

CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND OF THE STUDY

According to historical accounts (Leadership Newspaper), Asata, Coal camp, New market, Ogui urban including Obiagu areas of the city belongs to Ogui Nike people. But during the colonial era, the white men started developing parts of the land owned by the Ogui Nike people. That explains why Obiagu is presently inhabited by people from almost the five south east states namely; Abia, Anambra, Ebonyi, Imo and even the present day Enugu state.

Also a portion of Obiagu was then inhabited by the Hausa community, who came to the city as either cattle dealers or artisans. But following the events leading to the outbreak of the Nigeria Biafra war in 1967, a good number of Hausa men living in the area left for their different states in the north and never returned to the area, then the community was taken over by Nigerians from other ethnic groups, particularly Igbo, yet it still answer “Ama Hausa” [house of Hausa community], but has refused to shed its toga of a ghetto. When police or other security agencies are looking for suspected criminals, they usually gear their search light on obiagu, because of the belief that it is a criminal infested area (Ubani, 2012).

Most housing decay and deterioration comes in various forms and their existence is more evident in densely populated parts of the city. Some of the characteristics of slum include inadequate and deficient facilities obsolete buildings, filthy environment, etc. Much concern was been shown about the problems of the slum areas particularly on the level of decay exhibited by such areas and the plight of the low income households which dwell in them, this put lives and health of the residents in danger.

Obiagu experienced a large rapid population growth because of the influx of people from different part of the east as a result of the development from the colonial era, hence houses constructed of hands materials sprang up all over the settlement. Thus, the area is crowded with poor housing structures most disorderly located. The settlement has now grown and developed in an unplanned manner resulting in the deterioration of the values of the property and social status of the estate environment.

Therefore, the main aim of the study is to examine the effects of slum on rental property values in Obiagu.

1.2 STATEMENT OF THE PROBLEM

Obiagu is characterized by slum, where the structure are blighted, high level of occupancy mostly low income group, over crowding, under supply of public amenities, bad roads, this is the basis for this research work, trying to examine the effects of slum on the values of property, located their and also to show or establish that slum development is the major set back in urban growth/development.

1.2 AIM AND OBJECTIVES OF THE STUDY

The aim of the study is to examine the effects of slum on rental property values in Obiagu. To achieve this aim, the following objectives were raised, they are:

- a. To identify the causes and effects of slum on rental property values in the study area.
- b. To establish the negative and positive effects of slum on rental property values in the study area.
- c. To establish whether slum environment makes investment in real estate and property market transactions, a viable venture.

- d. To then recommend the best and possible strategy towards eradicating the slum of obiagu area and hence create a suitable environment that will enhance the property value in the areas.

1.4 RESEARCH QUESTION

In spite to identify, the research problem earlier stated, some questions have been raised by the researcher; it is believed that when right answers are provided for these questions it will lead to the achievement of the objectives of the study.

The questions are as follows:

1. What are the causes and effects of slum on rental property values in Obiagu?
2. Are there any negative and positive impacts of slum on rental property values?
3. Will investment in real estate and property market transactions in Obiagu be a viable venture?

1.5 THEORETICAL FOUNDATION OF THE STUDY

This research is based on the theory of the highest and best use of land. Highest and best use abdicates the application of land in order to gain maximum benefit not only to their owners but the society at large. Obiagu

area has not been put to its highest and best use and as such resulted to slum in the area. That is to say, putting land into best use gives room for development. This calls for significance of their research.

1.6 SIGNIFICANCE OF THE STUDY

The study tends to identify the nature of slum in the study area, possible causes and effects on rental values of properties in the area in order to aid relevant authorities to tackle the problem and enhance benefits of real estate property market in the area.

There are many causes of slum which includes indiscriminate development of properties, improper disposal of waste etc. The government and its agencies have not paid much attention to it as a result of insufficient information available to them. This research will increase the interest of government officials on the issue and if the recommendations are adhered to, it will go a long way to eradicate slum in the study area and enhance development and real estate investment.

1.7 SCOPES OF STUDY

This study is restricted to the development of slum in obiagu. The investigation will consider the environmental, social, economic

demographic, transportation, infrastructural and housing amenities conditions relevant to enhance estate settings as well as property values.

1.8 LIMITATIONS OF THE STUDY

Limitations of this study include time, financial constraint, lack of sufficient relevant data which the research would have used to give a sufficiently new approach to this form of study.

