



## ABSTRACT

Commercial real estate investment is one of the cardinal aspect of the general real estate investment in Nigeria, and it has made an enormous contribution to the Nigerian economy. Majority of the investors put a reasonable amount of money into real estate investment without having sufficient knowledge on the level of profit/return

# EXAMINATION OF COMMERCIAL PROPERTY PRICES IN SOKOTO METROPOLIS, NIGERIA.

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## Introduction

### Background of the study

Nigeria as a country is considered among the fast growing countries in Africa thereby making it a hub for both local and international real estate investments. Dabara (2010) revealed that real estate investment in Nigeria provided progressive and attractive returns and diversification benefits, which make it performing better than other investment such as shares and bonds stocks. Nnamdi, (2018) asserted that in Onitsha, commercial property provided 19% return on investments making it perform better than residential property investment which provided 17% returns on investments between the period of 2006 to 2017. According to Zahari (2010). Found commercial property investment has higher attraction and always promises higher



expectation. In sokoto metropolis, return on investment of shops is now affected. The commercial properties are oversupplied leaving some of the properties vacant. Shops were poorly designed and cannot accommodate even small scale enterprise. This dissertation, therefore attempts to analyses the factors influencing change in the return of investment of commercial properties in sokoto metropolis, Nigeria. The objectives of the study includes to determine the current average capital values and rental values in sokoto metropolis, to examine the facilities and amenities provided around the shop premises. Data was collected through the use of questionnaire instrument (Goggle form questionnaire) from estate surveyors and valuers, estate agents and tenants. Simple random sampling techniques was adopted in selecting the sample frame. Simple percentage table, charts and graphs were used in analyzing and presenting the data. Findings from the research revealed that single shops has the average capital value of 2250,000 and rental value of 150,000, Single story shop has the average capital value of 4,500,000 and the rental value of 400,000, while two story shops has the average capital value of 6000,000 and rental value of 600,000 as at 2021. The study also found that electricity, water supply and parking space were the facilities adequately provided in the shop premises while cleaning activities and waste collection were poorly provided. The study recommends that prudent investors and owners of commercial properties should always involve the services of experts in determination of values of their commercial (shops) properties and also provide adequate cleaning and waste collection and disposal services within their shops premises so as to make the properties more attractive and livable and also make it earn higher income.

**Keywords:** Real Estate, Property Investment, Property prices, Investment return, commercial property.

investment return when compared to other investments such as residential property investment and fixed deposit in the bank.



Nevertheless it is realized that property investment associates higher risk than the investment in banking sector. The outperformance or low performance is due to so many factors responsible for the change in return. Majority of the investors nowadays put a reasonable amount of money into real estate investment without having sufficient information and knowledge on the level of profit expectation or the growth rate of their investment as the risks involvement as well. This is an outdated practice because an intelligent real estate investor should assess the past performance of similar investments before embarking on the proposed investment. In sokoto metropolis, return on investment in different classes of shops properties at Ahmadu Bello Way, Gusau Road, Emir Yahaya, is now affected. The commercial properties (shops) at the areas mentioned are oversupplied leaving some of the properties vacant. Some of the shops within the areas were poorly designed to the extent that the size of the shops are not spacious enough to accommodate even small scale enterprise (Abubakar, 2019). Insecurity, covid-19 and dearth of industries, have affected the economic and business activities which led to the closure of so many shops for a longer period. Some of the shops in Sokoto metropolis are poorly located in areas that are per away from the central business areas and where the population density is very low, and as such the annual rental and capital values of the shops within such areas are very low because the demand for commercial properties in such areas is low (Nura & Abubakar, 2020). For example along Maiduguri Road in sokoto, there are built up one storey and single shops where the population density and the demand for the shops are very low. The shops are located 12 kilometers away from the high density areas. The existing average rate of return for the shops at Sultan Abubakar Road stands at 5.4%, 6.3% and 6.8% for the year 2019, 2020 and 2021 respectively. This shows there was upward movement from 2019 upward.

### **Research Objectives**

This research has the following objectives.

To determine the current average capital and rental values of shops in the study area.



