THE EFFECT OF URBAN RENEWAL ON COMMERCIAL PROPERTY VALUE IN ADO AND IKERE EKITI.

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Introduction

Urban renewal is a process where by a neighbourhood in or near an urban area is transformed by demolishing old structures, renovating or building some structures, building new and modern structures and infrastructures that redefine the neighbourhoods. The components of urban renewal include city expansion, redevelopment, comprehensive road development, redesigning and beautification of settlement layout, upgrading of facilities and public goods and services, repair, construction and silting of drainage system within an urban centre, and enforcing slum upgrading and city development (Olanipekun ,2010).

Although, most towns in Nigeria are experiencing these urban renewal components but the rates of increase in urbanization and poverty are militating against these developments. The situation in Ado is not different, with burgeoning and expanding

ABSTRACT

Urban renewal brings changes the urban environment and makes the living and working condition better for the inhabitant as well as improving the value of properties within the affected neighbourhood. It was on this basis that this work sets out to effect of urban renewal on commercial property value in Ado and Ikere Ekiti. and also to

cities confronted with colossal environme ntal problems of matching the provision of urban infrastructural facilities and services with their levels of demand. When a city is experiencing environmental problems, the city could be said to be decayed (Mabogunje, 1968; Okoye, 1979 and Abumere, 1985). This prevailing urban situation calls for an urgent action to suppress the tide of the decay which could lead to decline in property values (Diya, 1988). Several factors influence the value of property in urban area such as security, accessibility, location, utility, complementary, adjoining properties, durability, intensity of use, infrastructural facilities and more importantly level of urban renewal exercise over the years, renewal exercise have been played down by all level of government such as Federal Government, The State Government and the Local government even by Private owners because they are largely ignorant of the fact that a determinant of property values is the availability of renewal exercise.

evaluate the urban renewal approach adopted in the study area. A well-structured questionnaire was administered on selected shop and office owners and estate valuer Ado and Ikere Ekiti using the Simple Random Sampling Technique. The retrieved questionnaires were analyzed using descriptive (mean value techniques). Also the weighted rent/m² of commercial properties was also determined. The research findings reveal that there was an increase in commercial property value as result as a result urban renewal process carried out in the study area. This study therefore recommends that the shops and office owners should be enlight`ened on the importance of maintenance culture so as to conserve the facilities already put in place and also state government should embark on comprehensive rehabilitation of all infrastructures instead of concentrating on road network and drainages only in the neighbourhoods.

Keywords: *Commercial, Property, Urban , Renewal, Value.*

Rental values have become a key indicator for estimating real property performance and it affects most parts of commercial property development (Boon and Higgins 2007; Udoekanem *et al.,*2014). Major actors in the property market often appraise the viability of real estate development based on the rental values. However, since the middle of the 20th century, property owners have struggled to identify the basic factors that influence property prices in the global housing market (Fernandez *et al.*, 2011). To an office owner, he needs to pay rent in order to use a space for his business, for a commercial bank he pays rent in a very good location where the value of its money can be achieved. To an investor in Real Estate, the motive of owing commercial property would be to collect rent in its already constructed property while an Estate Surveyor and Valuer ensures that rent collected is optimized (Udoekaneman *et al.* 2014). It is for this reason that this research sought to evaluate the effect of urban renewal on residential property value in Ado Ekiti (A Case Study of Ado and Ikere). This study will focus on evaluation of the urban renewal approaches adopted, rent passing on commercial properties in the study area and rental differentials between Ado and Ikere towns as result of urban renewal exercise.

Urban Renewal and Commercial Property Values in Ado
Urban renewal is a deliberate effort to change the urban environment through planned, large scale adjustment of existing city areas to present future requirements for urban living and working (Mabogunje, 1968). Egunjobi (1987) sees it as an inescapable response to the decaying nature of ageing cities. Agbola (1985, 1987, and 1997) studies reveals urban renewal as "a relatively comprehensive community redevelopment programme through which a particular city seeks to refashion and rebuild the physical structures of a particular segment of the city in order to enable it cope with the many problems confronting it". The views of the different authors are not at variance with one another. What is central to them is the fact that rather than being an end in itself, urban renewal is a process of correcting certain anomalies of cities towards achieving a desirable and environmental socio-economic end which have

the tendency of enhancing the values of properties in the vicinity menace of a slum.