1.9 OVERVIEW OF THE STUDY

The study starts with an introductory chapter on the research problems and other related issues. Chapter two dwells on literature review, throwing more lights on slum, concept of slum, types of slum, attitudes of slum, causes of blight and factors leading to slum formation types of slum, roles of slum, history of slum etc.

Chapter three talks about the research methodology research method and design, sources of data, collection and instrument for data analysis.

Chapter four deals with data presentation and analysis while chapter five deals with the findings, recommendations and conclusion.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 DEFINITION OF SLUM

The origin of the word slum is thought to be the Irish phrase 'S lom é (pron.s'lum ae) meaning "it is a bleak or destitute place. According to oxford dictionary 5th edition, defines slum as a dirty, mean and poor in appearance, back street or district of a city. Microsoft Encarta (2009) defines slum as an overcrowded area of a city in which the housing is typically in a bad shape.

Furthermore, many other researchers and scholars have various views of slum. Weiss (1980) asserted that slums are areas of social break down and high delinquency and that the slum areas usually house or provide homes for the locals or rural migrants. He further implied that a slum household is one lacking one or more of the following indicators: Access to improved water, Access to improved sanitation facilities, sufficient living area, Structural quality and durability of dwellings and Security of tenure. The term slum, has limited value for sociological and ecological analysis but one way of viewing this is from the point of an area characterized by deteriorating/deteriorated properties, densely occupied by improvised people whose way of life standard of conduct are often at variance with those people on higher socio-economic levels (Carr, 2004). Slum area not

adequately ventilated, sanitation is virtually not applicable and in most of these areas there is blighted, dirty, stinking and stagnant water along the streets and in the drains (UN- habitat, 2003).

The Merriam-Webster's Collegiate Dictionary (2003) defined a slum as "a densely populated usually urban area marked by crowding, dirty run-down housing, poverty, and social disorganization". Therefore, slum is defined as a street or district of old building in a poor duty condition often crowded with people and the buildings are structurally most unsatisfactory and the environment unhealthy for human habitation.

2.2 CONCEPT OF RESIDENTIAL SLUM

The ways in which people perceive the natural environment of their cities, develop and use it will reflect much about their equality of life (Hange 1984). Also, Marcey and Charles V. B. 1985 in the book titled "Housing management was of the opinion that before a house could be regarded as habitable for human beings, it must be in good repair conditions, adequate stability, free from leakages, good internal arrangement, natural lightening satisfactory good drainage and sanitary conditions of the environment". This means that any building or living environment shaft not of these standards passes as unfit for human, habitation, and can best be described as slum.

2.3 ATTRIBUTES OF SLUM

From the attribute discussed above a slum area is largely inhabited, by people who have migrated from other areas.

Sociologically, it is a way of life, a sub-cultural, with a set of norms and values, which is reflected in poor sanitation and health practices, deviant behaviors and characterized by attributes of a party and social ills.

2.3.1 PHYSICAL ATTRIBUTE

African region has experienced high rates of urbanization and the quality of dwellings in such settlements varies from the simple shack to permanent structures, while access to water, electricity, sanitation and other basic services and infrastructure tends to be limited. The studies carried out by renowned environmentalist revealed that the third world countries such as Nigeria has squatter settlement which is characterized by uncontrolled substandard temporary dwellings, poor sanitary conditions, dilapidated structures, high occupancy ratio and further described urban slums in Chile as housing the poorest of the poor, the unemployed, the unskilled, and illiterate and often the alcoholics, the vagabond and the delinquents.

2.3.2 SOCIAL ATTRIBUTES

The social attribute of slum is viewed as the “zones of deterioration” which largely meant that slum dwelling areas was noted as generators of social deviation (Odonjo 1979). Also, studies conducted in Ghana, Uganda, Philippines and Venezuela by Chouinnard (1973), showed a significant degree of correlation between slum housing and deviant behavior. They are commonly seen as "breeding grounds" for social problems such as crime, drug addiction, prostitution, alcoholism etc. These are the product of the combined effects of physical and economic attributes and people from different neighborhoods fear to visit the environment at night as a result of high degree of crime rate. In many poor countries they exhibit high rates of disease due to unsanitary conditions, malnutrition, and lack of basic health care. Low socioeconomic status of its residents is another common characteristic given for a slum (Alabi, 2012; George 2002).

