

## The Effect of Socio-Economic Activities of Trends in Values of Residential Properties in Apapa, Lagos, Nigeria.

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### Abstract

**Keyword:** Rental Value, Trends , Socio-Economic Activities, Residential Properties

*Rental values of residential property should be expected to vary with different socio-economic activities in different location in the country. This paper reports the assessment of trends in rental values of residential properties based on commercial activities inline with import and export (sea port) of goods in the location. A Questionnaire survey was conducted in the study area to 304 of residents(i.e 267) and estate surveyors and valuers (i.e 36) by systematic random sampling technique to get information on values of various residential properties with differences design and conditions of the properties which contributed to values. The finding specify that 45% of the resident dwell in tenement building, 20% dwell in mini flat, 5% in self contain, 13% in 2 bedroom flats, 5% in 3 bedroom flats, 2%in bungalow, 3% on duplex and 1% on detached house with old design. The study recommends that government should decentralise the sea port, and introduce tenement act that will effective to the nation..*

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### Introduction

The increase in land use of various types of properties in real estate investment generally have given rise to high rental values of properties in the locations. The continuous increase in properties uses filled by substantial migration owing to over population in any location or part of the worlds. The effect of this high

use of land or landed properties in that there is always a continuous increase in the value of properties in any area. Moreover, several factors do affect the values of real property. These includes physical factor, economical social, political and environmental factors. In all these which further to their discussion, some factors have more effects than the other.

Physical factor is the factor that best describe the physical appearance or a property in terms of the design and life circle, availability of certain service such as water, boiler, electricity, garden and security. The economic factor is based on the reasonable significant influence of properties values in a favorable economic situation of many activities that tends to yield returns consecutively. Rate of (increase or decrease) demands for landed properties, ranges from supply of properties, level of employment, availability of mortgage loans facilities, low interest rate couple with low tax burdens on property incomes are economic measures that have great influence on property values social factors are the role of the socio-activities that control human social behaviour which coordinate their mode of interaction and cooperation within the society.

Political factors are government laws that intervene in the public use of land in a way that will benefit them. Example is the rent control edict. Finally, the environmental factor simply describes the location of a property, the neighbourhood and population phenomenal (increase and decrease) which may cause positive or negative effect to the values of such properties.

The general view of an urban are comprise of all those factors which required the concentration of people, buildings, machines and the desire to acquire cloth and shelters. Also, it comprise of unit of social life and the economic organization which is the aggregate of smaller unit that have a district character playing a special role in the life if a city as a whole. The socio economic factors are most vital issues that play or have an effect on real property market. To determine the way the real property will operate, taking into consideration the investment to be made which can be in long or short run period, have direct influence on the property value in a particular area. These socio-economic factors to market activities are determined by the income level, cultural, value, religious beliefs of the people, education, technology, standard of living taxation, population size, the taste and fashion of the person in question.

## **STATEMENT OF RESEARCH PROBLEM**

Generally, real property value has always been influenced by socio-economic factors in most particular location. The fact that economic factors and social

activities have major contribution in force of supply and demand of land and landed resources in most location in Nigeria like apapa lagos. This force of supply and demand request for values(rental and capital value) of properties. In most case, the activities in conjunction with location and natural phenomena may add to trend in properties values in situation of apapa environment. With this ,It as been observed that there had been relative impact of the socio-economic factors on the significant growth in the provision of the commercial and residential property market in the light apapa; this study is faced with the following questions:

1. Has there been upward or downward in rental values over the previous period?
2. What are the trends in rental values of residential properties?
3. What role does the socio-economic factor played within these changes of values?

#### **AIM AND OBJECTIVES:**

The aim of the research is to examine the effect of the socio-economic trends in rental value of residential properties with specific objectives are to:

1. To identify the residential properties within the study area
2. To examine the values of properties within the location of Apapa.
3. To assess the effect of socio-economic factors on these trends.
4. To determined the trends in value between 2009 – 2018.

