

**AN ASSESSMENT OF THE PROSPECT AND CHALLENGES OF
COMMERCIAL PROPERTY MARKET IN AUCHI, EDO STATE.**

BY

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**BEING A PROJECT WORK SUBMITTED TO THE DEPARTMENT OF ESTATE
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CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Commercial Property is a property that is not occupied by the owner, usually purchased, built or developed specifically to generate profit through rental income and capital gains. There are many different types of commercial property including shop rental property, warehouse property and property purchased/or developed with the goal of reselling it for profits. Investing in property can be through many modes which are property development, property acquisition, acquisition of shares in property companies with interest dividends or royalties and mortgage investment (Thontteh and Omirin, 2014). Increase in property investment especially through property development has alots of challenges in a nation like Nigeria that is currently experiencing rapid economy depression.

Real estate property was generally seen as a legacy a parent bequeaths to the offspring. However, with the realization that real estate is a major source of capital appreciation and a good hedge against inflation, the real estate market is coming close in popularity and importance to the money and capital markets. In particular, as Nigeria stands on the threshold of establishing a secondary mortgage market to mobilize capital market finance for the primary market, the need to assist real estate professionals with information on the influence of property features/characteristics on commercial property cannot be over stressed. Although several studies have focused on investment in the money and capital markets in Nigeria, so much cannot be said of the real estate sector (Eriki & Udegbonam, 2008).

Market value is a key parameter for measuring real estate performance. Rental value is also a major cost for tenants and an important source of income for the landlord. Key property market participant such as investors and developers often use rental value as an indicator to appraise the viability of their real development and investment schemes. (Bjorklund, 1999). On this basis, understanding the nature and basic features of rental movements provides a better comprehension of the dynamics of the commercial property market. Also, rental growth indices are often incorporated into discounted cash flow analysis for appraisal of real property investments. (Brown, 1997). Thus, professionals in the real estate industry require better knowledge of commercial property market dynamics as well as the key determinants that influences commercials property market.

However, the property is one of the major segments of the investment market. The commercial property market is an important sector of the property market. Investors in the commercial property market expect return on their investments in the form of rents. (Udo, 2003).

Also, the commercial property market is defined by some fundamental concepts. These concepts provide the basic for the determination of commercial property rental values. Contributors to the early conceptualization of rent theory believed that rent is a differential caused mainly by distance and cost of transportation and attributed differences in rent -earning capacity of land to differences in location and transport cost.

Commercial property is the giving up of a capital sum now in exchange for benefit to be received in the future which usually take the form of an income flow or capital gain (Enever and Isaac, 2002). Investment in property may be achieved in a number of ways, the chief of which are: property acquisition, mortgage investment, property development and acquisition of shares inproperty companies which produces interest, dividends or royalties. In the context of portfolio

investing, real estate is traditionally considered an "alternative" investment class (Woychuck, 2012). That means it is a supplementary investment used to build on a primary portfolio of stocks, bonds and other securities. Woychuck (2012) affirmed that one of the beneficial features of real estate is that it produces relatively consistent total returns that are a hybrid of income and capital growth. In that sense, real estate has a coupon paying bond-like component in that it pays a regular, steady income stream and it has a stock-like component in that its value has a propensity to fluctuate; and like all securities, one would prefer the value to go up more than to go down.

Commercial property market value in the context of this study refers to the ability of property investment to yield maximum expected return or profit in terms of rental and capital value. This study therefore considered factors that determine profitability in terms of return on commercial property investment. The essential objective of commercial property is to maximize returns while minimizing risks (Fraser, 1993). Enever and Isaac (2002) affirmed that the rate of return on a particular investment is determined by the forces of supply and demand within the market and is evaluated by investors and their advisers by comparing returns from various investments. They further stated however, that certain underlying economic influences affect the rate of return on property investment. These are inflation, incidence of taxation, tenant risk, risk of irregularity of income, legal risk, liquidity of the investment, cost of transfer (sale and purchase and the cost and trouble of management amongst others.

Commercial property market as a resource of primary importance in the economy of any nation seemingly constitutes a large portion of the total wealth in Nigeria, although the estimated value is yet to be ascertained. Little is known about their risk and return characteristics to enable future

planning and forecasting. Moreover, willing foreign and local investors often seek to know the inherent risk in any geographical location before investing.