2.3.3 ECONOMIC ATTRIBUTE

Slum dwellers are mostly of the lowest income groups with high unemployment and low wages. A greater percentage of slum dwellers are engaged as labourers, often engaged in mean work to irk out a living. These jobs often do not attract fair and good wages, hence they cannot save or feed well, not to think of planning for the future.

Thus Porters (1971) in a note unit pail passage has described urban slum as housing the poorest of the poor, the unemployed unskilled and illiterate and often the alcoholic, the vagabond and the delinquents. The problem of slum development particularly pronounced in the old, indigenous core areas of the urban setting, poses great concern to real estate investors as it negatively affects property values (Gibbons, 2004). Many factors interplay to create property value such as: population change, changes in fashion and taste, institutional factors, technological factor, economic factors and location (Bello, 2006). Factors that negatively affect the value of real property, injure ownership motives and goals. They also affect investors' interest and discourage subsequent investment.

2.3.4 POLITICAL ATTRIBUTES

This views the slum environment as an enclosure for untiring toast, political radicalism and Violence. The argument have is that the socio-economic hardships and poor living Conditions could be a potential time bomb which could erupt easily into political radicalism and Violence (porters 1971). He further stated that most politicians use these slum dwellers made up of low income earners, illiterates, delinquent, alcoholics etc, as political thugs and most times they are used as weapons against their political opponents. Those seeking political offices use these slum areas as

their campaign ground, where they make empty promises, distribute all kinds of materials to them just to earn their votes and afterwards these people are abandoned and left hopeless.

Finally, the environmental implication of the social, economic and political perspectives of slum arising is the precipitation of decayed physical environments and coupled with demographic and other environmental and structural problems.

2.4 TYPES OF SLUM

The phenomenon slums have been identified in various ways by different authors. According to Bergal (1965) slum can be classified into the following three ways.

- a. the original slum
- b. the departure slum
- c. the slums of transition

i. Original Slum:

Here the environment at its early period is marked with very unsuitable buildings and this requiring clearance and development. This type of slum is observed in Wichita, Mexico.

ii. Departure Slum:

This type of slum occasioned by the mass movement of middle and upper class families to other areas. As a result of lack of maintenance and regular repairs the area became deteriorated. Typical examples are found in parts of New York and Chicago in USA, and also some parts of Enugu State and Ibadan in Nigeria.

iii. Slum of Transition:

This arose from blight which emerges around the central business district. There is evidence of rapid deterioration of the physical and social environment. Most residents of this area are usually transient touts, habitual beggars, alcoholics, criminals, drug addicts and homeless people.

There are therefore, other types of slum recognized by many writers include stroke [1962], which he indicated four types of slum [i] slum of hope with escalators [ii] slum of despair with escalator classes [iii] slum of despair with non escalator classes [iv] slum of hope with non escalator classes.

2.5 CAUSES OF BLIGHT AND FACTORS LEADING TO SLUM FORMATION

According to Udo (1978), he traced slum in Obiagu to coal mining. He showed how the coal camp was developed to house miners, consequently, displaced farmers in the rural area started migrating from the

rural area to the coal city and its environs like Obiagu, Asata, Ogui Urban etc, hence the genesis of slum in Enugu in general.

Although the age and quality of the initial buildings are relevant to the slum formation, they are not the only factors. Two areas of housing built at the same time and of the same quality may show significant difference in their rate of deterioration. The following are the main factors that have governed slum formation in the UK as identified by Martin (1977).

- a. Diseconomies external to the house but internal to the area.
- b. Encroachment of non-housing uses
- c. Diseconomies generated by uses external to the area
- d. Intensity of use
- e. Controls on rents and security of tenant
- f. Low income
- g. The problem of depreciating/deteriorating public services in city centers.
- h. Planning blight

These were explained by Martin (1977) in their most obvious ways that the quality of the neighborhood, in terms of used infrastructures, uses, governing ordinance and planning efforts focused to managing the estate environments employ a lot of things for the properties of the estate . Rapid

urbanization and industrialization in Enugu Nigeria from the 1960s through 1989 resulted in two housing related problems. The first was the shortage of low-income housing units, and the second was the increasing price of affordable housing. The affordable housing shortage coupled with the rising cost of available units made it increasingly difficult for low-income households to maintain an acceptable standard of living in Enugu, thereby pushing them to live in slums where they caused devastations to the environment. The issue turned into an environmental threat to the government because of the pollution generated by the “slum” dwellers(Aka 1993).

