey of New York and its Environment*, Major Economic factors in Metropolis growth and Arrangement was one of the first economists to study the relationship between land rents and transport costs. He suggested that “rent appears as the change which the owner of a relatively accessible site can impose because of the saucing in transport cost which the use of his site makes possible”. Though, this work did not depart so much from Hurd (1903) proposition on urban rent.

According to Alonso (1964), he comments that an innovation in the theory its strong statement of the complementarily of rent and transport cost on urban model.

Wingl (1961) was in agreement with this theory when he wrote” rents and transport costs are viewed as complementary, the sum being equal to a constant transport costs to the most distant residential location being occupied.

Writing specifically on residential land it was observed that “in choosing a residence purely as consumption proposition, one buys accessibility. Haig (1926) considers how much he wants the contracts furnished by the central location, weighing the cost of friction involved, the various possible combinations of site rents, time value, and transport cost, he compares this want with his other desires and his resources and he fits into his scale of consumption and buys.

This has been affirmed by Ratchiffe (1949) on residential land value, some land is not a factor of production, but is a consumption goods, such as owner occupied residential plots and recreational land. Here the value is almost all amenity value. But they were quick to add that “accessibility is a substitute for transportation, both has to be paid for, the former is the rent or value of land, the latter in time, in convenience and the cost of conveyance”.

However this over emphasis on accessibility has been criticized by Alonso. According to him “if the only criteria for residential location is accessibility to the centre and the minimization of the cost of friction while consideration of the size is excluded all residence would be clustered around the centre of the city at a very high density population”.

It is observed at this juncture that most of the theories on urban rent have hinged on location.

According to Stasis (1974) he observed that “locational theory is developed by economists, it is largely on extension of price theory, the study of allocation of scarce resources among competing ends”. It is not worthy to state, however, that the significance of location in agricultural land is not the same in urban land. Location of a site is important in urban land because of convenience and accessibility to people who want land for diverse uses.

2.2.4 RENT DETERMINANT

The determinant of rent is one of the comparative data required under the data programmer. Rent data can be derived in the following ways.

- a) On the basis of rent actually paid
- b) On the basis of comparison
- c) As a proportion of profit
- d) In relation to costs.

A. THE ACTUAL RENT PAID

Where the property is let at an economic rent and letting is a recent one, the rent actually paid provides a good evidence of market rent.

Economic or market rent is that which a tenant, using the property or premises for their highest and best use, is warranted in accepting. This is the same as rent on free market basis as. This market rent concept is the normal basis for a gross income projection in appraisal practice. All such projections are based upon a reasonable foreseeable future.

Rent being paid may sometime not be the market or economic rent. There are many reasons why this may be so. The under mentioned points demand careful attention in income flow estimation using rent passing:

- i) The date of the lease or the tenancy: A rent which was fixed many years ago will be an unreliable guide to the true economic rent today.

- ii) Whether any form of consideration was received when the lease was granted, for instance, a premium may have been paid on entry of previous lease for the current one or the lessee could have contented to carryout, at his cost, improvements to the property.
- iii) Whether there is any family or business relationship between the lessor and the lessee which may result in the rent being less than market rent.

B. COMPARATIVE RENTS:

Comparative market evidence provides the basis for market. The study and analysis of these comparable market factors may however require appropriate adjustments to the rental evidence before it will serve as basis for estimating the income flow of the property being valued.

Where the property being valued is vacant or owned occupied, the evidence provided by other letting may be the only guidance available in assessing the income.

UNITS OF COMPARISON

- a) **COMMERCIAL PROPERTIES:** Office, shops/ware- house / factories
 - i) **SHOPS:** The rents for shops are commonly expressed in super basis that is per square metre of floor space. The ground floor is naturally valued at the maximum figures per square metre and basement and upper floors may be taken at lower rates. In selecting the appropriate figures per metre square of floor space, the

valuer will be guided by analysis of rents paid for other large shops in the area and also be relative portions of the shop and consideration. For big shops with large floor spaces, the ground floor is frequently “zoned” or “stepped”. The first zone is that part of the shop adjoining the street and considered the most valuable part and so is taken at the maximum rate per square metre. Zoning should not be automatic for big shop property but should only apply if market evidence of such rental practice so indicates.

ii) **OFFICES:** Superficial floor basis is adopted for expressing rental value of offices. The superficial floor area of the accommodation for which the rent is paid for example, a rent of ₦30, 000 is not adjudged very useful as basis for comparison. When expressed in the units of per square metre, in this case ₦100 per square metre, it becomes a more useful comparison tool which can be applied to other accommodation of varying effective floor space.

a) RESIDENTIAL PROPERTIES:

Though it is possible to use the superficial area coverage to analyze rents on residential properties, the more common practice is the use of bedroom per month. This could be one – bedroom, two or more bedroom flat. This pre – supposes by its definition the standard facilities of sitting and dining room, kitchen and toilets that are basic of residential flats.