To examine the facilities available in the shop premises.

### **Scope of the Study**

This study is limited the examination of the trends of capital and rental values of shops properties in sokoto metropolis with emphasis on some selected areas which include Sultan Abubakar Road, Ahmadu Bello Way and Maiduguri Road. The types of shops covered include single shops, one story shops and two story shops.

### **Methodology**

The study focused on the quantitative analysis of the data gathered. A Google form questionnaire was electronically administered to registered estate agents, Estate Surveyors & Valuers, and Tenants within the selected Central Business Areas which include Ahmadu Bello Way, Sultan Abubakar Road and Maiduguri Road. The total respondents were 358 out of which 322 was determined as the sample size. The study therefore involves collection of data using Google form questionnaire and analysis of the data using Excel Spreadsheet.

## **LITERATURE REVIEW**

### **Concept of Commercial Property**

According to Dabara, Gambo, Olusola, and Omotehinse (2020), commercial structures are often constructed for business activities and are income-generating in nature. It can take the shape of shopping centers, hotels, office spaces, shopping centers, retail stores, banks, and warehouses, among other things. It is a key player in real estate markets, which makes it appealing to institutional and individual investors alike. Generally, the choice to acquire, lease, or rent commercial real estate is motivated by the prospect of profit. Typically, such returns consist of three components: income, capital, and holding term returns. The income return is the percentage of return generated by an investment vehicle's rental income or dividends over a certain time period. By contrast, capital return quantifies the rise or decrease in an asset's capital value over the measurement period. While the holding period return is the real rate of return on an investment over a



specific time period that takes into account changes in both rental income and capital appreciation. Commercial real estate investing is not for people looking to "get wealthy quick." Commercial real estate investing requires a conscious trade-off between initial investment expenses and a stream of cash returns over a five- to ten-year time horizon. Normally, this cash flow is increased by an advantageous tax treatment, which can result in significant benefits for the high-income investor. The fact that such benefits accrue over time imparts a compounding impact on real estate gains, which may lack the "flash" associated with a rapid kill in the stock market but more than compensate for this with a consistent income stream. (2004) (Timothy & Singer).

### **Types of commercial Real Estate**

Commercial properties are quite diverse. Not only does heterogeneity occur at the asset level, but also at the population level in populations of properties that successfully trade in various asset markets (Shimizu, 2014). The potential of or returns from the use of a property are the primary motivations, decision makers, and determinants of commercial real estate purchase and leasing. Investors may make acquisitions for the purpose of leasing them to prospective tenants. Developers, promoters, and speculators may construct new properties for lease or sale to commercial enterprises. There are three basic sorts of commercial properties: stores, offices, and commercial warehouses. According to the United Nations Central Product Classification (CPC), published in 1991, commercial property classification has received scant attention, and the internationally recognized detailed classification of commercial property in official statistics is the Classification of types of construction. Commercial property encompasses a broad range of uses and yield targets, including wholesale and retail trade buildings, office buildings, industrial buildings, hotels and hospitality buildings, hospital or institutional care buildings, leisure, culture, and education buildings, technical infrastructure buildings, and other structures. (German Property Federation, 2016).



### **Commercial Real Estate Market**

The commercial property market is the section of the real estate market that focuses only on commercial real estate. This category includes office, industrial and retail real estate. Depending on the quality of the subject property, it may command a local market, as a lock-up street store does, or a national or worldwide market, as a retail center or office complex does. Commercial property holds a prominent position in the property market due to the fact that it accounts for a sizable portion of property investment, whether direct or indirect. According to Wyatt (2007), commercial property accounts for over 52% of total UK real estate investment. It's also worth noting that foreign direct investment in real estate is concentrated in the commercial property sector, which is typically necessary to accommodate new businesses and industries in growing countries. Throughout the world's capital cities, corporate institutions' investment in this sector defines the city's urban shape, which stands out as recognizable emblems of important corporations. Underpinning the magnificent towers that grace a city's central business district is a complex collection of rarely recognized social and institutional processes that form and characterize the real estate market. The property market is typically believed to move in lockstep with prevailing macroeconomic conditions, as rents and capital values of real estate units are based on current demand for housing, which is governed by the economy's overall performance. While it is true that demand for space drives new development, sets the tone for rent bids, and thus capital values, it is also true that supply of real estate units will always lag demand and is relatively less elastic (especially for commercial property), frequently outpacing demand when the market adjusts in response to rising demand for commercial property.