2.5.1 ROLE OF SLUM

In spite of the abhor able negative impact of slum of housing accommodating, human health and the environment, slum plays the following functions which are considered useful in the city according Bergel(1965) and other authors on the subject.

1. Accommodation for new immigrants

The new aerals to the city that have no other place to stay in the larger section often find resources in the squatter settlement. As middle classes left the smoke of cities, poorer people, new comers from the country side and immigrants move into the old housing stock. The first get

acculturated and as the years go by, they put interest on how to make a comfortable and successful city living.

2. Accommodation for the poor

the low income earners, fortune seekers and adventures who immigrates to the city with no person or relation to stay with often fund a slum areas more economic to secure accommodation.

3. Sources of unskilled and semi skilled labour.

The slum area usually provides affordable rental accommodations of these class of people most of who engage in menial jobs, brick lagers, apprentices etc.

4. Promotes group association

The members of slum area or district usually know each other, interest in close association fight for common cause nature the same attitude and sentiments to social situations and also they feel deposed and down-graded by those living well planned and elated areas.

5. Refuge or hideouts for criminals

Slum areas are notorious for harboring arch criminals, miscreants, people of questionable character, mean drug addicts, prostitutes, and characters which are threat to the society.

6. Sources of income for slum landlord

since the main reason for the continuous existence of slum dwellings is because the slum dwellers are not able to pay for better alternative accommodations, the slum landlords surprisingly charge high rents as a result of high demand despite the fact that these buildings are often not in tenable repairs. According to Bergel(1965), slum landlords are seriously in non profitable business.

2.6 SLUM AS A CRITICAL ENVIRONMENTAL PROBLEM

The sporadic growth of urban population has been blamed for the poor environment condition in most cities of the developing countries of the world. According to Ojikutu, population growth is inimical and a serious threat to healthy living and if not properly checked, it could result to unprecedented increase on slum area food poisoning and shortage, dysentery, cholera and malnutrition. He further opined that drinking water supplies, sewage disposal, refuse collection, disease prevention measures, and primary health care were minimal as a result of the trend.

2.7 THEORETICAL ASPECTS OF SLUM

a. Slum as a product of urban spiral to fringes: The word “sprawl” is a process of urban growth in which a city invades the surrounding hinter

kinds. In Obiagu area the growth of settlement could be referred to what Harvey and Clark (1965) called “frog sprawl”. They constructed that slums developed in the process of uncontrolled urban sprawl, composed of areas of essentially urban character located at the urban fringe or periphery but which are scattered or surrounded by or adjacent to undeveloped pre-exactly agro based village settlement.

b. Slum as a socio-cultural traditionalism Adepoje (1977) stated that some parts of Ibadan are typical slum area in the care of the city and in describing the more phonology of the area, he asserted that “the core area of Ibadan is made up of Chester of mid dwellings, mostly of old architectural design, juxtaposed chaotically and at a high density on the urban landscape (pp.425).

c. Slum as an institutional characteristics of urban development.

Turner (1972) restated and concerned with the view of Charles Abrams that perhaps, in the formation ears of industrialization, slum environment will be inevitable byproduct of the industrial environment like the abdominal distortion that precedes birth and growth.

Hence, Turner (1972) hypothesized, “that if the process producing autonomous settlement is essentially normal processes of urban growth, then

autonomous urban settlements are both the products of and the vehicle for activities which are essential in the process of urbanization.

The argument of Turner (1976) was to the effect that autonomous urban settlement (urbanized nearly native village) and any other parcel of land within the urbanized area which is subject to land tenure and free market economy is often liable to develop into a slum environment over time.

Thus, slum prevalence and settlements lead to be seen as an institutionalism characteristic of colonial urban development.

2.8 CONCEPT OF REAL ESTATE/PROPERTY DEVELOPMENT

The term development in the real estate profession may be defined in different perspective depending on the particular author in question. In this work, the term development in this regard will be defined as all necessary works carried out to bring about a completed new and or improved structures.

It is further defined as the carrying out of building, engineering mining or other operation in or under and or the making of any material change in the use of any buildings or other land (British town, and country planning act 1947), section 12(2) on the other hand, a developed land was defined by the Nigerian land use degree, 1978, section 50(91) as land where

there exists any physical improvements in the nature of road developments that may enhance the value of the land for industrial, agricultural or residential purposes.