- ii) TENEMENT HOUSE: Here rents are expressed in Naira per room per month.
- iii) HOUSES: Rents for houses are similarly expressed in terms of number of bedrooms and classified into the various types of houses such as,
 - a) Bungalows
 - b) 2-storey (2 floors)
 - c) Semi – detached and detached houses.

In determining the floor space of buildings, for rental or other analysis two forms of measurement are available.

- i) Gross floor space
- ii) Effective floor space

The gross floor space includes the thickness of partition walls and service areas such as stair case and corridors. The effective or net floor space measure only the floor space in effective use for the purpose for which the building is designed and used. The latter thus excludes portion walls and spaces not functionally used. The effective floor space is preferred as a better standard for comparison since it reduces all space to functionality as basis of comparison. There are some buildings with unnecessary thick partition walls, wasted spaces that are not useful for any purpose while uneconomically increasing the total floor space. The use of gross floor space in such situation will not result in a rational comparative analysis.

C. RENT AS A PORTION OF PROFIT: The rent of a property can be determined as a proportion of the profit made from using the property for business. This goes back to the concept of land as a factor of production. Commercial land use are occupied as a rule by tenants who expect to make profit out of their occupation and expectation will, in the long run, determine the rent that such tenants are prepared to pay. In the case of a shop, the prospective tenant will ask himself the following question:

- i) What is the turnover likely to be, bearing in mind the general situation of the shop?
- ii) What will the probable gross profit be, knowing that the average profit on turnover in a (tenant's) particular business is so much percent?
- iii) What are the expenses likely to be in the way of wages, lighting, repairs and rates?
- iv) What sum will be available for rent after allowing all expenses, interest on capital and reasonable remuneration to my (tenants) effort by way of net, profits?

It is seldom, either in the case of commercial property that a rent is fixed by detailed analysis of estimated profits in this way. One major difficulty is that of fixing on arbitrary allowance for tenant's remuneration.

But consideration of profits must always have a vital influence on rents. It is possible, where accurate accounts are kept, for the rent as a portion of profits, if kept over the years in business provides the percentage attributable to the property.

D. RENT IN RELATION TO COST

In the absence comparable, a proportion, normally in percentage, of the cost expended on developing a property could be used to determine rent attributable to the property. This is based on the principle of contribution of land and building to the production of the income generating product. A percentage of the cost of production provides a measure of the income to be earned by the land and buildings. In everyday practice, when improvements are placed on land to make land productive in conformity with the principle of highest and best use, an economic merger take place that weds the investment part into an economic unit or property as a whole. Physically we can describe the nature character of land and separately, the amount, kind and quality of the improvements. But income derived from the operation is a product of the joint property and not an aggregate of those of it parts.

But generally, the rent passing on a particular property is determined by the interaction of the economic forces of demand and supply operating in the market, thus affecting the property. According to Lerano, (1992), statutory factors may also affect rental values, apart from demand and supply factors. He went on to say that

rental values will raise when there is more demand for accommodation. Again improvement in infrastructural facilities may also lead to a rise in rental values in an area and similarly, if there is a change in the economic base of an area, property values generally and rental values specifically are likely to be affected.

Where supply of accommodation cannot respond to increase in demand, rental values will be affected.

However, both the demand and supply factors are affected by some factors which may be necessary note in the course of the research for a better understanding of the study.

As was pointed out earlier, much of the theories on urban rent have been centered on the location of the site which is a function of the accessibility of the site to the city centre.

According to Alonso (1968) the following factors have been cited as determinants of urban rents.

- i) Accessibility of the site to potential customers.
- ii) The size of the site, the site location and intensity with which are complementary in terms of both attracting potential customers or existing units, cutting costs, whether they be production, services, advertising, to mention a few.

All these factors can be summarized under the broad umbrella, location and accessibility as they affect rents.

Apart from accessibility and location, changes in population have a tremendous influence on the rent passing on property, especially residential properties because shelter is a basic necessity of life. “Other things being equal, an increase in population will result in higher rent and densities”. (Alonso, 1980) conversely, any decrease in population will result in lower rent, depending on the supply situation.