### **Commercial Real Estate Prices Trends**

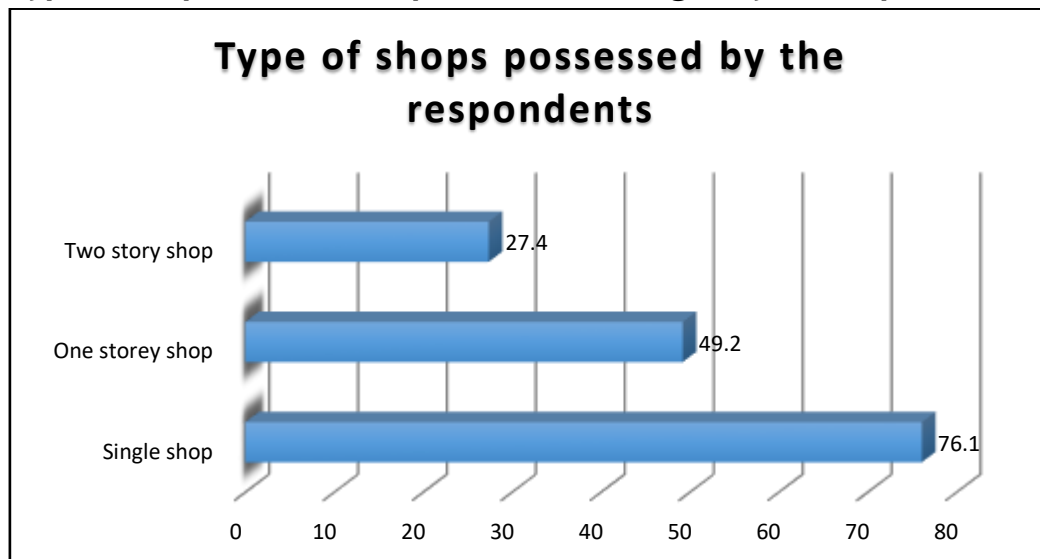
Iroham, Oluwunmi, Simon & Akerele (2012). (2012). In their study paper "Assessing The Trend In Rental Values Of Commercial Properties Along Oyemekun Route, Akure, Nigeria, reported that In Ikeja, Lagos State, due to the pace of growth in rental values of commercial properties along each arterial road which has become unpredictable leading to incapacity of Estate Surveyors and Valuers to effectively predict its trajectory. This



was reinforced by Oni (2009) in his study effort identifying spatial distribution and creating models for forecasting the trend of the values. Authors further stressed that as cited from Nwuba (2008), the analysis of rent movement is important as it aids entrepreneurs in their planning and cash flow projections; assist developers in investment decision making; useful to real estate professionals in appraisals and evaluation of proposed development projects; as well as provide information for researchers.

## **FINDINGS**

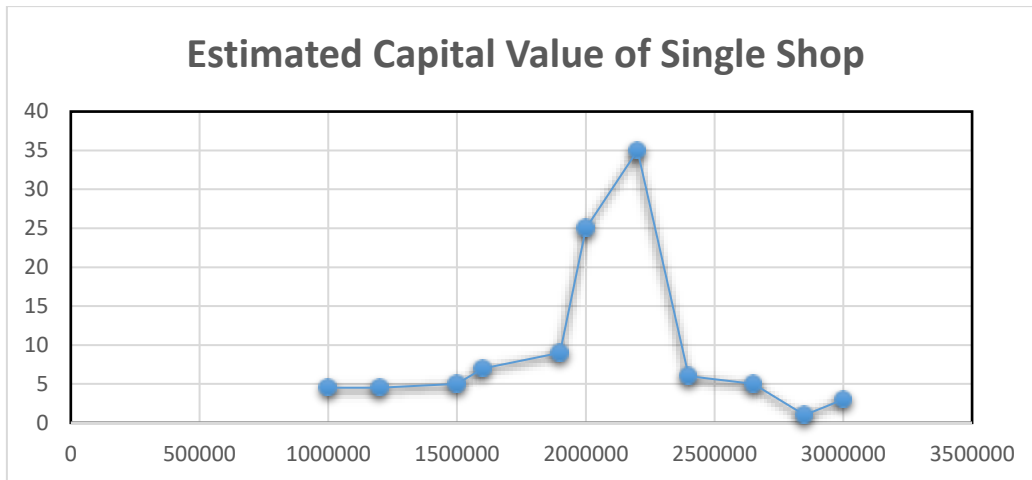
### **Type of shops owned, occupied and/or managed by the respondents**



