INTRINSIC FACTORS RESPONSIBLE FOR RESIDENTIAL PROPERTIES INVESTMENT RETURNS IN NASSARAWA LOCAL GOVERNMENT AREA, KANO STATE

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ABSTRACT

The focus of this study is to evaluate the intrinsic factors responsible for residential properties investment returns in Nassarawa Local Government Area, Kano State. The study adopted the use of quantitative approach and data were collected through questionnaire survey from estate surveyors and valuers proportionate selected from target population in Nasarawa local Government Kano metropolis. The data collected was subjected to descriptive with mean ranking. Quantitative approach is employed using questionnaire survey, 39 practicing Estate surveying and

Introduction

The study of real estate return, whether residential or commercial, is very important as one of the most challenging problems facing real estate investors is the choice from the myriad of investment opportunities and options (Mathew, 2016). Opportunities abound in residential, commercial and other sectors of real estate investment. Consequently, it is necessary for prospective investors to make choices out of various real estate investment sectors. The significance of comparative assessment becomes obvious when considering the increasing need to evolve judicious investment decisions and the need to protect investors' investment against the ravages of risk (Mathew, 2016). Muli (2018) residential properties constitute the largest land use in the urban areas. The residential real estate contributes highly to employment, development of capital and financial market. Svets (2017) residential real estate sector is a stable retail market because of its good returns for the risk taken making it an attractive investment vehicle for large long-term institutional investors such as pension funds and insurance companies. These types of properties provide high long-term return relative to their low volatility. He also found that over a period of 20 years' different types of property performed differently and house prices adjusted in response to various factors influencing investors' returns (Sprague, 2019). A number of factors affect returns of properties. These factors may be intrinsic or extrinsic. Intrinsic means belonging to the essential

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Valuation firms in Kano Metropolis were adopted, purposive sampling technique was adopted, primary and secondary data were collected. A five-point Likert scale was used to weight the respondent's opinions on the research questions. A total of 39questionnaires was administered. The collected data were analysed using mean and standard deviation. The result indicated that size of garage or parking space, size of bedrooms, position and size of bedroom were the most highly intrinsic factor responsible for residential property investment return in the study area. This was revealed from mean scores of 3.37, 3.35 and 3.32 respectively. Similarly, with regard to extrinsic factors building characteristic appear to be the most highly factor responsible for residential property return in the study area with mean of 3.714. Government to improve the level of accessibility so their tax will be improving through betterment tax while for the residential property developer it will improve the level of their return when accessibility is provided or upgraded, to the occupier the findings will help them to have a better-quality neighbourhood.

Keywords: Intrinsic factor, Investment, Return, Residential, Properties, Investment

nature or part of a thing whereas extrinsic is something originating from outside. Intrinsic factors in case of real estate are physical quantifiable parameters directly related to condition or state of property and are likely to depreciate with age or require maintenance for enhancement. External factors are those which affect the value of property but are not dependent on the condition of property (Bourassa, Cantoni & Hoesli, 2017).

However, several studies that have relevance to this study have been conducted particularly in the United States of America (USA), the United Kingdom (UK) and other developed and some emerging economies. Among the studies that have helped to explain and to examine the linkages between factors affecting direct real estate and indirect real estate investment return. These studies include Newell, Matysiak and Venmore-Rowland (2007), McCartney (2012), Newell, Chau and Wong (2013), Newell, Chau, Wong and McKinnell (2015), Hoesli and Lizieri (2017), and Newell and Hsu (2017). The outcome of the studies suggested that factors affecting real estate returns to be Location and economic status, internal specifications, Construction quality, Availability of access road and Availability of parking space/ Number of garages. Against this background, this research will examine the intrinsic factors responsible for residential properties investment returns.