1.2 Statement Problem

There appears to always be shortage in accommodation in the urban area. This is as a result of the influx of people for different business purposes. The high rents paid on commercial properties are a product of the failure to supply sufficient land for building of enough accommodations and other in infrastructural facilities, and the weakness in the system to finance and construct sufficient accommodations to meet the demands of the market. (Baker,2002). Despite the need for infrastructural facilities and the efforts being made by the private sector and the government to meet this demand, the issue at hand is ability of both tenants and prospective tenants such as offices and industries to adjust to these market challenges.

This problem is predominant in most Nigeria cities like Auchi, where market values of commercial properties facilities are mostly sought after by different investors. In some countries the attempts to increase rents have even led not to pay rents at all. (Baker, 2002). The result of these developments may well still be a rapid deterioration of infrastructural facilities and consequently a risk of ultimate loss of great amounts of capital invested on this property Baker, 2002). Preliminary survey indicates uncontrolled rent charged. As a result landlord and private developers take advantage of the properties market by manipulating the market forces in place (the demand and supply factors). In relation to the supply of commercial properties, the factors that also contribute to this increasing market value are the high price of building material. It is against this background that the researcher embarked on the study.

1.3. Research Questions

- 1) What are the various types of commercial properties available in the study area?
- 2) What are the challenges facing commercial property market in Auchi?
- 3) What are the prospects of commercial properties in Auchi?

1.4. Aim and Objectives

The aim of this research is to assess commercial property market challenges and prospects with much focus on the current rental value, factors influencing rental value on commercial properties, challenges and prospects. To achieve the above aim, the following objectives are to be pursued;

- 1) To identify the various types of commercial properties available in the study area
- 2) To examine the challenges facing commercial properties in the study area.
- 3) To examine the prospects of commercial property in Auchi.

1.5. Significance of the Study

This study will help the researcher to have a concrete understanding of commercial properties market in Auchi. The study will aid to assess commercial properties in Auchi. It will also aid students when undergoing similar study. The study will contribute to existing knowledge on Challenges inhibiting investors/developers in the real estate market in Nigeria and provides antidotes to some of these challenges. Having addressed these salient and age long challenges to

real estate investment and development in Nigeria, the table is now set and a road map developed that will open unlimited opportunity for investors without jeopardizing or risking their investment unnecessarily. These will lead to increase in provision of more buildings to care for the growing need of a developing economy and equally provide decent offices accommodation as engine of economic growth. Furthermore, a critical observance of the solution provided in these research will ameliorate the incessant civil disorders usually occasioned by the Omooniles which often lead to massive destruction of properties and loss of lives.

1.6. Scope of the Study

This study will cover the challenges and prospects facing commercial properties market in the study area. However, the geographical scope will be limited to Igbei road and Iyekhie road in Auchi, Edo State.

1.7. Limitations of the Study

During the course of this study, the researcher encountered the following challenges:

Lack of Adequate Resource Materials: this was one of the challenges which the researcher faced. This was occasioned by the lapse in the proper record keeping on the part of the school library thereby making it difficult for the researcher access relevant materials in the field of study. This therefore, prompted the researcher to travel to some other institutions of higher learning to seek these materials.

Lack of Adequate Time: there was also the challenge of adequate time to carry out this research. This was brought about by the time frame given by the Polytechnic Management to all the final year students to submit their complete project work to their various departments. This

made the researcher to work round the clock to ensure an early compliance with the school directives.

Lack of Funds: there was also the lack of sufficient funds to dispense the research work. Though funds were made available for the research work due to inflationary trend in the country it became inadequate.

Attitude of the respondents: the attitude of most of the respondents was yet another challenge faced by the researcher. For instance, some of the respondents were not will to supply relevant information to the researcher, for the singular fact that such information given might be used against them for the purpose of taxation by the state government. Others however believed that such information given might result to sharing personal secret information with an unauthorized person. By this predicament, the researcher had to carry out several visitations on the respondents before they could give the researcher relevant information.