**Figure 1. Types of shops owned, occupied and/or managed by the respondents**

Figure 1, shows the types of shops possessed by the respondents. It indicate that 76.1 % of the respondents are in possession of single shop, 49.2% of the respondents possessed one story shops and 27.4% possessed two story shops. This revealed that the dominants shops available in the study area are single shops because 76.1% of the respondents are in their possession. This is followed by one story shops with 49.2% in possession and the least in possession is two story shops with 27.4%.

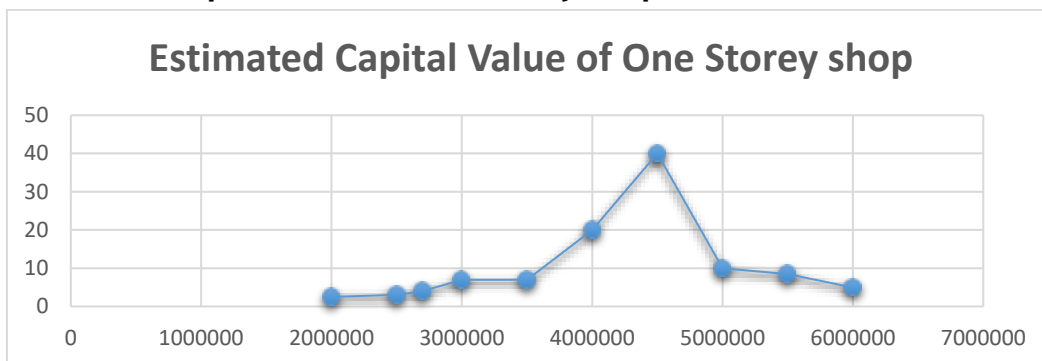
### **Estimated Capital Value of Single Shop**



**Figure 2. Estimated Capital Value of Single Shop**

Figure 2, above shows the estimated capital values of single shop property in the study area. It indicated that capital value of single shop ranges from 1,000,000 to 3,000,000. The highest estimated capital value ranges from 2,000,000 to 2,200,000. Therefore the average estimated capital value of single shop is 2,200,000.