In the case of Manyatta slum, Huchzermeyer (2006) showed that immediately after the improvement of the urban upgrading project, the price of land shot up by more than 500%.

Mukhijia (2000) in his study noted that increase in property values was in expectation of the more valuable housing that was as a result of the upgrading programme. Potentially high property values not only open-up the possibility of cross-subsidy, they also suggest options that are typically not considered by policy-makers in upgrading. Also, Mukhijia (2002) studied slum Upgrading and Property values and the result revealed that property values increased significantly as a result of upgrading exercise. Igbinosa (2011), discovered that factors like property features such as property category (detached or semi-detached house etc.) Neighborhood attractiveness (highly, fairly or poorly attractive etc.) number of bathrooms, dimension of land, the age of property, property type (mansion, tenant house etc.) and neighborhood have significant influence on property investment decision. He concludes that property developers should focus more on property features as they have a greater impact on market values for efficient valuation, improved quality of their sales/ purchase decisions.

Fidelis and Chinedu (2011), in their study, discovered constraints facing real estate development investment in Nigeria ranging from shortage of finance, institutional factors such as the effect of the Land Use Decree and Rent control, edicts, shortage and high cost of building materials, manpower and management problems.

Development projects abandonment as earlier theorized involve the complete absconding from accomplishing a project objective, and when this happen, all the social, environmental and economic activities that expects to be supported by the new products and services provision are detracted. The general effects are assumed to include: waste of resources; declining in property value; loss of community and neighborhoods aesthetics values (Efenudu, 2010).

In the case of the declining real properties and its value, Efenudu (2010) suggested that project abandonment affects properties within a

neighborhood by lowering property values. This value loss or reduction is related to the property total value such as the market value, which is the value at which a property would bring when determined by the open market. Others are the property value in use, the property investment value, the property liquidation value, the assessed value of the property, the insurable property value and the property going concern value. Also, there is a loss on community and neighborhood aesthetics characteristics which the anticipated development projects on completion ought to provide to enhancing the built environment. But, the unattractive nature of the property as a result of a lack of the needed facilities has remained incessant in the Nigeria economy.

Ekemode (2019), carried out a research on impact of urban regeneration on commercial property values in Osogbo, Osun State, Nigeria. e findings showed that physical urban infrastructure such as roads, drainages, water supply and wastes disposal have been upgraded in the study area. Also, the study established that the urban regeneration programme had significant impact on the rental values of commercial properties in Osogbo, arising from the statistically significant difference ($F_{(7, 600)} = 22.264$, $p < 0.000$) between and within annual rental values of commercial properties in the study area. The annual rental values of the commercial properties also exhibited considerable variation based on the Duncan post hoc test.

Materials and Method

This research work was conducted in three phases: Data Acquisition, Analysis and Post analysis phases respectively. The first phase is the information and data gathering phase. Here, important data required to carrying out the research which are both primary and secondary data were collected. The primary data was collected through a structured questionnaire. Whereas, secondary data was collected from books, textbooks, online articles, journals, etc. This study used structured questions in order to collect data from respondents. Data analysis was done through various statistical tools, through SPSS and Excel. The data required for this analysis comprised of rental values of commercial properties. Rent/m² of commercial property (rental value/m² of both

shop and offices properties between 2009 and 2019) were sourced directly from registered estate surveyors and valuers. The weighted rent/m^2 of commercial properties was then determined.

Result and Discussion

Evaluation of the urban renewal approaches adopted in the Ado and Ikere Ekiti

In this section, a five (5) – point Likert Scale technique was used to evaluate the urban renewal approaches applied in the study areas. Findings from the field survey reveal the mean score for the urban renewal approaches adopted in the study areas as shown in table 1 reveals. Rehabilitation with a mean score of 4.50 are the most significant approached adopted ranked in the 1st. Followed by, conversion in the 2nd position with a mean score 4.20. Also redevelopment was ranked 3rd with a MIS of 3.90 Renovation, and gentrification were 4th and 5th with a mean score of 3.60 and 3.30 respectively. Finally, preservation, is least significant urban renewal approaches adopted ranked 6th with a mean score of 3.30. This is in conformity with the findings of Omole (2000), Egunjobi (1987), bello and Nwosu (2011), that Rehabilitation/Upgrading is the best option when renewing an area that is deteriorated.