1.8. Study Area

This research focuses on the ancient city of Auchi - A town located in Edo State, mid- west of Nigeria - A town with a population of 197,609 and 23,588 households with a density of 209 per square kilometers (NPC,2006) which is unevenly distributed due to topography, cultural and socio-economic factors. Auchi is divided into five neighbourhoods which naturally correspond with the socio-cultural division of the town. Those are Usogun, Akpekpe, Aibotse, Igbe and Iyekhei. The people of Auchi are generally referred to as part of the "Afemas". In the past, Auchi was mainly an agrarian society, but as she began to gain recognition as the administrative headquarters of Etsako West and Esan institutional town, attention gradually shifted from agriculture to trade and commerce ranging from small to medium scale ventures. The study is

designed to cover Auchu metropolis. Auchu is situated in the northern part of Edo state and is about 130 kilometers from Benin City the capital of Edo state. Auchu is a semi urban town in Edo state of Nigeria. It is situated approximately on latitude 7° 41N and longitude 6°41E. It is the administrative head quarters of the Etsako west local Government which shares common boundaries to North with Ikpe-Uzairue; while to the east is south Ibie, to south is aviele and to the west is Owan. The area has an average population of 65,000 (NPC, 2006).

1.9 Definition of Terms

Properties: According to the High Court, the Court of Appeal and the Supreme Court, property is the right to possession, enjoyment and disposition of all rights and things subject to ownership. Property is therefore a legal right expressing the relationship between a person, the owner and his possession of the thing owned (Aedes, 2010).

Commercial Property: According to Malys (2012) this refers to buildings or land intended to generate a profit, either from capital gain or rental income. It includes office buildings, industrial property, medical centers, hotels, mails, residential property containing more than a certain number of units qualifies as commercial property for borrowing and tax purposes.

Tenants: a tenant is a person or group of persons that rents and occupies land, a house, an office, or the like, from another for a period of time; lessee. Law: A person who holds or possesses for a time lands, tenements, or personality of another, usually for rent to hold or occupy as a tenant; dwell in; inhabit. (Olukolajo and Ojo, 2016)

Rent: the universal dictionary of English language (1971) defined rent as the regular payment made for the use of land or building that belongs to someone else. The economist defined as "the revenue from land resources that is equal to the value of its marginal services rendered in a

productive process" (Richfield 1974). In summary therefore, the word rent is that fixed periodic payment made by a tenant to his landlord for the exclusive possession and use of leased property.

CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction

In this chapter, the researcher will make reviews on relevant issues concerning the project topic that is an evaluation of the factors influencing students' accommodation choice in south Ibie. References will be made to related textbooks, journals, magazines and other sources of information available.

2.1. Literature Review and Conceptual Frame Work

Some examples in existing literature suggest that real estate market value in one geographic area is different from market value in another area. Thus, local market analysis is required to accurately assess real estate investment value, including rental trend analysis (born and Pyhrt, 1994). Hekman (1985) found that office market rents change in response to change in economic conditions at the local, regional and national levels and are strongly affected in both the central business districts (CBD) and the suburbs by vacancy rates. Grissom, Hartzell and Liu (1987) identified that regional markets exists for industrial real estate. They further suggested that constructing real state indices, including rental growth indices according to property type may be valid since each city has a unique economic base.

Hartzell, Shulman and Wurtzebach (1987) established eight regions in the united. States based on similar underlying economic fundamentals and evaluated regional real estate returns. They found significant differences between correlation coefficient of returns among the areas. The suggest that there are real estate market differences between locations and local real estate market

research is a significant element in real estate performance analysis. Corgel and Gay (1987) examined the potential for the diversification of regional investments in the thirty largest metropolitan areas in the United States and found significant differences in their economic vitality. Corocoan (1987) established the "economic relationships between office rents, vacancy rates, asset prices, user costs and reproduction cost and found that the linkages between the rental market (tenants) and the asset market (investors) are through opportunity cost (user cost) of competing investments and replacement cost of real property". He argued that rising vacancy rates in the face of strong growth in demand in the asset market for rental properties in the 1980s was due to extra incentives in the asset market. He further explained that office building acquisition prices rose more rapidly than reproduction costs and that encouraged new construction that led to overbuilding and high vacancy rates in the study areas.

Voith and Crone (1988) analysed "office market vacancy rate in seventeen large metropolitan areas in the United States for the period June 1980 through June 1987". Identified "clear indications of cyclic vacancy rate and market differences between metropolitan areas, both in cycle frequency and amplitude". Also, they found that the "natural (structural) vacancy rate was upward sloping in thirteen metropolitan areas, almost constant in two metropolitan areas and slightly downward sloping in two metropolitan areas during this period, which included two recessions". They concluded that inter-market variations were significant.