The level of activities at any period helps in the fixing of rents on properties. In times of prosperity, business and enterprise are vigorous and there is enough cash flow into the economy. This eventually creates necessity for new and larger accommodation leading to higher demand that cause rental increase. Conversely a dwindling economy results in lower rent.

The peculiar nature of a property helps in determining the rent that will pass on it. Factors such as the architectural design, construction and materials used also account for difference in rents passing on properties. Obviously, a property made of mud walls cannot attract the same rental value as a property made of cement block walls. Use of louver glasses, or decoration window, protectors may even account for difference in rent passing on properties. If there is a change in fashion

it will attract higher demand on rents than properties that remain insensitive to the change.

Example is the massive use of Alumaco sliding door and flush doors. Services provided in the property, such as electricity, water and sanitary services also affect the rent on a property.

If two properties are comparable in all respects, except the services provided, it is obvious that the property with higher quantity and quality of services will attract more buyers resulting in higher rent.

2.3 COMMERCIAL PROPERTIES AND RENTS

According to Leramo (1992), commercial properties are properties built for commercial purpose. As previously defined, commercial properties are real properties of any kind, that shelter those who are engaged in any trade or profession with the expectation of profits and it is the profit that determines how much a tenant will pay as rent.

2.3.1 TYPES OF COMMERCIAL PROPERTIES

Decision to purchase, lease or rent commercial properties is generated by prospect for returns from the use of properties that fit the needs of the particular individual firm or companies.

Investors may make purchases, to be leased out to prospective tenants. Builders, promoters and speculators, may develop new properties for lease or sale to business firms. Decisions to purchases, lease or rent commercial properties therefore depend in part, on the present level and future prospects of general business conditions or the relative prosperity of that particular line of business.

Consequently, this section of the study aim at considering a few of such commercial properties erected in consonance with the provisions of land use planning tools.

Three major types of commercial properties have been identified namely, shops, offices and commercial warehouse. These types of properties are usually in the Central Business District (CBD) example Okpara Avenue and Ogui Road at Enugu.

a) **SHOP:** These are buildings or part of building where goods are displayed for sale on either retail or whole basis. They are very wide in spectrum ranging from small sized shops cover floor spaces of about 20m^2 or less net floor area. The medium sized shops cover floor spaces of between 50m^2 and 100m^2 net floor area and are found located in major streets, or roads in some part of the town. They are usually occupied for sale of various items. They are sometime called departmental stores for example Leventis_stores located at Zik Avenue, Enugu and Eastern shop located at Ogui Road Enugu. This fact must be borne in mind in the

discussion of shop property. Income from shop property generally forms a very sound type of investment, attractive both to private investors and to corporate bodies, such as institutions, pension funds and insurance companies.

The security of shop property lies largely in the fact that the tenant usually has a considerable stake in the property. He has probably built up a good business connection around the premises and will run the risk of losing this “good will” if he has to move elsewhere. He may also have sunk a considerable amount of capital in expensive fitting and stock, which would be depreciated by removal. He will, therefore, do his utmost to avoid default in payment of his rent.

b) COMMERCIAL WAREHOUSE

A warehouse becomes a commercial property when it has something to do with the storage and sale of goods at the same time. However, the term warehouse has been generally understood to mean a building used primarily for the storage of goods or housing of wares and has been defined as a property or structure designed and used for storage of wares, goods and merchandise.

c) OFFICES

Generally applies to premises, which are used for professional or trade purpose. The work carried on therein is of a clerical nature and does not include the displaying or selling of goods (Ifediora, 1993). These are also buildings where

tertiary sectors of economics activities are carried out such activity includes the services rendered by banks, insurance companies and professional such as Estate Surveyors and Valuers, lawyers and accountants. They engage in gathering, processing and analysis of information and idea for purely advisory roles (Roberts, 1974). In simplistic terms, offices are service industries consisting of those experts whose role essentially advisory as opposed to being directly productive in the industrial sense. Some offices are located at Bank road and constitutional road, Enugu. According to Ratchiffe, (1949), this sector is exclusively office oriented. It involves the gathering of information, and ideal, processing and analysis of the merits of such service oriented. It. Their evolution (offices) has become a marked characteristic of advance economics and a major index of modern urban growth and development.

Office premises range from the converted space within a predominantly residential block to the purpose designed block with it elaborate services and organization. Between the two extremes are a host of other types of office premises varying in size and character depending on the business potentials of the town or locality.

Varying terms of letting are thus common with office property. The tenancies may be monthly, quantity from year to year, or for a term of years.

