

Socio-Economic Impact of Residential Property Rental Market on Urban Poor in Ado-Ekiti, Nigeria

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Abstract

This study examine the socio-economic impact of residential property rental market on urban poor in Ado-Ekiti, Ekiti State. It focuses on the socio-economic characteristics of the urban poor, the tenural status and the factors influencing rental accommodation of the urban poor in the study area. One thousand and thirty seven (1,037) questionnaires were administered on the respondents while eight hundred and forty nine (849) was retrieved and used for the data analysis. The study employed both descriptive and inferential statistics. The findings among others revealed that the urban poor are those who are unable to obtain adequate income and find a suitable job and own a property in the study area. It was further revealed that over crowded living condition, income level, low level of education, poor access to basic amenities, rate of interest paid on loan, high cost of building materials and high cost of land for owner occupied are the major factors that influence rental accommodation of the urban poor in the study area. In view of the findings, there were need to suggest policy to improve the residential property rental market on urban poor through provision of potable water, low cost housing, improved health care facilities, improved transportation in terms of good roads, sound education for the wards of the urban poor and employment opportunities to develop the area. Finally the paper calls on the three tiers of governments and other stakeholders to provide and adopt schemes that can assist or protect the poor and low income renters by encouraging small scale landlords to provide more and better rental accommodation.

Keywords: Accommodation, Ado Ekiti. Residential property rental market, Urban poor

1.0 INTRODUCTION

The residential properties represent one of the most basic human needs which has a profound impact on the health, welfare and productivity of individuals in a society (Hoesli and Mac-Gregor, 2000). It is basically driven by population growth amidst other macro-economic variables. It consists of an array of subunits varying from (tenement, flat, bungalows, storey, detached houses, duplexes, terrace apartments, and blocks of flat). In Hong Kong for instance, residential properties constitute more than 80% of all property transactions (Chiu and Chau, 2005). It possesses not only the value of utilization but also the value of investment which is somewhat different from that of securities such as stocks and bonds (Sun and Zheng, 2004).

Its occupational use can be divided into rental, sale and owner occupied properties. Therefore their markets are conglomerate of the property market which is concerned with both the selling and letting of housing units of various types for varying income class and status, depending on their choice (Igbinosa, 2011). Within the market transaction, rental market which is the letting arrangement has been revealed as the most integral part of well functioning residential market (UNCHS, 1990).

This is because the market provides urban households and individuals with room for change at affordable prices which make housing a productive asset. Its ownership often is a deliberate choice as it offers flexible arrangements for continuous income that are unavailable to owner occupied (UNCHS, 1990). Some occupiers recur to tenancy for a transitory period, while others do not wish to make the long-term financial commitment that it takes to acquire a home or face the cost for maintenance and repairs that come with home ownership (UNCHS, 1990).

However the urban poor fall into the low income group within the urban area, whose preferences falls mostly on rental accommodation since purchasing a residential unit or acquiring land for residential development is often beyond their means. Hence, urban poor are the categories of low income/class with distinct features such as low education level, low social status, and economic advancement which makes their choice of accommodation to be reflected in their status (World Bank, 1995).

It has been revealed that, lack of access to secure and save housing is a central feature of urban poverty, their statistics further showed that at least 600 million urban dwellers in Africa, Asia and Latin America lived in overcrowded houses of poor quality, with inadequate provision for water, sanitation, drainage and garbage collection. These often pose lives at risk (UNCHS, 1990). The urban poor are mostly unable to obtain an adequate income, find a suitable job, own economic obligations (World Bank, 1995). They are found in an

environment that is overcrowded and highly populated density area.

The urban poor peculiarities therefore portends reasons for occupying particular types of residential units such as tenement buildings, room and parlor, a room self contained with their dependants. Since the income levels of the urban poor are low, they tend to seek affordable accommodation in rental market. Hence, this study is designed to examine the impact of rental market on the urban poor accommodation in Ado-Ekiti, Nigeria.