### **Estimated Capital Value of One Storey Shop**

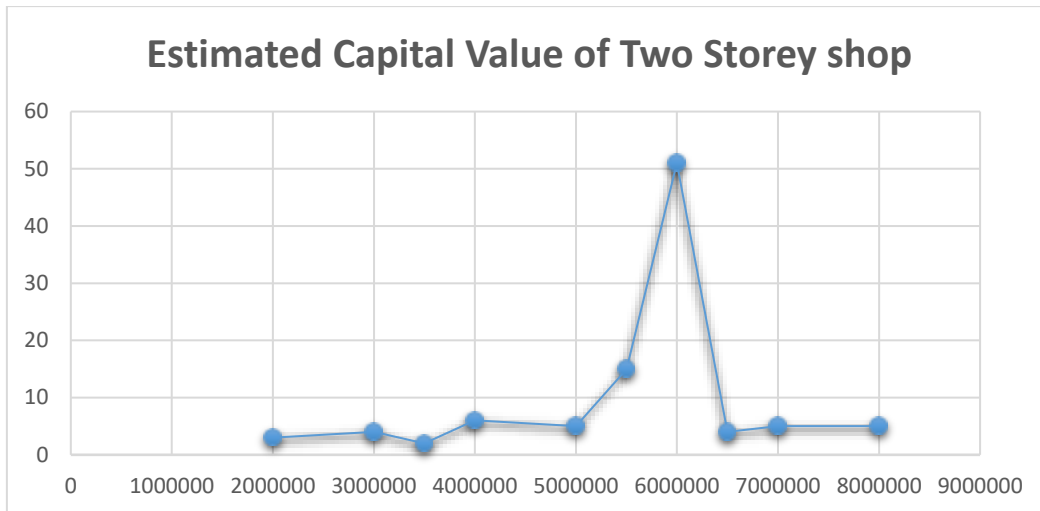


**Figure 3. Estimated Capital Value of One Storey Shop**

Figure 3, above shows the estimated capital values of one storey shop in the study area. This indicated that estimated capital values falls within the region of 2,000,000 to 6,000,000. The highest estimated capital value is 4,500,000 as shown in the chart. It is therefore revealed that the estimated average capital value of one storey shop is 4, 500,000

### **Estimated Capital Value of Two Story Shop**

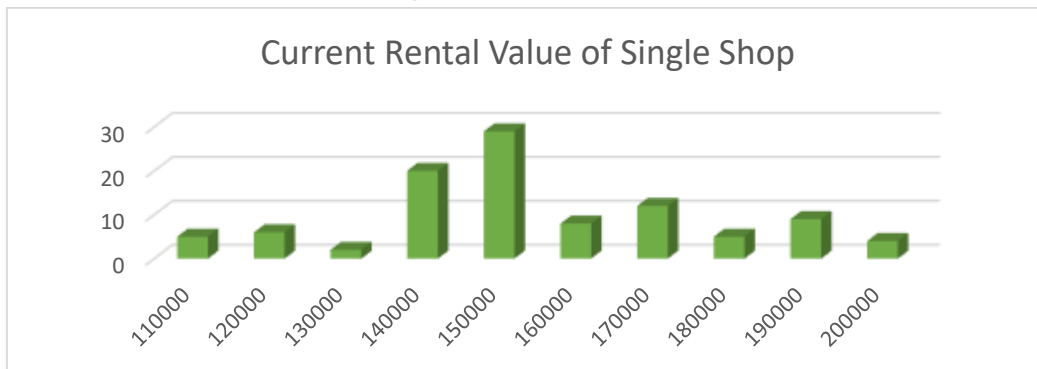




**Figure 4. Estimated Capital Value of Two Story Shop**

Figure 4, above reflects the estimated capital values of two story shop in the study area. The capital values of the shop stated above ranges between 2,000,000 to 8,000,000 depending on the size, location and condition of the shop. Therefore this indicated that the average estimated capital value of two story shop is 6,000,000 in sokoto metropolis.

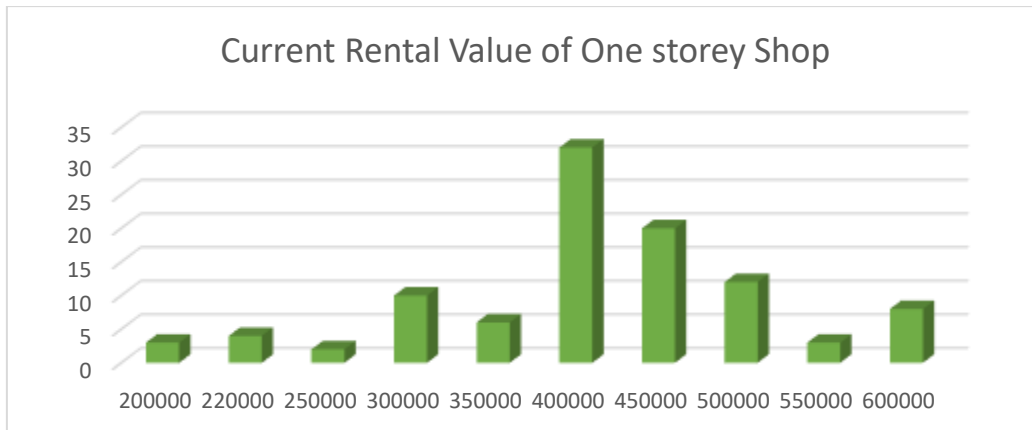
#### **Current Rental Value of Single Shop**



**Figure 5. Current Rental Value of Single Shop**

Figure 5, shows the current rental values of single shops in the study area. The rental value span between 110,000 to 200,000. The highest response lies in between 140,000 to 150,000. Therefore, the average current rental value of single shop is 150,000 in sokoto metropolis.