2.4 RESIDENTIAL PROPERTIES

Residential properties according to Leramo, (1992) are properties providing housing accommodation. According to Malady and O' Donnell, (1976), "Residential properties are generally constructed to mean property primarily acquired for residence". It has the attribute of giving shelter, security, comfort, privacy, investment and personal identity. A residential area requires a considerable if not absolute tranquility and this is mostly achieved through planning. In 1928, a town planner employed by the government reported in Enugu and drew up the first overall plan which made provision for the development of an industrial area. However, town planning in Enugu has been concerned with the geographical, administrative and economic layout, but little attention has been given to the even larger problem of controlling influx of immigrants.

A look at the development of land for residential purposes shows some success as well as failures. In some area such as Obiagu and Edozien Street, residential properties are springing up alongside industrial properties and some of the already developed residential areas are seriously being encroached upon by commercial properties.

The second category of residential environment in Enugu is occupied by the low income earners. They are Coal Camp, Asata and Iva – valley.

The third category of residential environment is the medium density area of Achara Layout, Idaw River Layout and New Haven Layout. These places are occupied by middle income group and a few high income earners.

2.4.1 TYPES OF RESIDENTIAL PROPERTIES

Residential property covers a wide range of properties which can be grouped, for conveniences of consideration, into

- a) Tenements
- b) Block of flat
- c) Duplexes or semidetached houses
- d) Detached houses
- e) Bungalow

a) **TENEMENTS:** They are residential building in high density areas let in rooms. In other words, it is multi occupied looking at the characteristics, we find that amenities such as kitchen, toilet and bathroom are shared by a group of families (Briton and Johnson, 1980). They are normally found in the area occupied by the low income groups.

In Enugu, they are major type of residential accommodation in Abakpa – Nike, Ogui – Urban area and some part of Ogui New Layout. Both share the

common disadvantage of multiple occupancy with attendant problems, more void, more management, and more physical wear and tear.

b) **BLOCK OF FLATS**

According to Hamlyn Encyclopedic Dictionary when talking of flats, we mean an apartment that has one floor or more. According to Ifediora, “flat” are self-contained residential accommodation units within a building block. It must be on one floor forming a complete residence. “Flats could be purpose built or converted” (that is single roomed building converted into flat). Purpose built is normally designed before construction work is carried out. It is mostly found in the medium density areas of Achara Layout, and New Haven Layout. Converted flats are found in Uwani, Ogui New Layout and Ogui urban area.

Modern flats may in addition suffer from the incidence of service of lifts, common pouts, and porter age and maintenance crew. Consequently though it is the net income which is valued, the uncertainty of the out goings increased the risk of both income and capital. Flats are, however, of various categories varying from the modern purposed designed prestige flat in low density high environmental quality area to the converted type in the high density area.

Flats depending, of course on location, rank lower to house in investment prospects, but are better than tenements.

c) **DUPLEX OR SEMI – DETACHED HOUSES**

The ARNOLD ENCYCLOPEDIA OF REAL ESTATE gave two definitions of duplex are follows,

- i) A dwelling house divided so as to accommodate two facilities with separate kitchen and bathroom facilities and separate living areas and entrances. A two family house whose separate dwelling units are either situated side by side or one on top of each other.
- ii) A single apartment with two floors!

In Enugu, they are mostly found in independence layout, New Haven, old G.R.A (Government Reserved Area) and Trans – Ekulu Layout. They are normally occupied by the high income – earners.

d) **DETACHED HOUSES:** It is a separate development standing apart. It is not attached to any other house and usually on a land large enough to provide a garden of a fair size and possible two garages, and an additional parking space, within the cottage. It usually has a boy's quarter. This type of building is mostly found in independence layout, Trans – Ekulu and some parts of New Haven and in G.R.A and is occupied exclusively by the well to do men in Enugu, as this is a status symbol, (Briton, Davies and Johnson, 1980).

e) **BUNGALOW:** It is a cottage, usually of only one storey especially for country side residence. Normally, it consists of bedroom, living rooms, kitchen, toilet and bathroom, garage and boy's quarter in addition. It offers as absolute privacy as detached houses and it equally attractive to medium and high income earners. They form the bulk of housing in (GRA) Government Reservation Area in Enugu.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 INTRODUCTION / RESEARCH DESIGN

Research design is a strategy or approach to be used for conducting a scientific enquiry, a research design is a plan or blue print that specifies how data relating to a particular problem should be collected and analyzed.