Pollakowski, Wachter and Lynford (1992) in their study tested for structural differences among metropolitan areas by office market size based on rental data for twenty metropolitan areas over the time period 1981 to 1990. They argued that it was inappropriate to assume a single structure for demand and supply relationships in all commercial property markets and concluded

that real estate cycles are clearly not uniform across market. The results of their study suggest that property market outcomes vary by city sized.

Clap (1993) examined office markets nationally in the United States. The study involved the analysis of four metropolitan areas in the north eastern United States compared with the nation. He "quantitatively validated the relationship between cyclical economic factors, including employment, location factors of supply and demand, and office market performance variables. Of absorption and vacancy rates and also explored measurement of the natural vacancy rate in office market cycles" the results of the study indicated that in the 1990s, the four metropolitan area office property markets studied were highly correlated with the national office market. This suggest that in the long run, investment grade office properties metropolitan areas held in institutional portfolios tend to perform like the national office market during period of national economic prosperity.

Shilton (1995) evaluated "office market cycles in a framework designed to promote an understanding of the cyclic characteristic of office employment demand. He found that the economic base of a city influenced the rate of overall growth in office employment. He also established the link between cyclic office employment and market volatility and concluded that markets experiencing higher levels of office vacancy"

Gordon, Mosbaugh and canter (1996) examined commercial property market volatility in the commercial property market in the united state using office rental data from thirty one metropolitan areas over the time period 1978 through 1995, and the change in vacancy rate over time as its measure of the real estate cycles. They found that "different metro areas behave differently over time and that some office markets have longer cycles or less volatility than others. Their study also focused on identifying economics factors to determine the underlying

causes of office market cyclicity. Their analysis suggests that movements in vacancy rates, While employment growth and market conditions (e.g.. size and economic diversification) were also major contributing factors". They concluded that during the recovery phase of the office market cycle, demand side factors such as employment growth and economic diversification appeared to be the dominant influence on office market behavior in the study areas.

McCartney (2012) examined the short and long run rent adjustment in the Dublin commercial property market in Ireland. The study estimated a rent determination model for the office market in Dublin based on a two stage error correction mechanism which involved estimation of a long run equilibrium rent equation and a short run rent adjustment process. The result of the long run analysis indicated that office demand is relatively inelastic in Dublin while the short run model indicated a relatively slow rate of rent adjustment in the Dublin office market. The preponderance of findings from contemporary empirical studies suggests that different localities are subject to different rental growth factors (Gardiner and Henneberry, 1988, Giussani et al, 1993; Yusof, 2001; Tonlli, Cowley and Boyd 2004; Hui and Yu 2006; Boon and Higgins, 2007 and McCartney, 2012).

Rental growth determinants provide information to make a decision about investment and development and can be used to predict the cyclical behavior of commercial property development (Boon and Phyr, 1994). In addition, rental growth forecast parameters are often incorporated into discounted cash flow models for property appraisals (Boon and Higgins 2007). Consequently, direct application of rental growth parameters developed elsewhere to the analysis of the commercial property market in any city in Nigeria would produce spurious results due to variations in key rental determinants. Thus, there is need to identify leading rental growth

indicators which are representative of the Nigeria economy and the commercial property markets in the country.

2.2. Constraints to Commercial Property Investment

Many researchers have done a lot on this issue in time past, but due to the dynamic nature of commercial property investment, there is need for current investigation into the issue to uncover the actual factors militating against property investment in developing countries, as there are still many new areas that need to be further investigated. In addition, factors are not necessarily the same at all time in every country. Hossain and Nastin (2012), are of the opinion that all possible factors influencing investors' investment decision making are not constant over time and that they may vary widely from investor to investor for distinct demographic features. Chandra, (2010) identified factors affecting property investment as illiquidity of the market, maintenance efforts, political factors, social factors and development factors. Kaleem et al (2009) in an study of factors affecting financial advisors' perception in portfolio management in Pakistan, found that age, income, language and orientation of education have a significant role in determining the investments style of an investor. Lewellen (1977), cited in shanmugsundaram and Balakrishan (2011), found that age, gender, income and education affect investors preference and attitudes towards investment decisions.