1.2 THE STUDY AREA

Ado-Ekiti is the study area and it is located between 7°43'16" North of the equator and longitude 5° 15'27" East of the Greenwich Meridian. In the defunct western State, Ado-Ekiti was one of the provincial headquarters. The Town retained the status under a different name (Local Government headquarters) When Ondo State was created in 1976. Ekiti State was carved out of the "old" Ondo State in 1996, Ado-Ekiti became the state capital; it is also the administrative capital of Ekiti State and the headquarters of Ado Local Government. Ado-Ekiti is also one of Sixteen Local Government Areas of Ekiti State. The population in 2006 was put at 308, 621 persons, making it the biggest city in Ekiti. (Okosun and Olujimi, 2016). It is bounded on the North and West by Ifelodun/Irepodun local government and east and south by Gbonyin, Ikere and Ekiti south west local government. Its longest North-south extent is 16 km and the longest East-west stretch is about 20 km. Ado-Ekiti is about 200 about sea level in south Eastern part of Ireje stream and 500 km above sea level in the north east. It has a land area of 923,768km. Ado Ekiti enjoys tropical climate with two distinct seasons. These are the rainy season (April-October) and the dry season (November-March) temperatures ranges between 210c and 280c with high humidity. (Okosun and Olujimi, 2016).

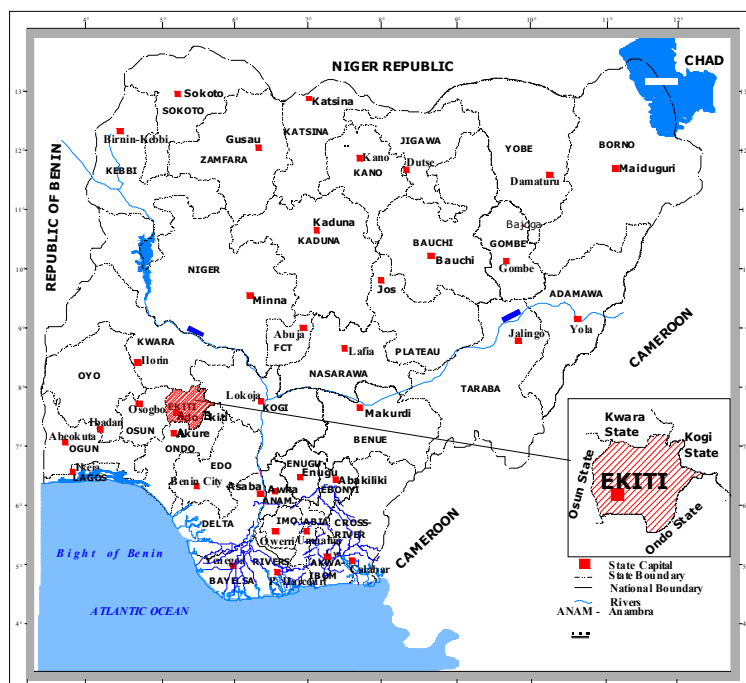


Figure 1. Map of Nigeria Showing Ekiti State
 Source: Ministry of Housing and Urban Development Ado Ekiti (2014)

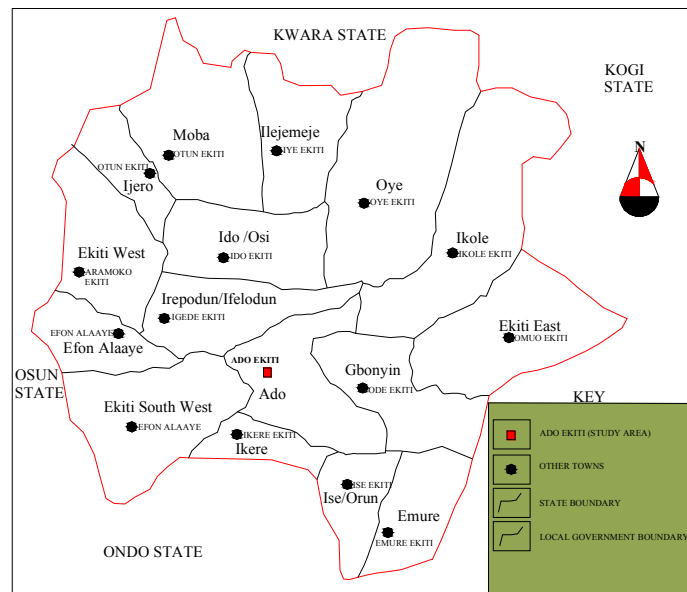


Figure 2: Map of Ekiti State Showing the Study Area (Ado Ekiti)
 Source: Ministry of Housing and Urban Development Ado Ekiti (2014)