In this study, a research survey was conducted to supplement other sources of data; this includes textbooks, journals and other printed materials. Survey research studies both large and small population to discover the relative incidence, distribution and interrelation of sociological and psychological variables. Survey research is more reliable for this study because it enables samples to be selected from the entire population in order to analyze data, which would allow the researcher to make references on characteristics of the identified population.

Therefore, a well-constructed questionnaire was used to pose relevant questions to the respondents.

3.2 BRIEF DESCRIPTION OF THE STUDY AREA

The researcher covered Ogui New Layout and G.R.A in Enugu.

Ogui New Layout located at the North of Enugu has a high population density. Commercial and residential properties are found in this area but much more of commercial properties. This area comprises of the low income earners and few high income earners.

Government Reserved Area (G.R.A) on the other hand is located at the North of Enugu. It's mostly for residential use. High income earners are mostly found here as they can afford to transport themselves at a high cost from their area to the central business district for work or business transactions.

3.3 POPULATION OF STUDY

The population of the study comprises the population of Ogui New Layout and G.R.A in Enugu and limited to them alone. The population of study is 115 (one hundred and fifteen) respondents. (I.e. Landlords/Owners of commercial properties-50, Landlords/Owners of residential properties-50, Estate Surveyors and Valuers of both properties-15)

3.4 SAMPLE SIZE AND SAMPLING TECHNIQUE

Ndagi (1984:75) defined sample size as “a limited number of elements selected from a population which is a representation of the population.” Hence, Sample size determination involves showing how the representative of that population was selected. According to Harper (1971) is a group of items taken from the population for examination. It is simply a smaller part of the population. Samples are useful because they allow the researcher to examine the characteristics of the population.

The Yaro Yamani statistical formula was adopted for this Research work.

This formula is thus:

$$n = \frac{N}{1 + N(e)^2}$$

Where, N= population of study

n= sample size

e= level of significance or margin of error

I= unit (a constant)

Therefore,

N= 115

e= 0.05

n=?

(The choice of 0.05 level of significance is purely an exclusive decision of researcher).

Replacing the values above with the above formulae, we have

$$n = \frac{115}{1 + 115(0.05)^2}$$

$$n = \frac{115}{1 + 0.2875}$$

$$n = \frac{115}{1.2875}$$

n= 89 sample size

While sample size is 89 the researcher distributed 89 questionnaires to the respondents. Out of 89 respondents only 80 were returned their completed questionnaires. Therefore analysis of data was based on the response of the 80 respondents.

3.5 SOURCES OF DATA COLLECTION

In a bid to gather the data used in this research, various means were used depending on the type of information sought. The chief sources of data include.

1. Primary Sources

2. Secondary Sources

3.5.1 PRIMARY SOURCES

This source of data collection provided a means of collecting first-hand information for the research, specially the under listed method served this useful purpose.

- a) Questionnaires
- b) Oral interview
- c) Field survey
- d) Physical survey

a) QUESTIONNAIRES

In designing the questionnaires for this project, the questions were designed in such a manner as to attract vital answers which are expected to help the researcher in analyzing the situation at hand. Specifically, sets of questionnaires were designed. These include a set for owners / landlords and Estate Surveyors and Valuers of Residential properties and owners/landlord and Estate Surveyors and Valuers of commercial properties.

Essentially, the questionnaire addressed to owners/landlords of Residential and commercial property poses questions which bother on, how the use of

residential property affects the rent passing on it why some properties put for residential use command higher rents while some do not.

Importantly the questions in the questionnaires were designed with the objective of the project in mind.

b) ORAL INTERVIEW

The nature and level of this project has necessitated a call for oral interview among the people responsible for the up these subjects buildings. Also, a project of this nature would have been inconclusive without personal interview of owner/landlord and Estate Surveyor and Valuers for both properties in Ogui New Layout and G.R.A Enugu.

c) FIELD SURVEY

A detailed field survey was taken on the trends in rental values of residential and commercial properties in Ogui New Layout Enugu from 2002 to 2004.

d) PHYSICAL SURVEY

A well detailed physical survey of residential and commercial properties was carried out on the study area.

3.5.2 SECONDARY SOURCE

Secondary sources were taken from various journals, gazette, seminar paper, textbooks, past project and some other documented materials, some of which were published while some were not.

3.6 INSTRUMENT FOR DATA COLLECTION

Owing to the area covered by this study, questionnaire was designed for data collection. The questionnaire was personally designed and administered to the respondents while retrieval was equally through the same process. It consists of a set question designed to gather information data for analyzing the result of which are used to answer the question or test relevant hypothesis. The questionnaire was prepared in brief structure with multiple choice close ended answer and simple opened questions. The questions were clear and concise. Pilot test was used to determine the strength of work.