#### **RESEARCH METHODOLOGY**

In carryout a research work, it is essential as well as paramount to adopt certain method or strategies and techniques in order to achieve what the research was set out for. From 3840 residential building in apapa, lagos, Copies of questionnaires were administered to 5% (192) and 3.5% (134.4) was carefully retrieved and when the retrieved was on some observation were noted base on the social activities which call for excess demand to supply of properties. Also interview was conducted to know more on social factors that constitute rise in residential properties values.

#### **CONCEPT OF VALUE**

This concept of value was adopted by a trio or scholars such as Kari and Menger (1921) held that the value of any goods or product was determine by the

marginal utility of the last unit essential to most demand irrespective of the cost necessary in its production. Von wiser (1851) also adds interest in the measurement of time preference for the immediate use or consumption of capital and present value as discounted sum of future right to capital income. Generally, value is the utilities or satisfaction which a goods or services offers which will determine worth of the goods and services.

### **OPEN MARKET CONCEPT OF VALUES**

Open market concept of value according to the Royal Institution of Chartered Surveyors (RICS) 1982, defines market value as the best price at which an interest in a property might reasonably be expected to be sold by private treaty at the date of valuation, assuming:

- (a) A willing seller and able buyer.
- (b) A reasonable period within which to negotiate the sale, taking into account the nature of the property and the state of the market.
- (c) Value all remain static through the period
- (d) The property will be freely exposed to the market.
- (e) No account is to be taken for an additional bid by a special purchasers.

### **CONCEPT OF RENT**

Rent is the periodic payment for the use of another property (Bar lowe 1958). This payment could be made weekly, monthly or yearly depending on the terms and conditions of the lease and the agreement between the lessee and the lessor.

### **CONTRACT RENT**

This is the actual payment tenants (lessee) make for their use of the property of others. The amount of rent payable is usually agreed to by both the landlord and the tenant through negotiations. This, it evolves from mutual contractual agreement between the two parties involved (Kuye 2009).

### **ECONOMIC RENT**

Economic rent is also an economic concept and may be defined as a short – run economic surplus that a productive factor or an operator can earn because of unexpected demand or supply conditions. It is also being referred to as surplus income that a productive factor can make or earn, due to sudden or unexpected circumstances.

### **GROUND RENT**

Kuye, (2009) explain ground rent as the rent paid by the lessee to the lessor for a bare but developable land. It is also the rent that is paid where a lessee

acquires a ground lease from the government. This came into being from the natural sequence of society development in its spatial and land use dimension which started with agriculture and development into intermediate accommodation uses. It is regarded as periodic payment/amount being paid by a lessor to his superior landlord for the use of that land.

### **FACTORS AFFECTING PROPERTY VALUES**

Apart from the interaction of supply and demand, certain factors also have significant impact on the operation of either supply or demand and subsequently influence property value, Oyebanji (2003).

These factors are:

- (a) Population changes, Changes in fashion and taste:
- (b) Institutional factor, Technological factor
- (c) Economic factor:
- (d) Location:

### **RIGHTS AND INTEREST IN REAL ESTATE**

Since property itself cannot be owned, except the interest in it make it possible that there may be many owners having different interest in piece of property, each owned by different people. There are major types of interest existing in real property as stated below:

Freehold interest: Kuye (2009), defined the freehold interest as a property which owner holds absolutely and in perpetuity. The freeholder is inherently the absolute owner of the property and is sometimes said to be able to do what he likes with his land subject only to the general law of the land .In Nigeria nowadays it is only the government that owns land as freeholder what individual, cooperate body among others posses is leasehold that is according to the Land Use Act of 1978

Leasehold interest: Salau &Shittu-Gbeko (2004), refers leasehold as term of year absolute in possession. This interest is created for a specific period of time.

### **FACTORS RESPONSIBLE FOR INCREASE IN RENTAL VALUES OF PROPERTIES**

From onset of real estate value, there are various factors that are responsible for increase in rental value of any property which are as follows ,demand factor, supply factors, government decision, Location factors, Neighborhood Activities and Infrasture Facilities.