Cooray (2003) identified the factors affecting investment in property as risk factor, return on investment, liquidity of investment, tax consequences of an investment, inflation and the term of an investment. Rashid and Nishat (2009) found that in Bangladesh, the most influencing factors on investors' decisions are efficiency of the company, inflation rate, easy and quick transactions, transaction cost, access to the company and industry information, quality of information and

prior knowledge of securities. Leiser and Groh (2011) cited in Thontteh and Omirin (2014), also identified factors that affect commercial property market as property rights, security of property rights, ease of access to loans, credit information index, soundness of banks, interest rate, access to private capital, private equity investments, crime, corruption, size and liquidity of stock market, stock market capitalization, quality of infrastructure, density of road network, taxation, burden getting a construction permit, cost of building materials, ease of registering properties, human development, political instability, population, direct foreign investment and degree of urbanization.

The consensus from the review of literature above is that commercial property market decisions are not rational, they are influenced by certain identified factors.

2.3. Commercial Properties and Rents

According to Leramo (1992), commercial properties are real properties of any kind, that shelter those who are engaged in any trade or profession with the expectation of profits and it is the profit that determines how much a tenant will pay as rent. Commercial properties are mostly nonresidential (or not exclusively residential) and are leased to various commercial businesses. These businesses vary greatly in size and usage requirements. The management of them, though similar in some ways to residential, is generally more complex in terms of leases, rents, and space requirements. Examples are: Office buildings include many types of buildings, from skyscrapers to convention centers to medical centers. Shopping centers, malls, and research parks also have multiple renters, which are generally made up of different small businesses leasing individual spaces in a collective development.

Warehouses: store merchandise inventories for large businesses, while self-storage units offer smaller spaces for individuals or small businesses to store personal belongings, business records, etc.

Industrial complexes range from large manufacturing sites to small independent services. All of them require property management.

2.3.1 Types of Commercial Properties

Decision to purchase, lease or rent commercial properties is generated by prospect for returns from the use of properties that fit the needs of the particular individual firm or companies.

Investors may make purchases, to be leased out to prospective tenant. Builders, promoters and speculators, may develop new properties for lease or sale to business firm. Decision to purchase lease or rent commercial properties therefore depend in part on the present level and future prospects of general business condition or the relative prosperity of that particular line of business consequently, this section of the study aim at considering a few of such commercial properties erected in consonance with the provisions of land use planning tools. Three major types of commercial property have been identified namely shops, offices commercial warehouse.

These types of property are usually in the central business district (CBD) example mission road and ring road in Benin City.

a) Shop: These are buildings or part of building s where goods are displayed for sale on either retail or wholesale basis. They are very wide in spectrum ranging from small sized shop cover floor spaces of about 20m² or less net floor area. The medium sized shops cover floor spaces of between 50M² and 100M² net floor area and are found located in major streets, or roads in some part of the town. They are usually occupied for sale of various items. They are sometime called departmental stores for examples uyi stores located at Mission road and shop located in

mission road market. This fact must be borne in mind in the discussion of shop property. Income from shop property generally forms a very sound type of investment. Attracting both the private investors and to corporate body swuchnas institutions, pension funds and insurance companies. The security of shop property lies largely in the fact that the tenant usually has a considerable stake in the property. He has probably built up a good business connection around the premises and will run the risk of losing is good will if he has to move elsewhere. He may also have sunk a considerable amount of capital; in expensive fitting and stock, which would be depreciated by removal. He will, therefore, do his utmost to avoid default in payment of his rent.

b) Commercial warehouse: A warehouse becomes a commercial property when it has something to do with the storage and sale of goods at the same time. However, the term warehouse has been generally understood to mean a building used primarily for the storage for goods or housing of wares and has been defined as a property or structure designed and used for storage of wares, goods and merchandise.

c) Offices: Generally, applies to premises, which are sued for professional or trade purpose. The work carried on therein is of a clerical nature and does not include the displaying or selling of goods (Ifediora, 1993). These are also building where tertiary sectors of economics activities are carried out such activities are carried out such activity includes the services rendered by banks, insurance companies and professional such as estate surveyors and valuers, lawyers and accountancies. They engage in gathering, processing and analysis of information and idea for purely advisory roles (Roberts, 1974). In simplistic terms, offices are service industries consisting of those experts whose role essentially advisory as opposed to being directly productive in the industrial sense. According to Ratchiffe, (1949), this sector is exclusively office oriented. It involves the gathering of information, and ideal, processing and analysis of the

merits. It involves the gathering of information and idea, processing and analysis of the merit of such service oriented. It their evolution (offices) has become a marked characteristic of advance economics and a major index of modern urban growth and development. Office premises range from the converted space within a predominantly residential block to the purpose designed block with it elaborate services and organization. Between the two extremes are a host of other types of office premises varying in size and character depending on the business potentials of the town or locality. Varying terms of letting are thus common with office property. The tenancies may be monthly, quantity from year to year, or for term of years

2.4 Factors Influencing Commercial Property Market.

Real estate comes in many forms and types, rental value of a commercial property is determined by combining the different degrees of affection of various factors. Since the rental value for a particular commercial property is not a simple task. The rent paid by the tenant or the rent received by the owner is a function of many complex factors (olawande, 2009).