3.7 METHOD OF DATA COLLECTION

The researcher administered the questionnaires personally to the respondents. The researcher vetted the outlet routinely issuing the questionnaires to the residents and firms and also making sure that the issuing of double questionnaire was avoided and ensured minimum loss of questionnaires. With the

questionnaire administered/distributed to about 89 respondents, 80 were collected as duly completed on completion of the exercise.

3.8 METHOD OF DATA ANALYSIS

In the presentation, analysis and interpretation of data, tabular, statistical and textual modes of data presentation are used. The responses for each relevant question in the questionnaire are represented in tables and the statistical results used to compare relative importance to various answers.

CHAPTER FOUR

4.0 DATA PRESENTATION AND ANALYSIS

This chapter deals with the presentation, analysis and interpretation of the data collected by the researcher in the course of carrying out the research. The presence of data makes no meaning to anybody unless adequate analysis of such data is carried out. The research is based on the analysis of questionnaires, field survey, and interview.

PRESENTATION OF BASE DATA

The base data is also presented in tables. The researcher distributed 89 questionnaires to the owners/landlords of both commercial and residential properties and to Estate Surveyors and Valuers of commercial and residential properties. Out of 89 distributed, 80 were returned.

TABLE 4.1
SEX OF RESPONDENTS

OPTION	NUMBER	%PERCENTAGE
Male	69	86.25
female	11	13.75
Total	80	100

(Source: field survey, 2013)

In the above table 4.1, out of 80 respondents, 69 (86.25%) were male while 11(13.75%) were female.

TABLE 4.2
AGE DISTRIBUTION OF RESPONDENTS

OPTION	NUMBER	% PERCENTAGE
20-29	13	16.25
30-39	20	25
40-49	25	31.25
50 and above	22	27.5
Total	80	100

(Source: field survey, 2013)

From the above table 4.2, 13 (16.25%) people were between the ages 20-29, 20 (25%) people were between the ages 30-39, 25 (31.25%) people were between the ages 40-49 and 22 (27.5%) were 50 and above.

TABLE 4.3
MARTIAL STATUS OF RESPONDENTS

OPTIONS	NUMBER	% PERCENTAGE
Single	20	25
Married	60	75
Total	80	100

(Source: field survey, 2013)

From the above table 4.3, 20 (25%) were single while 60 (75%) were married.

TABLE 4.4
EDUCATIONAL QUALIFICATION OF RESPONDENTS

OPTIONS	NUMBER	% PERCENTAGE
F.S.C.L	8	10
WAEC/GCE	10	12.5
OND/HND	16	20
B.SC	19	23.7
M.SC	27	33.7
Total	80	100

(Source: field survey, 2013)

From the above table 4.4, 8 (10%) respondents had F.S.L.C (first school leaving certificate), 10 (12.5%) had WAEC/GCE, 16 (20%) had OND/HND, 19 (23.7%) had B.SC and 27 (33.7%) had M.SC.

PRESENTATION AND ANALYSIS OF RESEARCH QUESTIONS

Here the researcher presents her research questions and respondents' views.

QUESTION 1

What is the level of rent for commercial and residential properties in Ogui New Layout and G.R.A respectively between years 2002-2004?

TABLE 4.5
RESPONDENT'S VIEW FOR COMMERCIAL PROPERTIES

OPTION	AMOUNT(naira)
Shops	24,300
Warehouses	26,000
Offices	30,000

(Source: field survey, 2013)

RESPONDENTS VIEW FOR RESIDENTIAL PROPERTIES

OPTION	AMOUNT(naira)
Tenements	----
Blocks of flats	150,000
Duplexes/semi detached	600,000
Detached houses	500,000
Bungalow	300,000

(Source: field survey, 2013)

From the above tables 4.5, levels of rent for commercial properties are 24,300, 26,000 and 30,000 for shops, warehouses and offices respectively.

Levels of rent for residential properties are 150,000, 600,000, 500,000 and 300,000 for blocks of flats, duplexes/semi duplexes, detached houses and bungalow respectively with exception of tenement where none of the selected properties is a tenement building.