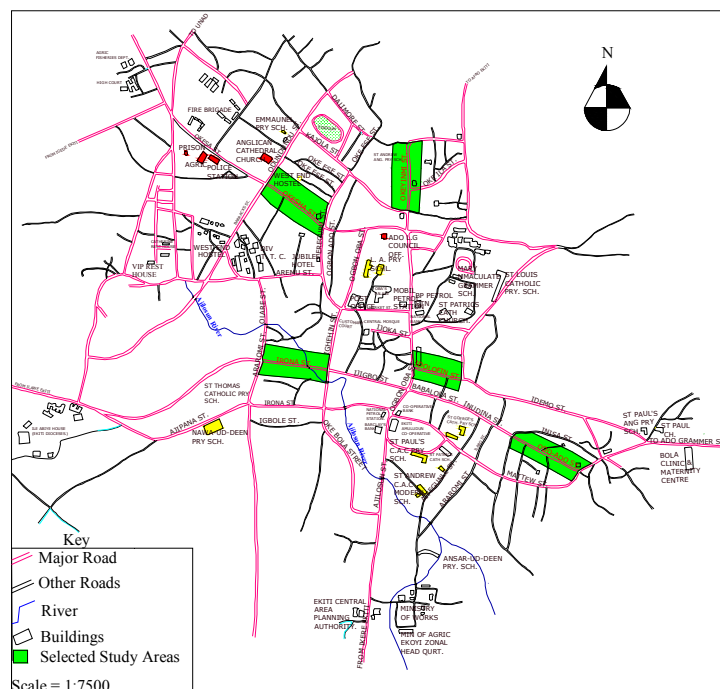


Figure 3: Map of Ado-Ekiti Showing the Selected Study Areas
 Source: Ministry of Housing and Urban Development Ado Ekiti (2014)

2.0 PROBLEM OF THE STUDY

The rapid growth of cities in developing countries has contributed to widespread and increasing urban poverty. This is evident by the difficulty urban residents' face in accessing affordable housing (Rakodi, 2002); this in turn makes the urban poor vulnerable and prone to sudden shocks or long-term stresses (Mehta and Mehta, 1989). Vulnerability is closely linked to asset ownership. According to Devas and Korboe 2000, the more assets people have, the less vulnerable they are; the fewer the assets held by families, the greater their insecurity. Types of assets varies, often the most important is accommodation. In many urban areas, residential property market has been confronted with pressure due to population growth and urbanization challenges, which trigger the rising needs for residential property and in turn rental increase. In Ado Ekiti for instance the benefits of

homeownership have not been equally available to the urban poor. Their opportunities are restricted by social inequalities in which they must live and their options are limited, thus preventing them from being easily located from living in neighborhoods and housing within their communities (Rogerson, 1996). The opportunity to purchase is limited as well as their chances of moving into genuinely satisfactory neighborhoods and residential environments in which they might be able to break the cycle of poverty. One identifiable group not equitably represented among the city's homeowners is lower-income families and artisans. There are several reasons why urban poor are underrepresented in the status of homeowners among which is income.

In addition, poverty is not the only reason why urban poor are utterly underrepresented among the city's homeowners. Non availability of mortgage facility is another issue; even those who own their own homes often have purchased them without benefit of a mortgage. The minority who has obtained mortgage financing are more likely to have two or more mortgages, small short terms mortgage with high interest rates, as compared with the high income earner and well to do counterparts.