Finding the accurate and fair rental (market rental value) value of a commercial property is essential when valuing a commercial property. For the estimation of commercial property value "the investment method" can be used as an appropriate method. According to the investment method of valuation the value is determined by multiplying net income of the property into suitable Years Purchase (YP). Thus, the most important task that the valuer has to do is determining the accurate rental value (market rental value) for the subject property which is going to be valued (Nick, 2008).

To arrive at the accurate rental value (market rental value) for a particular property, valuer has to do a scientific analysis by using relevant and accurate data. Since there are no two identical

properties in all the aspects, value has to do adjustments for comparable. When doing such adjustments, valuer should have a wider understanding regarding the factors affecting the rental values within the particular area. Then only the valuer is able to make adjustments for those factors in order to determine accurate rental value (market rental value) for the subject property. Accordingly, the valuer should have a clear idea regarding the factors affecting the rental values and the amount of impact of those factors on rental values.

There are several common factors that affect the rental values in every city or town such as accessibility (special and general) size, and frontage etc. there may also be special factors that affect the rental values which are unique for a particular city or town. -hence, understanding all of these factors is needed. The next important thing is making adjustments for each identified factor. This adjustment should be scientific and also not subjective. It seems that no commonly accepted method for such adjustments in deriving rental values. The amount/degree of adjustments is based on the valuers' personal judgments. Therefore the amount /degree of adjustment for the same factor may be different from valuer to valuer.

2.5. Challenges facing commercial property market in Auchi

Despite the encouraging and evolving trends, the Nigeria property market is experiencing and the rapid urbanization of various cities in the country, the Nigeria real estate industry is still burdened by several issues that are hindering its growth. Some of the issues affecting the Nigeria property market and suffocating it from achieving its true potential include;

1. High costs of property Development

Building a house in Nigeria, especially in some urban cities like; Lagos, Abuja or Port Harcourt can be very high. Some of the reasons for this include; high costs of building materials, high

skilled labor costs, costs associated with poor roads and sewerage systems. About 75% of dwellings in Nigeria's urban areas are built of concrete, cement prices in Nigeria are rising by the minute than in other neighboring countries and compared to world market prices, there is the issue of lack of adequate infrastructure and more. All these things put together, make it hard to invest in the real estate sector of the economy.

2. Limited Source of Funding

Real estate is usually capital intensive and Nigeria possesses all the key factors for a lot of real estate investment; a growing middle-class population, growth in consumption, rapid urbanization and a young demographic compared to more mature economies yet, financing remains a problem both for property developers and prospective homeowners. Whether you are thinking of investment property financing or securing real estate loans for financing a personal home purchase, you would still have to deal with the issue of insufficient funding down the line. Although the government, some private firms as well as mortgage institutions are trying to curb this, we are still a long way from home.

3. Devaluation of the naira

The recent devaluation of naira is a huge obstacle for the development of Nigeria's real estate sector. Mainly because the Nigerian construction industry is heavily dependent on the importation of the raw materials and equipment they use for construction from foreign countries. However, a devalued naira increases the cost of purchasing these raw materials and equipment. In order to remain profitable when there are abnormally high costs of doing business, most property developers would take out the additional costs incurred, on the market.

The effect of the devalued naira would have been much milder if construction materials were produced locally, as the cost of getting these construction materials would reduce, in turn,

making properties more affordable to the average Nigerian citizen. Most of the scams in the Nigeria real estate sector are perpetuated by the "omo-oniles". Apart from the fact that they are known to extort money from buyers who are developing their properties, most of them sell the lands inherited from their parents or grand-parents to more than one person. They tend to act on lands that have been sold but are yet to be developed and then they sell to a new buyer. Sometimes, they even sell lands that have been developed half-way to buyers and these buyers, in turn, find themselves in a continuous battle for possession of the land. There are a whole lot of land cases in this category presently in court and unfortunately, the "omo-oniles" are nowhere to be found and there are no means for these buyers to get their money back.