**RENTAL VALUE OF RESIDENTIAL PROPERTIES IN APAPA, LAGOS FOR 10 YEARS (2009 – 2018)**

RESIDENTIAL PROPERTIES	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
TENEMENT / ROOM	60,000	70,000	75,000	90,000	100,000	120,000	130,000	130,000	140,000	150,000
SELFCONTAINING	100,000	110,000	120,000	130,000	150,000	180,000	180,000	200,000	220,000	250,000
MINI FLATS	120,000	120,000	140,000	140,000	250,000	280,000	300,000	300,000	350,000	400,000
2BEDROOM FLATS	220,000	250,000	300,000	400,000	500,000	600,000	650,000	700,000	750,000	800,000
3BEDROOM FLATS	300,000	350,000	450,000	500,000	650,000	700,000	800,000	800,000	850,000	1,000,000
BUNGALOWS	1,000,000	1,000,000	1,200,000	1,200,000	1,500,000	1,500,000	1,700,000	1,800,000	2,000,000	2,200,000
DUPLEXS	800,000	800,000	1,000,000	1,200,000	1,300,000	1,500,000	1,800,000	2,000,000	2,000,000	2,000,000
SEMI DETACHED HOUSES	1,200,000	1,200,000	1,400,000	1,500,000	1,800,000	2,000,000	2,200,000	2,200,000	2,500,000	2,500,000
DETACHED HOUSES	1,500,000	1,500,000	1,800,000	2,000,000	2,500,000	2,500,000	2,800,000	3,000,000	3,200,000	3,500,000

Source: Author Field Survey 2019

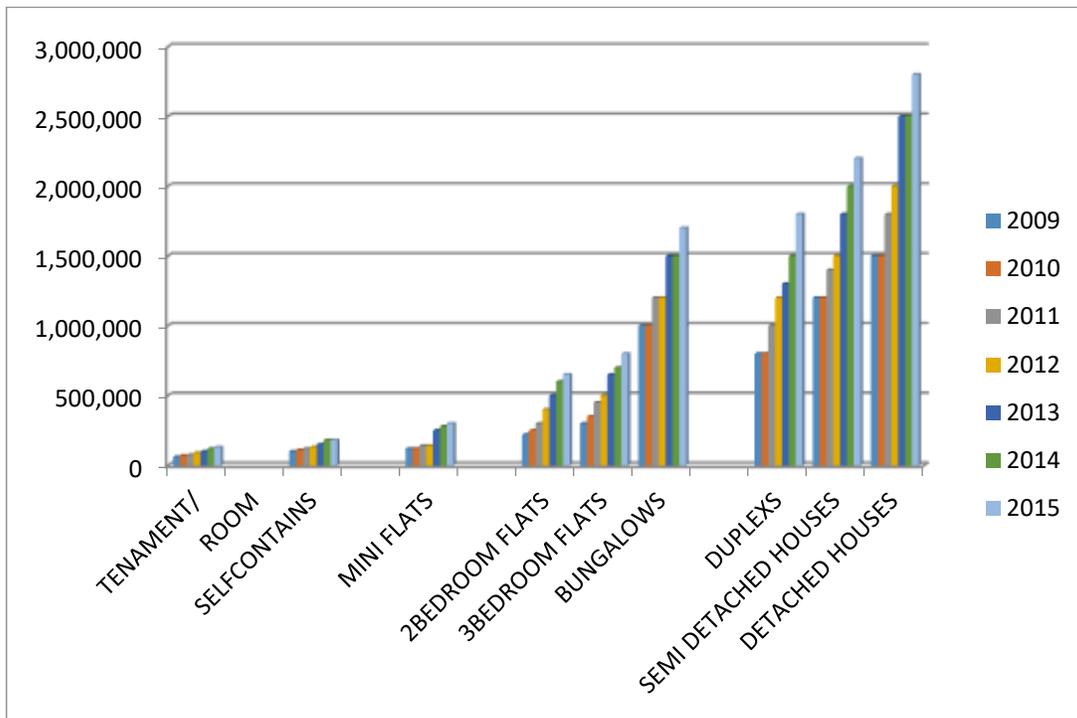
The analysis in the table above illustrate the rental value of residential properties in apapa environment. Although the value of each properties are varies base on location closer to the sea port (tinker island). The values of properties closer to sea port are high compare to those distances from sea port and for this the average value were use in representing the value of each property. For derived the average values of each property, the formula were adopted and presented inform of chart below