This could also be presented using pie chart as shown below.

$$24300+26000+30000= 80300$$

Using A, B and C to represent the properties

$$A = \frac{24300}{80300} \times \frac{360}{1} = 108.9 = 109\%$$

$$B = \frac{26000}{80300} \times \frac{360}{1} = 116.5 = 117\%$$

$$C = \frac{30000}{80300} \times \frac{360}{1} = 134.4 = 134\%$$

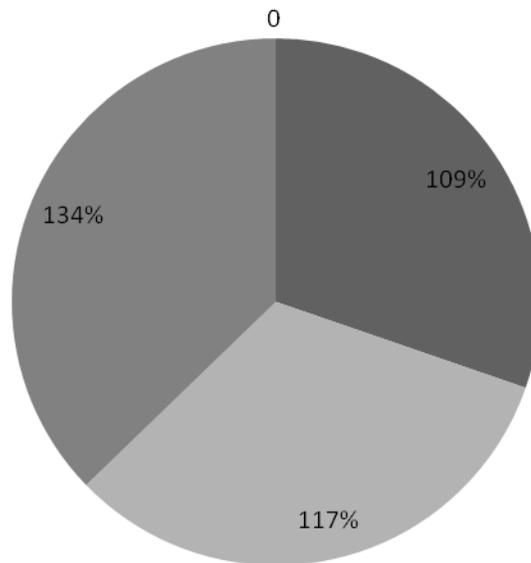


Fig 1: pie chart showing level of rent for commercial properties in Ogui New Layout.

Also using A, B, C, D to represent residential properties as listed in the table above.

$$150,000 + 600,000 + 500,000 + 300,000 = 1,550,000$$

$$A = \frac{150000}{1550000} \times \frac{360}{1} = 34.8 = 35\%$$

$$B = \frac{60000}{155000} \times \frac{360}{1} = 139.3 \quad = 139\%$$

$$C = \frac{50000}{155000} \times \frac{360}{1} = 116.1 \quad = 116\%$$

$$D = \frac{30000}{155000} \times \frac{360}{1} = 69.6 \quad = 70\%$$

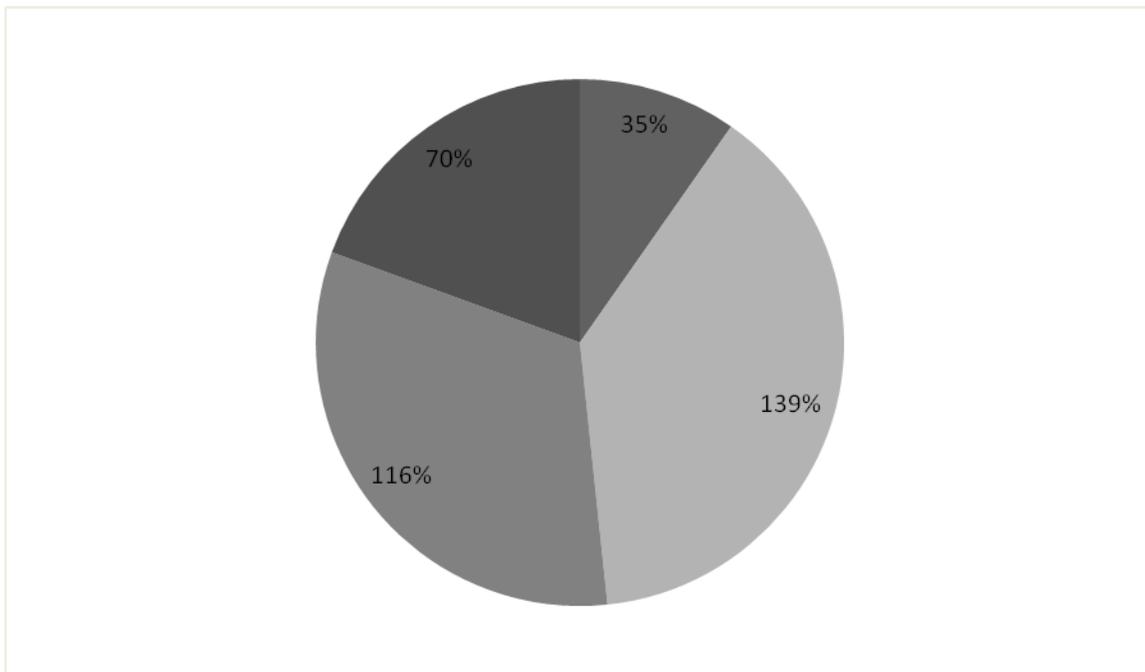


Fig 2: pie chart showing level of rent for residential properties in G.R.A

Between years 2002-2004, the levels of rents for commercial and residential properties are as follows

$$\text{Commercial properties} \quad \frac{24300 + 26000 + 30000}{3\text{yrs (2002 - 2004)}} = 26766$$

$$\text{Residential properties} \quad \frac{150000 + 600000 + 500000 + 300000}{3 \text{ yrs } (2002 - 2004)} = 516,666$$

This shows that between year 2002-2004, the rent for residential properties was higher than the rent for commercial properties as indicated also in figures 1 and 2 (with higher percentages).

