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PROPERTY VOID AND ETHNIC DIFFERENTIATION IN OKOTA RENTAL HOUSING MARKET

By

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Abstract

Where void is prevalent at the rental housing market, the realisation of the investment objective seem to be unachievable. The study seeks to investigate the reasons for property void in the housing rental market as a means of enhancing the investment returns on housing investment.

Questionnaires were administered on 20 purposively selected estate surveying firms in the study area chosen from known contacts. The data collected were analysed with the use of frequency distribution, percentages and relative importance index (RII). The result showed that 80% of the respondents spend an average of 6 months to effect letting in the study area, 10% 12 months and the remaining 10% above 12 months. The study also revealed the causes of void as financial factor (30%), ethnic consideration (40%), family composition (15%), religious reason (5%) and client influence (10%). It revealed further that owners preference for tenants in rank order are tribal/ethnic consideration, occupation, family composition, marital status with relative importance index of 0.94, 0.86, 0.84 and 0.78 respectively. The lowest ranked factors are gender, level of education, and religion with RII factors of 0.70, 0.66 and 0.61 respectively.

The study concluded that the differentiation against some ethnic group results in long period of void and loss of income in the market. It is also recommended that the government adopts good social programmes that will promote smooth and cordial relationship among all ethnic groups.

Key Words: Property void, Tenant, Tenant differentiation, Housing Market.

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1.0 Introduction

Housing need is very important because every human being would desire to satisfy this need before concluding other higher needs such as safety needs, the love and affection needs, the esteem needs and self actualisation needs (Maslow, 1943). Its importance is trans- national as well as trans continental. Every household aspires to have a place of above. The rental housing market therefore provides an opportunity and serves as a link where housing needs are met.

Participants in the rental housing market performs certain functions. While the desire of the landlord is to get the best rent from the property, the tenants aims to pay for a befitting accommodation that provides health and safety. The agent, as an intermediary between the parties aims to maximize the income from the property (if representing the landlord) or minimize the cost occupation (if representing the tenant). As such, every participant works hard to have their housing needs met.

Overtime, the Nigerian housing market has been described as having tremendous opportunities which are waiting to be tapped as government alone can not fill the housing gap (Akeju, 2007). In other words, the current housing deficit of 12 million homes (AIT, 2007) requires an estimate of 1.4 million housing units as annual requirements (Daramola, 2005) for the housing needs in the country to be met.

With visible involvement of private investors and individual households in rental housing market, the desire for higher income maximization appears to be the expectation. Immediate occupation of newly completed or recently vacated apartments is likely going to be the pleasure of property owners. The recent media report of long period of void in Okota housing market however seems not conform to global investment motive of profitability. This motive seems to be corroborated by the general belief of imbalance between the housing needs and supply in the country.

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Against this background, this paper seeks to investigate the reasons for property void in Okota (a suburb of Lagos State) rental housing market in view of the daily rising urban migration into Lagos State. The paper is premised on the fact that about 70% dwellers of Lagos State are homeless and yet a sizeable number of housing units remain unoccupied. The result of the study will guide participants in the market towards efficient allocation of resources and will prevent loss of income on housing investment.

The paper is structured into five sections. Section 1 provides the introduction and the specific aim of the paper. Section 2 contains the literature review and some related past studies in the area of tenant differentiation while section three describes the study area. The fourth section contains the data analysis and results while the last section contains the conclusion.

2.0 Literature Review

Many studies (Yinger, 1986; Page, 1995; Ondrich, Stricker, and Yinger, 1998; Ondrich, Ross, and Yinger, 2000; and Ondrich, Ross, and Yinger, 2003; Zhao, 2005; and Zhao, Ondrich, and Yinger, 2006) on discrimination exist in the literature.

Yinger (1986) examined the Boston housing market using unique data, the other studies use data from the Housing Discrimination Study (HDS) conducted by the Department of Housing and Urban Development between visits to the landlord or real estate agent and actors that are not exposed to the same agent despite visiting the same office and making the same inquiry. The study found that the problems are almost entirely a function of using actors to perform audits in an in-person setting, rather than the audit design itself.

Ahmed and Hammarstedt (2008) applied the audit technique to housing market interactions that take place via on-line advertisements and e-mail correspondence. Specifically, Ahmed and Hammarstedt examined a, Blocket.se, to study racial discrimination between native Swedes and the Muslim minority using Swedish housing advertisement website, and find significant discrimination toward Muslims.