2.8.1 TYPES OF PROPERTY AND CLASSIFICATION

Real estate or property development is therefore concerned with the physical and the economic process of assembling and organizing land, capital, human and other resources in the construction of various building/structures. This development construed by Weitnar, Hoyt and Bloomy is not only in terms of the physical process of land development, improvement, and building, as we may think, but it encompasses the physical, technological, financial, economic and managerial acts, that go into play in the transformation of units of real estate from one form to another. But one may be tempted to ask what constitutes a property or real estate. The word “property” or “real estate”, property, may be defined as an exclusive right to control an economic good. It is a concept that refers to the rights and obligations, privileges and restraints that govern the relations of man with respect to things of value what therefore is guaranteed to be one’s own, in a broad sense, a property? “This property may be defined as the things themselves which are the subject of ownership.

There are two types of property namely real property and personal property.

1. Real property: these are land and all things growing their on, or appurtenances there to and all rights or interests assuring out of or concerning the land.
2. Personal Property: movable property this include those properties that one possesses like cars, furniture and fitting etc. these are related to all things which are movable and are not real property for the purpose of this study attention shall be concentrated only on the real property

FORMS OF PROPERTY

Here are many things which qualify as properties but in this study, the discussion will be restricted to the real estate development

Those real estate developments of such properties are as follows:

- a. Residential properties
- b. Commercial properties
- c. Agricultural properties
- d. Recreational properties
- e. Industrial properties

Residential Properties

These all properties developed for occupational use, either exclusively by their owners or they may be rented or leased to tenants

Commercial Properties

These are properties developed for offices businesses, shops, stores, warehouses, markets etc.

Agricultural Properties

These are expenses of land or building allocated or developed for purpose of agricultural enterprises such as gracing flocks, poultry farms, feed mill production.

Recreational Properties

These are expenses of land or buildings allocated for recreation at purposes such as pick nicks, tourism, zoos etc.

2.8.2 PROPERTY VALUES

There is no one common definition of the word “VALUE” as there all many school or thought on the meaning. Hence many text writers have different approaches to the meaning of value. For a valuer, value means market value. It simply means an indicator of the power of a commodity to command other commodities in exchange ordinarily, the meaning of value is something of worth held at high esteem. Economists and Estate Surveyors

normally express value in monetary terms, which indicate the power of a commodity to command other commodities in exchange (Bello,2006), they are primarily concerned with both economic and market values and further use the term “value” in a very different context and with different adjectives to mean different things. Hence the terms: mortgage value, capital value, rental value etc. For an object or a commodity to have value, it must possess certain economic and legal characteristics. Therefore, for this research work, it is pertinent to understand what the term “Rental value” is all about.

Rental Value:

Rental value is a term that is used to describe the monetary amount that would be paid to rent a piece of property that is similar in nature to another property. The comparison allows for factors such as both properties offering similar amounts of square footage for both the structures on the property and the lot on which the structures were located, and the similarity in locations for both of the properties used in the comparison (Tantum, 1998). This approach is often used in the process of determining the fair market value of a given property, based on the current value of a similar property located in an equally desirable location.

2.9 CONCEPTS OF RENT

2.9.1 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 (1817), 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 Marshall (1890), 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 Berges (1978) “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.

2.9.2 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 Martinez (2008) 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 and existing lease in order to be granted the new lease,
3. Where the lessee contracted to carryout 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).

2.9.3 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.

Wingle (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 scare 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.

2.9.4 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 ₦50, 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.

2.9.5 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.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

In the course of this study, the researcher adopted the survey research design. The survey research method was employed because it involves collection of data to objectively describe the existing effects of slum on rental property values. Thus, it is aimed at determining the nature of the effects of slum as they affect rental property values as at the time of investigation. This design adopted as instruments of data collection, observation, questionnaires and interviews.

3.2 RESTATEMENT OF PROBLEMS

Obiagu is characterized by slum, where the structures are blighted, high level of occupancy mostly low income group, overcrowded under supply of public amenities bad roads etc. this is basis for this research work, trying to examine the effects of slum on the values of properties located their (Obiagu) and also to establish that slum development is the major setback in urban development

3.3 SOURCES OF DATA

There are basically two sources of data collection, namely; primary and secondary data.