The absolute number of urban poor has increased in the last fifteen to twenty years at a rate faster than in rural areas. (Halfani, 2007). In Nigeria, the number of rural poor declined from 26.4million in 1985 to 22.8million in 1992 because of the rural urban migration in search of greener pasture. The population of urban areas invariably rose from 9.7million to 11.9 million in 1985-1992. The depth of poverty increased in urban areas from 9% to 12% (World Bank, 1995). The depth and severity of extreme poverty increased more than seven fold in urban Nigeria compared with a two fold increase in rural areas (Olaniyan, 2000). The problem has been due to recent high population growth rates, which has made the quality of life in urban centre worse and urban services overstretched.

No doubts the only and most convenient option for the urban poor eventually become rental accommodation. Among these, the urban poor often get their choice based on their level of income. The property owners might create problems of affordability where there is incessant increase in rents. There may be a corresponding problem of overcrowding with its possibility of health hazards and overstretched housing facilities. The value of the property is determined by the types of property because if the value of a property is too high, an urban poor dweller will not be able to afford it. Hence this research seeks to explain the impacts of rental accommodation on urban poor in Ado Ekiti.

3.0 PURPOSE OF THE STUDY

The purpose of this study is to examine the socio economic impact of residential property rental market on urban poor in Ado-Ekiti, Nigeria with a view to making accommodation more affordable for the urban poor in the study area.

The purpose of this study is to

- i. identify the socio-economic characteristics of estate surveyors and valuers in the study area;
- ii. identify the socio-economic characteristics of tenants in Ado Ekiti
- ii. highlight the socio economic characteristics of the urban poor in Ado Ekiti; and
- iv. examine the factors influencing rental accommodation of the urban poor in the study area.

4.0 RESEARCH METHODOLOGY

In this study, cross-sectional design on survey data was used. Primary data were obtained through questionnaires administration, oral interviews and personal observation. Questionnaires/interview schedule were designed to obtain information from respondents which consist of (a) The tenant in the residential apartment in the selected neighbourhood (b) The practicing Estate Surveyors and Valuers who are members of the Nigeria Institution of Estate Surveyors and Valuers who are duly registered with Estate surveying and valuation registration board of Nigeria (ESVARBON). (c) The residential properties in the selected areas. Data were collected with the aid of closed structured questionnaire. It consists of forty-two (42) questions which were set to elicit specific information from the respondents. This study employed the use of two type of questionnaire for data collection.

Type A questionnaire was targeted at the tenants of the selected areas under study to gather information on the socio-economic characteristics of the tenants.

Type B questionnaire was administered on the registered and practicing Estate Surveyor and valuer in Ado Ekiti to obtain information on their socio-economic characteristics. However one occupant per residential apartment was thus adopted as sample size for the tenants in the selected areas. The sampling frame of 17 was adopted as sampling size for the Estate Surveyors and Valuers registered and practicing in Ado Ekiti. In this study, the researchers in conjunction with the five (5) Field Assistants administered the questionnaires. Students from the Department of Estate Management, Crown Polytechnic Odo, Ado-Ekiti, were used. The data collected from the field were collated and proceed using the Statistical Package for Social Sciences (SPSS) version 18.

Table 1: Selected Areas Sample Frame and Size of Households

Selected areas	Sample frame	Sample size
Irona	470	212
Okesa	485	197
Odo-Ado	402	190
Okeyinmi	376	215
Idolofin	530	223
Total	2,263	1,037

Source: Authors' computation, 2014

5.0 RESULTS AND DISCUSSION

In this section, discussions of the findings were based on the research objectives as follows:

5.1. Estate Surveyors and Valuers in Ado Ekiti

This section gives information on the years of experience, educational, qualification, position of respondents in the firm, years of establishment and Professional Qualifications of Estate Surveyors and Valuers that responded to the questionnaire.

This distribution of Estate Surveyors and Valuers according to their educational qualification is detailed in Table 2, 35.3% of the practicing Estate Surveyor and Valuers possess BSc and MSc, while 17.7% possess HND with PGD and 11.8% possess HND only. With the result, the information from the Estate Surveyors can be relied upon because a larger percentage of them possess minimum educational qualification. The table also shows that 58.8% are Associate members while 41.2% are fellows.

The result reveals that considerable number of the Estate Surveyors and Valuers are qualified to supply the information that is needed for this research work. From the table also 35.3% are Senior Estate Surveyor and Estate Surveyor and Valuer respectively, while 29.4% are Principal Partner. Based on their position, the result reveals that considerable numbers of the respondents are qualified to supply the information needed for this research.