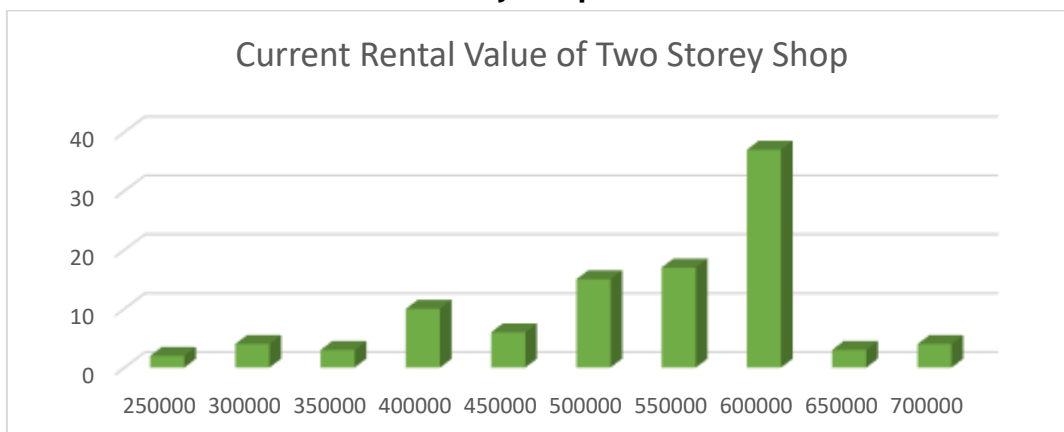
#### **Current Rental Value of One story shop**



**Figure 6 Current Rental Value of One Story Shop**

Figure 6, above describes the currents rental values of one story shop. The current rental value of the above shop spans from 200,000 to 600,000 depending on the location, size and condition of the shop within the study area. The highest response as indicated in the chart is 400,000 to 450,000. Therefore, average current rental value of one story shop is 400,000.