Primary Data Collection

These are the data collected from questionnaires responses and oral interviews and also field observation.

Secondary Data Collection

This is another method of data collection employed and it includes information from books journals, newspapers, monographs and official documents.

3.4 POPULATION

According to sources from Nigerian population commission (NPC) final census result, Ogui layout which comprises of Asata, Coal Camp, Obiagu, new market etc the total population estimated was 41,237 (1991) projected to 47,600 (by 1996).

In the present day considering the geographical nature of the study area, a marginal growth rate of 2% was applied to using the formula $Pr = Po [1+r/100]^n \times 100$ where Pr = required population, Po = initial population, r =growth rate and n = time interval; in which 66,651 was arrived at as the estimated as at [2013].

3.5 SAMPLE SIZE AND SAMPLING TECHNIQUE

The sample size was determined with the formula $N/1+N(e)^2$. But however, it was practically impossible for the researcher to reach all the

people, and also considering the resources at his disposal in order to collect relevant data from them therefore a sample was taken, using stratified random sampling techniques owing to circumstances like time factor and financial constraints, a total of 135 respondents were selected.

3.6 DATA COLLECTION INSTRUMENT

The data collection instruments employed are oral interviews, personal observation and questionnaires and also review of vital literature and books.

3.7 DATA COLLECTION PROCEDURE

The nature of the environment was taken note of through observation, including the conditions of the public amenities, housing and other infrastructural facilities. Then, a total number of 135 questionnaires were distributed to the residents of Obiagu, which was divided among the 9 streets selected for this research and each 15 questionnaires were given out and the information that was collected from the questionnaire were analyzed to find out the appropriateness of the questionnaire items to the research questions and objective of the study. Then also oral interviews were conducted to land the validity to the information contained in the returned questionnaires. The representation was a very encouraging one.

3.8 METHOD OF DATA PRESENTATION AND ANALYSIS

Data collected from this research is presented in statistical tables. This descriptive method helps in understanding the phenomenon.

CHAPTER FOUR

4.0 PRESENTATION, ANALYSIS AND INTERPETATION OF DATA

Earlier in chapter 3 the collected data for this research was from primary sources and secondary sources. Primary sources which includes; oral interview questionnaires and filed survey. From secondary sources which includes; published and unpublished materials like journals, books, lecture notes newspapers, etc. therefore, in this chapter the researcher presented the data collected and analyzed it.

4.1 PRESENTATION OF BASE DATA

The researcher took a selection from 9 streets from Obiagu and over a hundred and thirty five [135] questionnaire were distributed of which 15 was distributed to each street [see table 4.1]

.4.1 Presentation of Data on Location of Streets.

S/No	Name of Street
1	Ovim street
2	Udorji Street
3	Onyuike Street
4	Ebe Lane
5	Ani street
6	Uli street
7	Akuruka street
8	Orifite street
9	Ugwu street

Source; filed work (2013)

From the above table nine streets were chosen from Obiagu due to the nature of the area. Concentration will be focused only on the chosen streets.

Table 4.2 Response from Respondents to Questionnaire Distributed

Street studied	Questionnaires shared	No of questionnaires Collected
Ovim street	15	13
Udorji street	15	15
Onyuike	15	14
Ebe lane	15	15
Ani street	15	15
Uli street	15	14
Akuruka street	15	12
Orifite street	15	15
Ugwu street	15	13
Total	135	126

Source field work (2013)

From the table 4.2. 93.33% was the total percentage distributed in Obiagu in which 135 questionnaires were distributed and 126 was collected. From this we can see that Udorji street, Ani street Ebe lane, Orifite street has the highest responses from the whole of Obiagu.

4.2 PRESENTATION OF DATA ON LEVEL OF DETERIORATION WITHIN THE AREA

The researcher used the multiple index methods to ascertain the result on the level of deterioration. This methods is defined as the method employed in finding out the planning action to use in urban renewal i.e. whether conservation, rehabilitation or Clearance.

In this case some factors or characteristics are selected that are relevant to the problem. They are selected and studied and compared with the city level. The various characteristics have their own indexes. These indexes are computed for arithmetic mean. In table 4.3 below are the factors that might be considered in a residential area.