More recently, Ahmed, Andersson, and Hamarstedt (2010) and Bosch, Carnero, and Farre (2010) study how the interaction between positive information and race affects landlord discrimination. Ahmed, Andersson, and Hamarstedt (2010) find that while information (including marital status, employment information, age, and education level) does increase

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the response to minority applicants, it does not decrease the difference in response between native Swedes and the Muslim minority.

Bosch, Carnero, and Farre (2010) found discrimination against the Moroccan minority in Spain, and that positive information increases the chance of being contacted, but does not eliminate discrimination.

Hanson and Hawley (2010) tested for racial discrimination in the rental housing market using matched pair audits conducted via e-mail for rental units advertised on-line and also how the interaction between race and social class effects landlord response to e-mail inquiries by altering the type, in terms of the writing style, spelling, grammar, salutation, and valediction, of e-mail sent to landlords. The results revealed a net level of discrimination of 4.5 percentage points against African American sounding names, statistically significant at the one percent level and consistent with previous studies of racial discrimination in the housing market. When e-mail inquiries imply the African American is of higher social class, racial discrimination is small and not statistically different than zero- a unique finding in the literature. When e-mail inquiries imply that both races are of lower social class we find a larger (6 percentage points) level of net discrimination against African Americans. The presence and severity of discrimination also varied across cities in our sample and by neighborhood and unit characteristics. Discrimination is more severe in neighborhoods that are close to “tipping points” in racial composition and for units advertised as part of a larger apartment building.

In summary, most of the available researches are carried out in developed countries that share different economic climate with Nigeria. There is lack of empirical evidence about property void and tenant differentiation in emerging housing markets like Nigeria. The study is therefore significant so as to understand the pitfalls of void that can prevent the realisation of housing investment objectives. This no doubt, will build confidence in the participants at the market for effective operations and results. Lastly, the result of the study is expected to be a guide to professionals and policy makers in other African countries towards the development of virile letting housing market.

3.0 The Study Area

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The Lagos metropolitan area spreads over much of Lagos State (3345 sqkm/1292 sqm), which is located on four principal islands and adjacent parts of the Nigerian mainland. The islands are connected to each other and to the mainland by bridges and landfills. Major sections of the city include the old city, which now serves as the commercial district, on western Lagos Island; Ikoyi Island, situated just east of Lagos Island and joined to it by a landfill; Apapa, the chief port district, located on the mainland; residential Victoria Island; and industrialized Iddo Island. Important mainland suburbs, incorporated as part of the city in 1967, include Ebute-Metta, Yaba, Surulere, Ajegunle, Shomolu, Agege, Mushin, and Ikeja. Okota is located in Oshodi – Isolo Local government in Lagos state with a population of about 619,691 people residing in the local government (NPC 2006). The population consist of people of different ethnic groups from various part of the country and the nearby countries. The identifiable tribes in the area are Yoruba, Igbo, Edo, Hausa and many others. Some of the streets are: Bayo Oyewole, Adekunle Afobaje, Hamidu Williams, MonsuruBisiriyu, Orisabiyi Adekunle Araba Street annexed from Apapa – Oworosoki express way. Banks, Estate firms, Law firms and other offices are the occupant of the buildings along the major streets.

3.1 Research Aim and Objectives

The research sought to:

- a) Ascertain the views and opinion of property agents about the causes of property void in Okota housing market.
- b) Ascertain the views and opinion of property agents about the effects of ethnic preferences in tenant selection in the rental housing market.

3.2 Research Methodology

A questionnaire survey was compiled to elicit data from property managers as well as tenants residents at Okota.

The first set of survey was distributed to property firms within Okota. The estate firms were selected from known contacts rather than based on random selection. Selection was based on research design which sought to get relevant information peculiar to the study area. The adopted criterion was to select the property firms that are located within the study area. The number of survey for this group was 20 participants.

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The second category of participants was the tenants/residents of the area. Two tenants were conveniently selected from each of the 70 streets within the area. The selection was done on the basis of who was ready to give the information. This method was adopted and considered representative of a typical resident of the area with sufficient experience in rental housing market. It is believed that their experience in the course of search for house will provide enough data for the study.