Table 2 also shows years of experience that respondents have worked in Estate Surveying and Valuation profession. From the table 52.9% of the respondents have been in the practice for between 8-15 years, 35.3% have been in the practice for over 5 years while 11.8% of the respondents have been in the Estate Surveying and Valuation Profession for more than 16years. This period is long enough for the respondents to have possessed the necessary experience and this lays credence to the information collected for this analysis.

Table 2: Socio-Economic Characteristics of Estate Surveyors and Valuers In Ado Ekiti

Characteristics of Educational Qualification	Frequency	Percentage %
1. HND only	2	11.8
HND with PGD	3	17.6
BSC	6	35.3
MSC	6	35.3
2. Professional Qualification		
Probationer / Graduate	-	-
Associate	10	58.8
Fellow	7	41.2
3. Position		
Principal partner	5	29.4
Senior Estate Surveyors and Valuer	6	35.3
Estate Surveyors and Valuer	6	35.3
4. Years of Experience		
1-7	6	35.3
8-15	9	52.9
16 and above	2	11.8

Source: Field Survey, 2014

5.2 Socio-Economic Characteristics of Tenants in Ado Ekiti

The educational qualification of the tenants who are the respondents shows that 41.4% of them have HND only, while 18.5% are BSC holder, 15.2% of them have NCE only and 24.9% of them have just primary school

certificate. With the result, the information from the tenants can be relied upon since majority of them are educated. Table 3 shows that 42.9% of the tenants are self-employed, 25.4% of them are civil servant, and 8.1% are engaged in farming while 5.8% of them are into other jobs. This implies that majority of the tenants are self-employed and may not have enough capital to own residential property.

The result from Table 3 indicates that 42.7% of the respondents earn below ₦ 30,000 followed by those with income between ₦ 31,000 and ₦ 40,000 representing 31.2%. whereas other tenants that earn between ₦ 41,000 and ₦ 50,000 are 19.4% while those that earn above ₦ 50,000 are just 6.8% from the above table, it is deduced that majority of the tenants are low income earners. This substantiate their option for tenement buildings.

The result from the Table 3 also indicates that 33.8% of the tenants live in tenement apartments while 16.0%, 17.8%, and 22.5% of them live in a room self-contain, room and parlour self-contain and 2 bedroom apartment respectively. Although, the various types of the property are rented by the tenants but prominent one is the tenement building possibly due to the fact that it is relatively the cheapest.

Table 3: Socio-Economic Characteristics of Tenants in Ado-Ekiti as at 2014

Socio-Economic Characteristics of Tenants	Frequency	Percentage %
Educational Qualification		
Primary School Certificate only	211	24.9
NCE only	129	15.2
HND only	352	41.4
BSC only	157	18.5
Occupation		
Self employed	364	42.9
Business man	151	17.8
Civil servant	216	25.4
Farmer	69	8.1
Others	49	5.8
Monthly income		
Below ₦30,000	363	42.7
₦ 31,000 - ₦ 40,000	265	31.2
₦ 41,000 - ₦ 50,000	164	19.4
Above ₦ 50,000	57	6.8
Property types		
Tenement building	287	33.8
Room self-contain	136	16.0
Room and parlour self-contain	151	17.8
2 bedroom flat	191	22.5
Bungalow	84	9.9

Source: Fieldwork, 2014

5.3 Socio Economic Characteristics of the Urban Poor in Ado Ekiti

Table 4 revealed that income has the highest mean of 2.76, which makes it the major factor that characterized urban poor and the reason why they prefer tenement buildings, followed by education which has an average mean of 2.66, occupation 2.59, living condition 2.54, neighbourhood features 1.29 and household size with an average mean of 1.09. All these may have varying impacts on the urban poor dwellers.