Literature Review
Property Returns and Real Property
Property returns deals with issues such as why, where and when to sell, buy and developed property, what group of properties to invest in and how best to finance these transactions in order to achieve their financial goals set by the owner (Galaty, 2006). Real property profits are created in three different ways; purchasing properties, operating a property to maximize annual income and selling at the right time (Olayinka et al., 2017). A research by David and Fang (2018) Returns of property is a function of physical, location and legal characteristics of the property. Increase or decrease in population, change in age distribution of the population, change in taste and fashion, change in technology, inflation and deflation, change in culture

and planning control, institutional fact, location and complementary uses has influence on property returns (Oyebanji, 2013). Real property is an important component of the wealth of nations (Karakozova, 2015). Real property also constitutes nearly one-half of the wealth in the world, and thus, in terms of value, represents the most significant investment class. According to Corgel, Smith and Ling (2010), real property comprises 49% or $21.41 trillion of the world's wealth ($44 trillion) whereas stocks and bonds comprise 25.5% and 18.8% respectively.

Real property has a number of characteristics which make it different from other investment assets including fixed location, heterogeneity, high unit value, illiquidity and the use of valuations to measure performance (Hoesli & MacGregor, 2015). Rental value is a key parameter for measuring real property performance (Boon & Higgins, 2017). It is also a major cost for tenants and an important source of income for the landlord. Key property market participants such as investors and developers often use rental value as an indicator to appraise the viability of their real estate development and investment schemes. On this basis, understanding the nature and basic features of rental movements provides a better comprehension of the dynamics of the commercial property market.

Residential Property Return

Real property has no value if it has no utility, nor scarce or effectively demanded neither is the utility derived from the brick and mortar alone but in some unique characteristics packaged in its location, neighbourhood and infrastructure which are equally desired by the consumers. Ge and Du (2017) opined that property value is an essential aspect of property markets worldwide and determined by a variety of factors and the determination of those factors is a significant part of property valuation. Various studies have examined factors affecting property values and have identified the following, age, location, size, neighbourhood characteristics, economic activity, population, transport etc. (Kauko, 2013), (Olusegun, 2013), (Oyebanji, 2014) & (Joslin, 2005). Kamali, Hojjat, and Rajabi (2018) group the variables determining property values into; environmental variables, neighbourhood variables, accessibility (location) variables and property variables. Crompton, (2015) further classified factors affecting property values as follow: Structural attributes e.g. numbers of bedrooms, bathrooms, fireplaces, garages, square footage of house, lot size, age of structure, existence of pool. Neighbourhood attributes e.g. socio-economic characteristics of neighbouring residents, quality of neighbouring structures, ownership/rental, and ethnic composition. Community attributes e.g. school and tax districts. Locational attributes e.g. proximity and accessibility to various (dis)amenities including waste sites, powerlines, highways, shopping centres, churches, schools, cultural opportunities, airport, public transportation. Environmental attributes e.g. view from property, noise levels, pollution levels, stormwater. Time-related attributes e.g. month and year of sale, number of days on market.

Factors Affecting Residential Properties Return

A number of factors that affect returns of properties. These factors may be intrinsic or extrinsic. Intrinsic means belonging to the essential nature or part of a thing whereas extrinsic is something originating from outside. Intrinsic factors in case of real estate are physical quantifiable parameters directly related to condition or state of property and are likely to depreciate with age or require maintenance for enhancement. Extrinsic factors are those which affect the value of property but are not dependent on the condition of property. Intrinsic factors affecting real property value include area of the property, nature of

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workmanship; external and internal condition of property, construction specifications etc. Basically, factors which define the present condition of property are identified as intrinsic factors. The extrinsic factors include increase in demand for lettable space, location, condition of adjoining properties, nearness to park and leisure, local and national economic conditions. External factors are due to natural characteristics of the property which affect the city where the property is located (Exterior Design and Space (Outlook of property, Quality of finishing roof, External walls, External floors, Car parks), Environmental Factors (Environmental pollution, Open space, Security, Air pollution, Sound pollution), Location Factors (Convenient store, Schools and nurseries, Health center and hospitals, Sport facilities, Public transport)}. Intrinsic factors arise from within the nature of the property itself and relate to the physical attributes, including size of room, state of repair, decoration, and facilities. Other attributes that increase or decrease the amount that users are willing and able to pay in an open market transaction include physical characteristics of the structure, change in taste and demand, effect of adjacent activities, economic activities, inflation, and changes in legislation.