The survey comprised three sections. Section one asked the respondents eight questions about their corporate profile, staff strength, firms year of experience, academic qualifications. This data assisted the researcher to determine the degree of involvement of the respondents in rental housing and to know the capability of the firm at handling transactions in the market. It is believed that sufficient educational and professional qualifications will enhance effective participation in the market.

The second part of the questionnaire comprised six specific questions about letting transactions in the market. In this section, respondents were asked to indicate the average transaction period for letting activities and also causes of delay at concluding transaction. This data enabled the researcher to establish the existence or otherwise of void in residential properties in the neighbourhood.

The final section of the survey asked questions about the influence of property owners on letting transactions. To establish this, questions were asked as to the preferences of property owners during tenant selection. Respondents were asked to indicate the category of tenants that clients prefer and the factors that make tenants to be considered for accommodation.

Six variables (tribal/ethnic consideration, occupation, family composition, marital status, gender, level of education and religion) were used in the determination of the respondents' significant index (RSI). The respondents were asked to rate each of the variables using Likert's scale of highly significant, significant, fairly significant, insignificant and very insignificant. During analysis, these ratings were assigned weight values of 5,4,3,2 and 1 respectively.

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The RSI for each of the variables was arrived at by dividing the summation of the weight value (SWV) by the total number of respondents. The SWV is the addition of the product of the numbers of responses to each of the variables and the weight value attached to each rating (see Afon, 2007). The RSIs thus ranged between values of 5 and 1.

The mean of the RSI distribution was also computed. Furthermore, the deviation about the mean of each variable, and the variance and standard deviation of the distributions were also calculated to measure the scatter about the mean (Berenson and Levine, 1996)

The main objective of this research is to evaluate the perception of property practitioners in Lagos on problems of commercial property management.

4.0 DATA ANALYSIS AND RESULTS

4.1 Survey Demographic

Table 1: Respondents' Academic Qualification.

Academic Qualification.	Frequency	Percentage
Higher national diploma	4	20
Bachelor degree	8	40
Master degree	7	35
Others	1	5
Total	20	100

Source: Field Survey 2010

Table 1 contains the results of the respondents

Overall, the respondents are predominantly estate surveyors and valuers in active practice. Majority (65%) of the firms have been established more than ten years ago. While the remaining 35% are established less than ten years ago. All the respondents are graduates of estate management with 60% possessing HND/B.Sc. degree and 30% having additional higher qualifications. The remaining 5% who did not indicate their qualification are assumed

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to be graduates of allied professions in the built environment who are currently undergoing professional training that will integrate them into the mainstream of real estate profession.

Figure 1: Respondents’ professional Qualification



Source: Field Survey, 2010

Figure 1 shows that the respondents to the survey were predominantly probationers (45%), with 20% associate of Nigerian Institution of Estate Surveyors and Valuers (NIESV), and 5% fellows of the NIESV. The respondents that have other professional qualifications are 25%. In the same way, respondents who are uncertain about their qualifications are 5%.

Table 2: Involvement In Residential Letting Transactions

Property Involvement	Frequency	Percentage (%)
Yes	20	100
No	-	-
Total	20	100

Source: Field Survey 2010.

The respondents were asked to indicate their level of participation at the residential property market, particularly if they handle rental housing. The responses are contained in Table 2. All the respondents are involved majorly in rental housing activities. This is not surprising as the estate surveyors are basically trained professionals in the real estate market. In addition, estate surveyors seems to make the bulk of their money from property letting.

Table 3: Letting Period of Residential Property.

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Period in month	Frequency	Percentage (%)
1 – 3 month	7	35
4 – 6 month	9	45
7 – 12 month	2	10
Above 12 month	2	10
Total	20	100

Source: Field Survey 2010.

Table 3 shows the respondents letting period of residential properties. The table shows that majority (80%) of the respondents take an average of 6 months to conclude letting in Okota housing market with 35% in the 1-3 months group and the 45% in the 4-6 months group. The respondents with letting period of 7-12 months are 10% of the total population while the remaining 10% indicate letting period of 12 months. A long letting period is an indication of property void experienced in the housing market.

Table 4 Causes of Void in Rental Housing Market

Responsible factor	Frequency	Percentage (%)
Economic/financial factor	6	30
Ethnic Consideration	8	40
Family Composition	3	15
Religious	1	5
Client Influence	2	10
Total	20	100

Source: Field Survey 2010.