4.3 MULTIPLE INDEX TABLE FOR OBIAGU

4.3 s/No	Factors	% of area study	% of base city (Enugu) Level	Indexes
1	% of household with an income a grade level 01	80	40	200.0
2	Room density	8	30	26.6
3	% of household without electricity	35	20	175.0

4	% of household without pipe borne water supply	95	32	296.8
5	% of household without water borne sanitation	85	48	177.0
6	% of household living in temporary structures	95	50	190.0
			TOTAL	1065.4

Source field work (2013)

$$\text{Multiple index formular} = \frac{\% \text{ Area of Study}}{\% \text{ of city base}} \times \frac{100}{1}$$

$$\text{Arithmetic mean for factors: } \frac{1065.4}{2} = 532.7$$

Therefore the multiple index for study area is 532.7

The planning action stipulates that multiple index equal to or less than 75 is for conservation, 76 to 124 for rehabilitation and anything greater than 125 is for clearance, hence Obiagu should be earmarked for clearance. That is to say that Obiagu is a slum and needs to be cleared and redeveloped

4.3 PRESENTATION OF DATA ON RENTAL PROPERTY VALUES

The table below assesses the rent passing in Obiagu and the surrounding neighborhoods to determine actually the effects of slum on property values when compared with Independence Layout, Trans-Ekulu and G.R.A.

Table 4.3.2 Presentation of data on rental values in Obiagu and other layouts

Location	Description of Property	Rent Passing
Obiagu, Asata Coal camp, etc	Flats	N160,000p.a
	Shops	N 60,000p.a
	Office space	N 80,000p.a
Independence Layout	Flats	N500, 000p.a
	Duplex	N 1,500,00p.a
	Office space	N 800, 000p.a
	Shops	N 300, 000p.a
Trans-Ekulu	Flats	N 400,000p.a
	duplex	N 600,000p.a
	Bungalow	N 450, 000p.a
G.R.A	Flats	N500, 000p.a
	Duplex	N800, 000p.a
	Bungalow	N 450, 000p.a
	Shops	N 300, 000p.a

Sources field work (2013).

From the above you will notice that the rental values of the other layout are quite higher than the ones in Obiagu, Coal Camp, Asata area. The reason is because the properties in Obiagu and its environs are in a slum area and that brings the essence of cons value in rent

4.4 PRESENTATION OF DATA ON EFFECTS OF SLUM ON PROPERTY VALUES

Based on the third research question which states that, will investment in real estate and property market transactions in Obiagu be a viable venture? The table below shows the response to the question from the streets that over 135 questionnaires were distributed and it is hence tabulated.

Table 4.3.5 Result of responses from the respondents on the questionnaire distributed

Location	yes	No	Total
Ovim street	10	3	13
Udorji street	13	2	15
Onyuike street	8	6	14
Ebe lane	5	10	15
Ani street	12	13	15
Uli street	13	1	4
Akunike street	8	4	12
Orifite street	7	8	15
Ugwu street	10	3	13
Total	86	40	126

Sources filed work (2013).

From the above table the member of people that answered yes was 68.2% and those that answered No were 31.7%.

4.5 PRESENTATION OF DATA ON THE CAUSES OF SLUM IN THE STUDY AREA

Table 4.4 Response on the causes of slum in the study area

<i>S/No.</i>	<i>CAUSES</i>	<i>NO OF RESPONSE</i>
<i>1</i>	<i>Overcrowding</i>	<i>15</i>
<i>2</i>	<i>Neglect</i>	<i>10</i>
<i>3</i>	<i>Unplanned development</i>	<i>18</i>
<i>4</i>	<i>Lack of infrastructural facilities</i>	<i>8</i>
<i>5</i>	<i>Improper disposal of waste</i>	<i>11</i>
<i>6</i>	<i>All of the above</i>	<i>64</i>

Source: field work (2013)

From the table above; 126 questionnaires collected, 15 persons believed that overcrowding is the actual cause of slum in Obiagu, 10 persons chose neglect, 18 persons chose unplanned development, and 8 persons chose lack of infrastructural facilities, 11 persons improper disposal of waste while 64 persons believed that all these lead to the development of slum in Obiagu area.

CHAPTER FIVE

5.0 SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 SUMMARY OF FINDINGS

This chapter includes all the things unearthed in the course of the study in a summary, then the various things that were investigated that leads to depreciation in property values in estate environment in order to eradicated the problems in this research work, enabling recommendations shall be put forward by way of possible strategies for developing the slum neighborhood of Obiagu area, in other to improve the estate values.