QUESTION 2

What are the factors influencing rents passing on those commercial and residential properties?

TABLE 4.6

RESPONDENTS VIEW

OPTIONS	NUMBER	% PERCENTAGE
Location of property	20	25
Size of property	14	17.5
Demand of property/ land use	16	20
Condition of property	14	17.5
Price of construction materials	16	20
	80	100

(Source: field survey, 2013)

From the above table 4.6, 20 (25%) went for location, 14 (17.5%) went for size of property, 16 (20%) went for demand of property/land use, 14 (17.5%) went for condition of property, 16 (20%) went for price of construction materials.

From the findings above, factors that influence rents passing on commercial and residential properties include: location of properties, size of property, demand for property/land use, condition of property and price of construction materials.

QUESTION 3

Does the income of prospective buyers/tenants affect their decision to acquire properties?

TABLE 4.7

RESPONDENTS VIEW

OPTION	NUMBER	% PERCENTAGE
Yes	78	97.5
No	2	2.5
Total	80	100

(Source: field survey, 2013)

From the above table 4.7, 78 (97.5%) said yes while 2 (2.5%) said no.

From the above findings, it is very clear that the income of prospective buyers/tenants affects their decision to acquire properties. That is to say that people are of different income groups, they will intend to get a particular size of property/site and distance according to their income.

QUESTION 4

Is there any disparity in the rental value or rent passing on residential and commercial properties in the study area?

TABLE 4.8

RESPONDENTS VIEW

OPTION	NUMBER	% PERCENTAGE
Yes	66	82.5
No	14	17.5
Total	80	100

(Source: field survey, 2013)

From the above table, 66 (82.5%) respondents responded positively while 14 (17.5%) responded negatively to the question. From the finding above, it shows that there is disparity in the rental value or rent passing on residential and commercial properties in the study area.

QUESTION 5

Amongst commercial and residential properties, which is on a higher rate of demand?

TABLE 4.9

RESPONDENTS VIEW

OPTION	NUMBER	% PERCENTAGE
Commercial	32	40
Residential	48	60
Total	80	100

(Source: field survey, 2013)

From the above table 4.9, 32 (40%) respondents are of the view that commercial properties have a higher rate of demand than that of residential properties, while 48 (60%) respondents indicate that there is more demand for residential properties than commercial properties.

The findings above therefore, reveal that there is a higher demand for residential properties than commercial properties.

CHAPTER FIVE

5.0 SUMMARY FINDINGS, RECOMMENDATION AND CONCLUSION

5.1 FINDINGS

From the research carried out, the following findings were derived.

1. That rent passing on residential properties varies/differs from the rent passing on commercial properties as indicated in figures 1 and 2.
2. That there is a positive change between rent and the use to which a property is put.
3. That there is a higher demand for residential properties than commercial properties in the study area.
4. That the rent of residential and commercial properties varies due to some factors like location, condition of the properties, demand for property/land use, price of construction materials, and size of the property.
5. That the level of rent for residential properties is higher than that of commercial properties.

5.2 RECOMMENDATION

The research findings provide working tools in estate management practice in relation to determination of property values. It is therefore, recommended that:

- a) The practicing Estate Surveyors and Valuers should know that in fixing of rent, the rent passing on residential and commercial properties should not be the same.
- b) Property owners should always make rent passing on residential properties a bit higher than rent passing on commercial properties largely on the account of the use the property is put.
- c) Owners of properties should always put their properties to its highest and best use which as the findings revealed could be residential or commercial.
- d) Rent for commercial properties are best measured by per square metre (M^2) while rent for residential are measured taking into consideration the number of rooms or flats provided.

5.3 CONCLUSION

From overall result of this work the reality is that there are certain factors that affect rent paid on properties. These factors determine the increase or decrease in rent charged by landlords. From this, it is not possible to say that the rental value of a property is the exact rent charged on the property because there are several factors that can affect rent charged. Similarly all properties in a certain area do not command the same rent because it is not the same factors which

affect one property that affects the other. In every property one looks at the factors surrounding it, before determine that rent it can command.

Considering these factors, it is now possible that the rent paid for one property will not be the same for the other. One significant factor that brings about differences in rent is the use to which a property is put.

Conclusively, the result of the analysis indicates that rent passing on residential properties is higher than the rent passing on commercial properties.

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