They demand levies for everything! Ranging from a levy for the foundation of a building, to fencing of a land, to erecting a gate, to levies for every building material transported to the site. All these are enough reasons to discourage anyone investing in real estate. Their activities often lead to an increase in labor cost, cost of building materials as well as cost of completing a building project.

4. Bribery and Corruption

Bribery and corruption have a negative effect on the Nigerian real estate sector. There have been various instances where developers who have not satisfied preconditions or who simply do not qualify for the allocation of land are granted allocation, while those who are qualified are denied. More often than none, some staff of regulatory bodies prefer to take bribes rather than ensure that developers obtain the necessary permits and conform to statutory construction standards

5. Taxation

Real estate investors are usually subjected to multiple taxes. Some of the taxes levied against them include development levy, income tax, building plan approval levy, property tax, land use tax, and we even have instances where real estate investors are expected to pay renovation tax whenever they want to renovate their properties.

2.6. Meaning and Concept of Rent

Rent is a periodic payment for the use of property. Rent is used mainly for land or land and improvement, but it could be used in respect of other chattels such as plant, machinery and equipment. Rents from property arise not from the considerations of investment which operate on different sets of conditionality and parameters.

In additions to the above definition, the word 'rent' was derived from the Latin work "redditus" which means any income or yield form an economic agent. (field, 1987) however it has been given several definitions depending on the shade of opinion for instance, the lawyer sees rent as a certain and periodic payment or service made or rendered by the tenant of a corporeal hereditament (Hemingway 1973 to 1974), or more precisely in present day usage" a sum of money paid for the occupation of land.

On the other hand, economist see rent from a different perspective. According to Ricardo (1971), a well-known classical economist sees "rent as that portion of the produce of the earth which paid to the landlord for the use of the original and indestructible powers of soil". According to Marshal (1964), another distinguished classical economist sees "rent" as the income derived the portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible power of the soil. Also to senior, Sundharam and Vanish (1978) "rent is the surplus produce arising from the use of an appropriate natural agent.

A close look at the definition as given above by classical economist's shows their attachment to The word "rent" only to free gift of nature with land to the exclusion of other factors of production. This argument is reflected in their definition of rent. For instance, according to soulding (1995) "rent is any payment to a unit of a factor in an industry in equilibrium which is in excess of the minimum amount necessary to keep that factor in its present occupation". This concept applies to any factor of production, which does not have a perfectly clastic supply.

2.7. Theory of Rent

In the theory and practice of estate management, the term "rent" features prominently. It focuses on the theory of rent of aims at highlighting why rent in the first place, what factors influence or determine it and why it is always rising? As earlier discussed, rent is a periodic payment for the use or hire of any capital asset. It is contractual payment fixed in terms of money and normally paid on annual basis.

2.8. Forms of Rent

From the definitions of rents given earlier, one can easily note two forms of rent held by different people, via.

- * Contract rent

- * Economic rent

-Contract Rent: this refers to the actual payments tenants make for their use of the property for others. The amount of these payments are normally agreed to by the landlord and tenant in advance within the period the property is in use and thus form a mutual contractual arrangement.

Economic Rent: In economic theory, economic rent is the payment made to a factor of production which is in excess of that which is needed to keep it employed in its current use or its Transfer earning. This situation arises when demand for the factor increases and the supply cannot respond to the increased demand. This type of economic rent arises because of scarcity in the supply of factors.

Land economy experts, on the other hand have come up with another concept of rent known as "comparative rent". The concept distinguishes between the bare lands from the improvements on land. According to Chapman (1969) writing on farm rents, "the comparative rent which will be obtained for a particular holding will result from the value (not the cost) for farming, use of the fixed equipment as from the advantage in terms of situation and fertility. Again, competitive rent for an urban land will result from the value of use of the improvement for example buildings as well as from the advantages by way of situation and other special reasons"

According to Richfield (1974) in connection with land rent, enumerated four specific component parts of rent, via

- a) Payment of the raw land representing nature's original gift
- b) Payment by way of return on the capital expenditure on building and works
- c) An allowance for depreciation of the works and building
- d) Any continuing expense incurred in occupying and owning the land and building

In the words of Barlowe (1978) "this broader concept of land rent appears more meaningful today and is accepted because:

- a) Nearly all land sites have been sited from some man made improvement

b) It is often difficult to distinguish between the shares, of rent that should go sites or raw land as compared with Improvement.

c) The concept is on broad concept of land and real estate resources, which includes both land sites and the improvement legally attached to them

d) An estate surveyor and valuer in practice are normally concerned with the contract rent, that is the amount agreed under the tenancy or lease agreement which the tenant must pay the landlord as consideration for the occupation of the landlord's property".