Thus, the findings would be summaries in three perspectives namely physical, social and economic perspective.

Physical perspective

Based on the physical perspective it was discovered that the properties in Obiagu are quite old and outdated. Some of the properties are more than 50 years which brought about its low property value. Most of the tenants there have been occupying the properties for more than 10years.

Some areas in Obiagu lack quite a lot of social amenities especially good roads and pipe borne water and improper waste disposal.

Social Perspective

There is quite a high level of occupancy and this affect property values in the area also in turn bring about environmental degradation and worn out of the facilities in the areas.

Economic Perspective

The major economic activity in the area is market that is where you have Afia⁹ in the area, both local settlers do their trading around there generally, it is being inhabited by low income earners, squatters, apprentices, students and daily paid labors etc. with the rate of this low income by the occupants of this area, it is very difficult for the landlords to renovate their buildings. With the tenants being in the property for quite a very long time, it has not been easy for the landlords to evict their tenants for renovation sake, hence brings about low returns, slum in the area and in turn depreciate property value.

5.2 RECOMMENDATIONS

Obiagu area is a deteriorating area with a squalid urban environment; this results to low property value in the area. There is a visible picture of unregulated and chaotic organization of urban landscape.

There is a big necessity for this area to be reorganized in order to reduce the increase of slum in the area and then planning policies has to be formulated so as to prevent future occurrence.

More so, drainages and urban renewal should be employed in the area, thereby demolishing dilapidated structure and also a mandatory remodernization of the old structures should be encouraged. The roads should be tarred and alternative routes created in order to open up the area.

Furthermore, it is recommended that the government should redevelop the area, by relocating the inhabitants and then build low cost houses for the inhabitants. Also for the property owners, a low interest or non interest credits should be provided for them in order to encourage them to renovate their properties.

With these recommendations, Obiagu area will experience a big transformation from slum area to a developed town and enabling environment will be created for inhabitants to leave a healthy life.

5.3 CONCLUSION

In the introductory part of this research, it was mentioned that the organization of slum in Obiagu started during the colonial era, and this brought about uncontrollable development in the area that in turn generated to slum. This therefore necessitated this study, slum development has reached an alarming state in the study area thereby reducing the value of rental properties in the area, poor living condition, inharmonious and conflicting uses of land, environmental degradation, congestion and among others.

Sequel to the foregoing, the government, individual property owners, and the town planning authorities should play their individual and constitution role under to eradicate their slum development in the study area, hence put a stop to nuisance and environmental degradation and other circumstance associated with it, so that the area can develop into an environment free from dirt and blight and that brings rise to the saying “A healthy environment, a wealthy people”.

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APPENDIX

Full in the blank space or thick [] the appropriate response to each of the questions below.

1. Street name of the respondents
2. Are you the landlord or tenants?
Landlord [] tenant []
3. Which of the residential neighborhood do you reside in the study area? Obiagu [] Asata []
Coal Camp []
4. For how long have you been resident here?
Under 2 years [] 2 – 5 yrs []
6 – 10 years [] 11 - 15 years []
over 15 years []
5. How many are you in the family?
1 – 5 [] 6 – 11 [] 12 – 17 []
18 and above []
6. How many families/households are in this buildings?
2 – 3 [] 4 – 5 []
6 - 7 [] 8-9 []

7. What is your occupation?
- Trade petty [] student []
- Apprentice [] civil servant []
8. What is the level of your family annual income?
- N1000 – 12,000 [] N13,000 – 18,000 []
- N19,000 – 25,000 [] N26,000 – 45,000 []
- N60,000 and above []
9. Is there any significant manifestation of slum in the study area when compared with other surrounding area?
- Yes [] No []
10. What is the major mode of transportation available to members of various households in the estate environment?
- Walking [] private car []
- Public transport [] bicycle []
11. What type of house does your family live in?
- Bungalow [] Duplex []
- Tenement / Room [] Detached house []
- Semi – Detached housing [] Mansion []
12. What is the age of the building?
- Less than 10 yrs [] 10 – 12 yrs []

Above 12 []

13. What is the possible cause of slum in this area?

Overcrowding [] neglect []

Unplanned development [] lack of infrastructural facilities []

Improper disposal of waste [] all of the above []