$$\text{Average Value} = \frac{\text{highest value} + \text{lowest value}}{\text{Two}}$$

$$\text{Or}$$

$$\frac{H+L}{2}$$

$$\text{Average Value} =$$



Source: Author Field Survey 2019

### THE TRENDS IN RENTAL VALUES OF RESIDENTIAL PROPERTIES IN APAPA LAGOS NIGERIA FOR 2009 – 2018

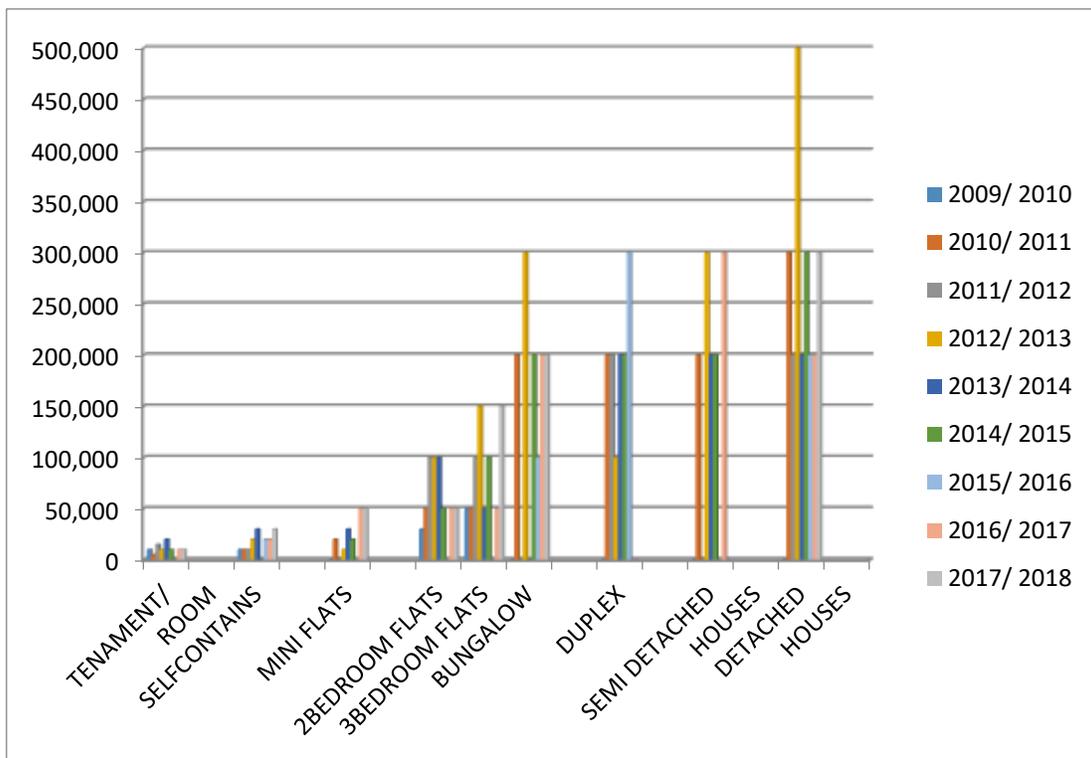
The table below analysis the trends in rental values of the residential properties in apapa and it is justify with values of rental values analysis from years from the table above.