Table 4 contains the respondents view about the causes of void in the letting housing market. The respondents reported that there is no specific or main cause of void. Majority (40%) identified ethnic consideration as the cause of delay in transaction which subsequently cause void in the housing market. 30% attributed the void to economic or financial conditions of majority of house seekers in the country while 15% found the cause of void to be due to family composition of house seekers. The former is an indication of the poverty level in the

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country that makes it difficult for many house seekers to afford their desired accommodation while the later speaks of landlord’s preference for tenants with smaller house size. Other causes are found to be 5%[^] for religious consideration, 10% owing to clients undue influence on the selection process.

The last three questions sought to identify the factors that are considered for tenants selection in the area. The results are contained in table 5 where the respondents ranked their answers between very important, of some importance and of limited importance.

Table 5: Assessment of Tenant Preference in Rental Housing of Okota.

Criteria for Tenant Selection	5	4	3	2	1	Freq	RII	Rank
Occupation	9	8	3	0	0	20	0.86	2
Gender	4	5	8	3	0	20	0.70	5
Family Composition	8	9	2	1	0	20	0.84	3
Religion	3	4	4	9	0	20	0.61	7
Level of Education	5	4	3	8	0	20	0.66	6
Marital status	5	10	3	2	0	20	0.78	4
Tribal/Ethnic Consideration	15	4	1	0	0	20	0.94	1

Source: Field Survey 2010.

Table 5 contains the results of the ranking based on five point Likert scale. The relative importance index of the factors are: tribal/ethnic consideration, occupation, family composition, marital status, gender, level of education and religion with corresponding relative importance index (RII) of 0.94, 0.86, 0.84, 0.78, 0.70, 0.66 and 0.61 respectively..

Table 6: Tribal Preference in the Rental Housing Market

Responsible factor	Frequency	Percentage (%)
Yoruba	15	75%
Hausa	03	15%
Igbo	02	10%

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Total	20	100
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Source: Field Survey 2010.

The highest rated factor is tribal/ethnic consideration. This suggest that property owners are more conscious of the tribal affiliation of their would- be tenants, and would prefer to watch the property unoccupied till they find tenants who conform to their ethnic preference. In the next section, the respondents were asked what categories of occupation they expect their preferred tenants to be doing. The question provided four tick box options which were professionals, Artisans, self employed and corporate tenants. The next major factor of consideration is the occupation of house seekers. The justification for this could be the desire of property owners for regular payment of rent for the use of the property. The results revealed that most preferred corporate tenant at 45%, followed by preference for tenants that are professionals (30%), self employed tenants (15%) and artisans (10%). The general belief is that corporate tenants would not owe rent and hence would be better tenants; professionals are believed to have good and secure source (s) of income that would ensure prompt and regular payment of rent. The low preference for the self employed and artisans suggests landlords’ lack of conviction as to their abilities for prompt and regular payment of rent.

The respondents were asked to identify their tribal/ethnic preference among the three prominent tribes of Yoruba, Hausa and Igbo when selecting tenants. Table 6 reveals the results.

Majority (75%) have high preference for Yoruba tenants. 15% will give their properties to Hausa tenants while only 10% will accept Igbo tenants. The high preference for Yoruba tenants could be said to be because the study area is in the Yoruba region of the country which is also densely inhabited by the tenant. results indicates that

5.0 Conclusion

The results of this survey on property void and tenant differentiation, though not a representative sample, provided an insight into the causes of property void and reasons for tenants preferences in the rental housing market in Nigeria. It can be concluded from the

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study that it takes a long period of time to secure preferred tenant into vacant houses at the study area and thus result in property void.

Property void is clearly noticeable in the study area. While properties are available for occupation, ethnic consideration influences the choice of tenants. In addition to this, property owners will consider the family size of the prospective tenants before such tenants will be accepted. In the same way, prospective tenants economic power drives the desire for houses and determines the class of houses that are in high.

In a bid to enhance the investment potentials of real estate, there is the need for policies that will empower the citizenry. The poverty elevation programme of the government should be vigorously pursued so as to increase the economic power of the people and enhance their chance of paying for their intended accommodation. In the same way, it is suggested that government guarantees the access of the poor and middle class to loan for payment of rent so that property owners could be convinced of the ability of intended tenants to perform their tenancy obligations..

It is also recommended that the government adopts good social programmes that will promote smooth and cordial relationship among all ethnic groups. Unity among all ethnic groups makes all categories of tenants with effective demands to be acceptable to landlords and hence prevent void.

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