Intrinsic Factors That Affect Residential Properties Return
Real property characteristics affect property return directly. Various researchers have used a different set of these intrinsic factors for their analysis of return. Wiley and Wyman (2012) considered intrinsic factors to include age, lot size per unit, total sale price, average square feet per unit, number of apartment units. Some listed sale price, land area, floor area, number of bathrooms, age of house, partial or full basement, central air conditioning, fireplace, number of garages as intrinsic factors affecting property value (Bourassa *et al.,* 2010).
Samaha and Kamakura (2018) used factors like total square feet, number of bedrooms, total acres, age of property (years), number of bathrooms, number of garages, number of fireplaces, sold in spring, sold in summer, sold in fall, number of days on the market, seller adjusted list price, seller granted concessions to forecast value of property. Built up area, Age of building, Condition of structure, Surrounding neighbourhood, Location and economic status, Internal specifications, Construction quality, Availability of access road, Number of bathrooms, Availability of parking space/ Number of garages were considered as intrinsic factors affecting property return (Sayali & Chaphalkar, 2016)

Methodology
Quantitative approach was employed using questionnaire survey. The Estate surveyors and Valuers in Kano Metropolis constituted the target population for this paper. For the purpose of this study the sample of 39 practicing Estate surveying and valuation firms in Kano Metropolis was adopted and purposive sampling method was used. Therefore, questionnaire was used as the major instrument for collecting data from the respondents and result was analysed using mean ranking and standard deviation through Statistical Package for Social Science (SPSS, version 22) and also the result presented in table.

Results and discussion
Level of Intrinsic factor responsible for residential property return
Table 1: Intrinsic factor responsible for residential property returns

Intrinsic Factor	Mean	Std. Deviation	Rank
Size of garage or parking space	3.37	1.133	1
Size of bedroom	3.35	1.191	2

Position and size of bedroom	3.32	1.109	3
Position of the bedrooms	3.30	1.257	4
the kitchen	3.29	1.109	5
Number of bedroom	3.28	1.124	6
Number of leaving/sitting room	3.28	1.103	7
r of bathroom	3.24	1.152	8
Size of the land	3.24	1.171	9
building ration	3.17	1.148	10
Size of leaving/sitting room	3.17	1.276	11
Size of the building	3.15	1.165	12
Age of the structure/building	3.12	1.235	13
Internal construction quality	3.10	1.198	14
Internal construction finishing	2.99	1.293	15

The findings presented in Table 1 shows the intrinsic factors responsible for residential property return. The table shows that internal construction finishing was the least factors responsible for residential property return this was revealed from mean scores of 2.99 ranked 15th. similarly parking space, size of bedrooms, position and size of bedroom, position of bedrooms, size of the kitchen , number of bedroom, sitting room, number of bathroom, size of land, plot of building, age of the building and internal construction quality appear to be the most factor responsible for residential property return this were revealed from the mean score recorded at 3.37, 3.35, 3.32, 3.30, 3.29, 3.28, 3.28, 3.24, 3.24, 3.17, 3.17, 3.17, 3.15, and 3.10 respectively with standard deviation of 1.133, 1.191, 1.109, 1.251, 1.109, 1.124, 1.103, 1.152, 1.171, 1.148, 1.276, 1.165, 1.235 and 1.198. However, this study was in consistent with the finding of Adeniran (2015), Chris and Somefun (2017) and David and Fang (2018) stated that intrinsic factors has been attributed to as the determinant of residential property investment return and reward.

Conclusion

Those intrinsic factors responsible for residential property returns are the one which have appeared in the study area such as size of parking space, size of bedroom, position and size of bedroom, position of the bedroom and size of the kitchen. Findings on extrinsic factors responsible for residential property return has been developed by revealing the factors on the extrinsic factors such as building characteristic and locational factors are the ones responsible for residential property returns. The study also shows that accessibility is the main factor affecting residential property return in the study area. The study recommended that the government should improve the level of accessibility so their tax will be improved through betterment tax while for the residential property developer it will improve the level of their return when accessibility is provided or upgraded to the occupier.

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