### **Current Rental Value of Two Story Shop**

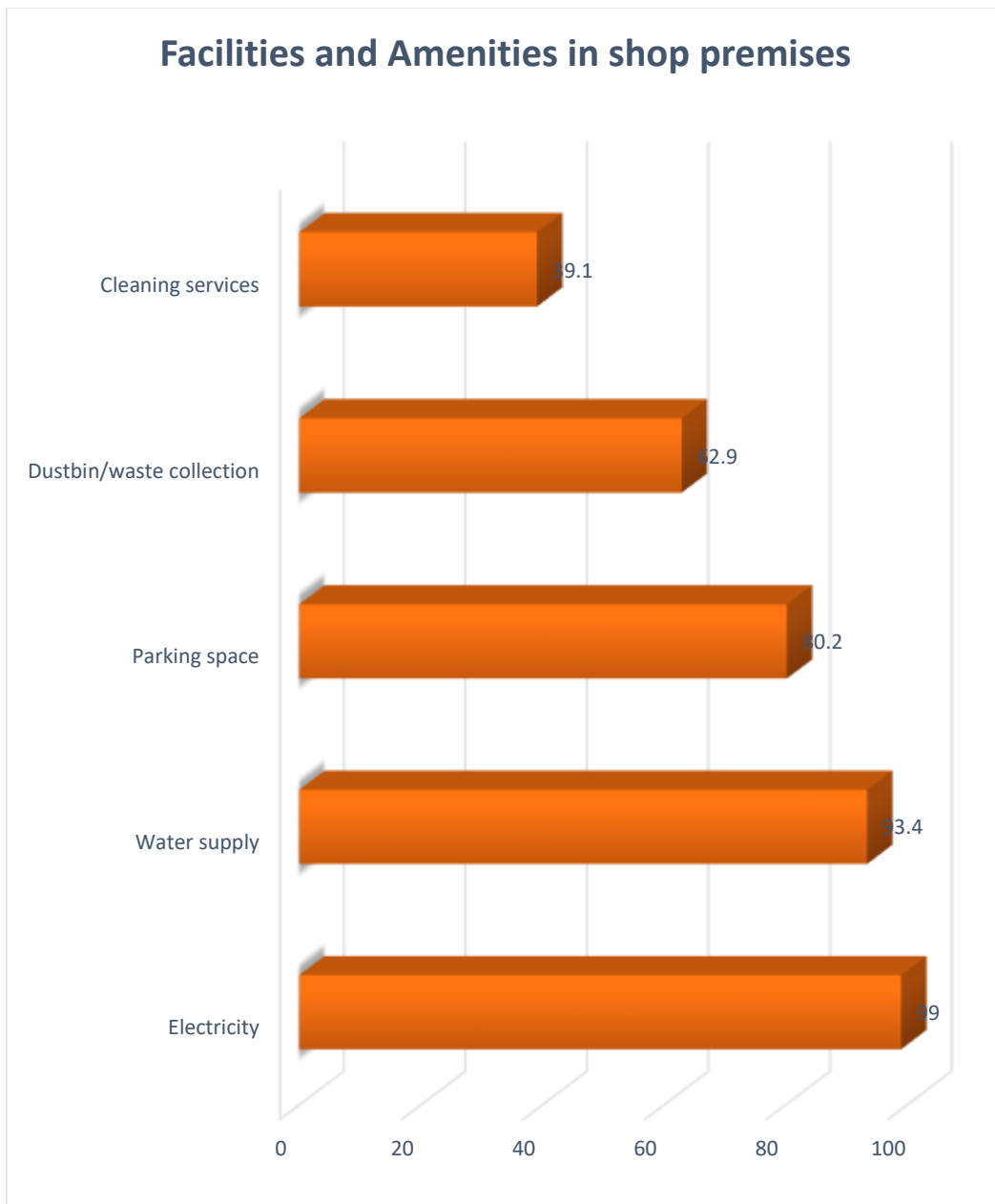


**Figure 7 Current Rental Value of Two Story Shop**

Figure 7, illustrates the current rental value of two story shop in the study area. It indicated that current rental values of two story shops ranges from 250,000 to 700,000 depending on the size, location and condition of the shop. The highest response is 600,000 and therefore, it is the average rental value of two story shop in sokoto metropolis.



### Amenities and Facilities Provided around/within the Shop Premises



**Figure 8. Amenities and Facilities provided around/within the shop premises.**

Figure 8, shows the level of provision and availability of amenities and facilities in the shops premises. It indicated that 99% of the respondents stated that they have electricity provision in their shops, 93.4% indicated that there is water supply in the shops, 80.2% responded that there is parking space around their shops, 62.9% stated that they have provision of Dustbin/waste collection in their shops and 39.1% responded that they



have cleaning services in their shops. This revealed that electricity, water supply and parking space are the most provided facilities in the shops in sokoto metropolis, and the least provided is the cleaning services.

## **CONCLUSION**

The stud investigated the capital and rental values passing on single shops, one storey shops and two storey shops for the year 2021 and also the facilities provided at the shop premises. It indicaed that single shops are the most available in sokoto metropolis and such most occupied by the tenant and owners.It reaveled that the estimaed capital value of single shops, one storey shop and two storey shops stands at 2500000, 4500000 and 6000000 respectively. While rental values stands at 150000, 400000 and 600000 respectively. This shows that two storey shops have the highest investment return with a rate of 10% which is above the 6% an 9% for the other shops. The facilities that are mostly provided within the shops premises include electricity, water supply and parking space. While cleaning services and waste collection facilities are rarely provided . This study is found to be relevant to commercial property investors and also other players such as estate surveyors and valuers in their investment decisions. From what the study revealed, it is recommended that commercial property investors should invest more in two storey shops than one storey and single shops as it indicates higher return.

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