Table 1: Urban Renewal Approaches

Urban Renewal Approaches	Mean	Rank
Rehabilitation	4.50	1st
Conversion	4.20	2nd
Redevelopment	3.90	3rd
Renovation	3.60	4th
Gentrification	3.30	5th
Preservation	3.30	6th

Source: author's field work (2019)

Rent Passing on Commercial properties in the study area as result of urban renewal

Table 2 shows the trend in rent/M^2 of commercial property in Ado and Ikere. Shops in Ado and Ikere operated on average of ₦5, 000 /m^2- ₦8,

000/m² from 2010 to 2019. Also, office properties operated on average of ₦9000/m²- ₦16, 000/m² which was almost twice the price of space occupied by shop properties from 2013-2019. This result further showed that office commercial rental value in Ado is better than that of Ikere but shop commercial property operated on the single value, 2018 comprised year of highest rental value /m². This further signifies that rent/m² of offices is higher that rent / square of commercial shop property. In other words, commercial shop properties in Ado and Ikere had lower value than office commercial properties. The rent in Ado may be higher because the infrastructural facilities in that location is better than what obtains in ikere. In addition, Ado is the state capital hence the higher rental value Ado. This affirms the position of Baltagi *et al.* (2015), who posited that rental values are influenced by infrastructural development (urban renewal).

Table 2:   Rent Passing on Commercial Properties in the Study Area

	Ado (₦/M²)		Ikere(₦/M²)	
Years	Shop	Office	Shop	Office
2010	5.0	11.3	5.6	9.1
2011	5.1	11.5	5.7	9.7
2012	5.4	12.2	5.8	9.9
2013	6.5	12.6	6.2	11.2
2014	6.5	13.7	6.5	11.8
2015	6.7	13.9	6.8	12.9
2016	7.5	14.4	7.4	13.7
2017	7.8	15.1	7.7	13.9
2018	7.9	15.8	8.3	13.8
2019	8.3	16.5	8.6	14.0

Source: author's field work (2019)

Rental Differentials between Ado and Ikere Towns as result of urban renewal exercise

The growth in commercial property investment presented in Table 3 revealed that annual change in rental growth in commercial property investment in Ado and Ikere on and before the urban renewal exercises.

Annual growth rate showed better commercial property investment in the study area. The result revealed that annual rental growth of shop properties in Ado had highest growth in 2019 at 18.35%. This may be due to the fact that urban renewal exercise recently carried out is the state capital. Both shop and office commercial properties performed better in Ado than Ikere at average growth rate of 5.2% and 4.1%. This points to the fact that Ado has more corporate organizations than Ikere. This also could be attributed to being the state capital.

Table 3: Rental growth in Commercial Property Investment in Ado and ikere

	Ado(%)		Ikere (%)	
years	Shop	Office	Shop	Office
2010	0	0	0	0
2011	2.4	1.8	1.6	5.2
2012	5.8	1.7	2.1	5.1
2013	4.9	0.8	3.6	3.8
2014	0.2	1.8	1.4	4.8
2015	2.8	1.6	3.3	4.3
2016	11.9	12.1	10.0	4.1
2017	3.9	6.4	2.9	3.4
2018	1.4	10.5	7.9	3.8
2019	18.4	3.9	4.6	2.3
Average rental growth	5.2	4.1	3.8	3.7

Source: author's field work (2019)

Conclusion and Recommendation

The Urban Renewal exercise undertaken in the Ado and Ikere was the Rehabilitation/Upgrading of infrastructures. The performance of commercial property investment in Ado is general far better than Ikere, the reason for this gap might be attributed to ado being the state capital of Ekiti State. Although the Rehabilitation/Upgrading exercise carried out in the neighbourhood is in the right direction, effort should be made on the part of the state government to carry out complete Rehabilitation/Upgrading of all the infrastructures. In addition,

government should develop the habit of maintenance culture were infrastructures are prevented from decaying completely. Also, business owners should be enlightened on the importance of maintenance culture so as to conserve the facilities already put in place because the state of public infrastructure like road and electricity determines the rental value of the property and the level of patronage.

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