Table 4: Socio Economic Characteristics of the Urban Poor in Ado Ekiti as at 2014

Characteristics	Mean	Std. Deviation	Rank
Income	2.76	.647	1
Education	2.66	.733	2
Occupation	2.59	1.402	3
Living condition	2.54	1.057	4
Marital status	1.90	.938	5
Property type	1.57	.495	6
Age	1.53	.744	7
Neighbourhood Features	1.29	.504	8
Household Size	1.09	.284	9
Gender	1.06	.242	10

Source: Field Survey, 2014

5.4 Factors Influencing Rental Accommodation of the Urban Poor in Ado Ekiti

The perception of tenants on the factors influencing rental accommodation of the urban poor in the study area is detailed in Table 5. The result indicates that all the factors listed above influence rental accommodation of the urban poor. However, low level of income, affordability, and high cost of land for development out- ranked others with mean scores of 4.39, 4.24 and 4.08. while high cost of building materials, accessibility to place of work, high interest rate paid for loan and lack of land to build on ranked fourth, fifth sixth and seventh with mean scores of 4.05, 4.03, 3.44 and 2.78 respectively.

Therefore, low level of income is the major factor that influences rental accommodation of the urban poor which out-ranked others with mean score of 4.40, due to the low level of income the urban poor find it more difficult to occupy apartment that is more comfortable unlike the rich people; affordability which ranked the second is also a factor that influence rental accommodation of the urban poor which determine whether people buy or rent a house. The third ranked factor is the high cost of land for owner occupied, this third factor influence rental accommodation of the urban poor because not all owner occupiers can secure land for development and where they are available the cost is high. Cost of building materials are very high therefore, urban poor dwellers find it difficult to build a house of their own and this also influences occupier's rental accommodation. Another factor that influence the rental accommodation is the accessibility to the place of work, the urban poor tends to live very close to their places of work which then influence their choice of accommodation. The interest paid on loan by would be owner is very high which therefore sometimes discouraged an investor to borrow loan for housing development.

Table 5: Factors Influencing Rental Accommodation of the Urban Poor in Ado Ekiti

S/N	Factor	S/A	A	U	D	S/D	Mean	Rank
1	Low level of income	438	325	66	20	-	4.39	1
2	Affordability	338	417	58	30	6	4.24	2
3	High cost of land for owner occupied	248	483	66	46	6	4.08	3
4	High cost of building material	353	298	111	61	26	4.05	4
5	Proximity to work	342	285	143	61	18	4.03	5
6	High interest rate paid for loan	72	404	240	90	43	3.44	6
7	Lack of land to build on	66	233	193	160	197	2.78	7

Source: Field Survey, 2014

6.0 CONCLUSION AND RECOMMENDATIONS

This study has analyzed the impact of residential property rental market on urban poor in Ado-Ekiti, which include over crowded living condition, income level, low level of education, poor access to basic amenities etc. Any policy designed to ameliorate the plight of the urban poor must among other things recognize housing, provision of potable water, improved health care facilities, improved transportation in terms of good roads, sound education for the wards of the urban poor and employment opportunities. However high rate of interest paid on loan is among factor that hinders the middle and low income earners to pay the exorbitant rate and therefore they resolve to renting accommodation, low level of income, high cost of building materials and high cost of land for owner occupied are other factors influencing rental accommodation of the urban poor. In line with forgoing, this paper recommends policy as follows:

- i) For the urban poor to back out of vicious cycle of poverty in which they presently enmeshed, the three tiers of government i.e. (local, state and federal) must recognize the poor as its priority. This can be done through establishment of good schools, provision of shelter, and provision of facilities among others; this is because the effectiveness of education and health services is one of the tools use in the fight against poverty in any society;
- ii) Public-private-participation (PPP) should be encouraged as well as the involvement of stakeholders in and outside the state in providing good quality and low housing scheme, in order to assist the poor in the study area. This can be achieved through constantly organizing seminars and conferences to sensitize the general public from time to time with the intension of decongesting the houses in the study area;
- ii) Government should adopt schemes that can assist or protect the poor and low income renters by encouraging small scale landlords to provide more and better rental accommodation.

7.0 Areas for Further Research

This study looked at the socio-economic impact of residential property rental market on urban poor in Ado-Ekiti; therefore a further research can be carried out on:

1. Critical analysis of the affordability of the property value to the urban poor and non urban poor.

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