RESIDENTIAL PROPERTIES	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
TENAMENT/ ROOM	10,000	5,000	15,000	10,000	20,000	10,000	-----	10,000	10,000
SELFCONTAINS	10,000	10,000	10,000	20,000	30,000	-----	20,000	20,000	30,000
MINI FLATS	-----	20,000	-----	10,000	30,000	20,000	-----	50,000	50,000
2BEDROOM FLATS	30,000	50,000	100,000	100,000	100,000	50,000	-----	50,000	50,000
3BEDROOM FLATS	50,000	50,000	100,000	150,000	50,000	100,000	-----	50,000	150,000
BUNGALOW	-----	200,000	-----	300,000	-----	200,000	100,000	200,000	200,000
DUPLEX	-----	200,000	200,000	100,000	200,000	200,000	300,000	-----	-----

SEMI DETACHED HOUSES	-----	200,000	300,000	300,000	200,000	200,000	-----	300,000	-----
DETACHED HOUSES	-----	300,000	200,000	500,000	200,000	300,000	200,000	200,000	300,000

Source: Author Field Survey 2019

The table above illustrate the trends the rental values of the residential properties from 2009 – 2018 which the trends were detained by subtracting year from year. And it is presented in form of chart below



Source: Author Field Survey 2019

### ANALYSIS OF TRENDS IN RENTAL VALUES OF RESIDENTIAL PROPERTY IN APAPA, LAGOS

In analyzing the trends in rental values of properties apapa it was observed that:

1. Demand for properties along apapa is high and thereby causes high rental values.
2. Values of landed properties are double between 2009 to 2018 and currently the landed properties command high values along the road.

3. All the residential properties in apapa have benefited from commercial activities being carried out along the road although residential properties still exist.

### **REASONS FOR INCREMENT IN RENTAL VALUE OF RESIDENTIAL PROPERTY**

The following reasons was promulgated for the existing situation In apapa as regards rental values trends

1. The location
2. State of repairs in term of construction
3. Facilities and services that abound in specific properties and along the road such as good road, sewage disposal, water etc.
4. The age of the property
5. Influx of people to the area for commercial activities

### **DISCUSSION OF FINDINGS**

Trends in rental value of various properties is simply the frequent of occasional changes in value of properties. The main objectives of this project are to determine the trend in rental values of property, a case study of apapa Lagos Nigeria. with data analysis, some revealed of findings were discover and discuss:

1. The demand the residential properties are not met by supply in apapa environment because of the huge amount of money involved in developments of landed properties coupled with high interest rate and cost of borrowing.
2. The demand of residential properties in apapa is impressively on the high side base on commercial activities in the area.
3. The reason for difference in rental value of properties in the study area between the reviewed periods could be drawn simply from the time value of money which has been the naira losing strength.
4. The general trends in rental value of residential property from the past few years is on the upward climb.

### **CONCLUSION**

This research work has revealed the socio-economic effects of trends in rental value of property in apapa lagos. The principal factor identified to be affecting

rent passing on these residential properties are consider under four categories viz: **Integral, Economic, Demand and Supply factors** while the general level of value in the neighborhood is determine by situational factors of the environment.

## **RECOMMENDATIONS**

Determination of trends in rental value of properties in apapa is by no means a task worth undertaken to provide tools for contemporary evolutions. Estate Surveyors and Valuers in their various assignments can equally assist developers to make right decisions, giving the constraints and limited financial base with the following recommendation

1. More research work from the academic community and the professional body should be encouraged. The attitude of professional colleagues in estate business is not encouraging at all.
2. The massive devaluation of the nation's currency and
3. economic deregulation should be addressed urgently. A stable economy will definitely provide a good environment for better rental and capital value.
4. Estate surveyors/developers should not concentrate solely in Apapa enviroment for building of residential property only.
5. Government should allowed the Lagos Rent Edit to function enhance rental value of property
6. Gorvernment should decentralise see port in the country.

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