However in dealing with contract rent, the estate surveyor and valuer will also be very much, concerned with what the tenant in an open market would pay for the occupation of the same property. In fact, the broad objective of investment property management is centered on the realization would likely fetch if it were exposed for sale in the open market for a reasonable time, assuming a willing buyer and a willing seller are not acting under compulsion.

Often there is disparity in the rental value and rent passing on a property. This disparity is referred to the following situation:

* Where the lessee paid premium under the lease.

* Where the lessee contracted to carryout improvement on the property or to forgo compensation receivable by him from the lessor.

* Where there is a special relationship between the lessor and the lessee for example where both the lessor and the lessee are members of one extended family (Briton 1980).

2.9. Solution to Housing Challenges in Nigeria

The Nigerian housing market is highly untapped and undeveloped despite lot of opportunities that abound in the sector (Akeju 2007). This is basically due to many reasons amongst which

include: lack of finance; government policy; lack of infrastructural development and high level of poverty. There is continuous increase in the average price of houses due to increase cost of building materials and inflation in the economy. This has concomitantly, contributed to upward trend in house prices which has significantly affected the number of units of houses constructed annually. The government efforts at addressing the problems have not been successful due to its unsustainable approach of providing houses to the people. These houses are grossly inadequate and unaffordable by the larger proportion of the masses for which they are meant for. There are efforts by the private individuals to help in alleviating this housing problem.

The bulk of the housing problem is prevalent in urban cities, but there are lots of unoccupied and dilapidated houses in the rural areas. This is due to migration of people from most of these rural areas to urban centers for greener pastures. Most individuals that are involved in property development build for their own use or are home owners, while the few ones involved in building for commercial purposes, build shops and space to let for offices because of the high rental income accruing from such commercial properties. The residential developments in most cases are illegal, informal and untitled. This is due to long, undue delay of title registration and laxity in enforcing development control regulations by the official of the urban and regional planning department (Fasakin and Ogunmakin, 2006).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter discussed the methodology adopted in this study. It explained systematically, the step by step procedure adopted, in carrying out the study. It discussed the research design, sources of data, population of study, sample size and sampling technique, instrument of data collection, and method of data presentation and analysis.

3.1 Research Design

The research design adopted for this project work is descriptive. The choice of this design is to describe and interpret the conditions that exist, opinions that were evolving in conceptual issue. sada, (2006). The design adopts survey studies in data collection process.

3.2. Population of the Study

For the purpose of this research, the study population includes the commercial property owners, commercial property tenants and Estate surveyors and valuer firms within the study area respectively.

3.3. Sampling frame

This is a presentation of the total number of the targeted audience that makes up the population; by extension, the study looks at those elements that can be documented. For this purpose, the Sample frame of the research was one hundred and fifty [150] commercial property within the

Study area, by extension, all the occupier of the commercial property within the study area all formed the sample frame.

3.4. Sample Size and Sampling Technique

Sampling frame: Asika (2004), view sampling frame as the representation of the elements of the population of interest or the non-theoretical population. Also, Kothari, (2004) viewed sample frame as the list of elements from which a population sample is selected. Due to time and the need to achieve thoroughness, it was not possible to study the whole population. Hence, the sample frame reflects the area of the population from where the sample was selected. The sample frame for this study includes public infrastructure that are within the provision scope of the council which are one hundred, staff of the council in charge of property taxation which are forty and the registered estate surveyors and valuers which are ten as expressed in the directory of the Nigeria institution of estate surveyors and valuers, Edo state branch.

Sample size: sample size is a smaller group drawn from of population. Hence, sample size determination involves showing how the representative of that population was selected. It is the smaller part of the population taken for examination. Hence, sample size consists of the number of elements from which information was acquired in a research work. The sample size required was derived by means of a demographic formula usually adopted for the determination of sample size. Therefore, a total number of 109 was taken as the sample size for the study.

3.4. Instrumentation and Data Collection Procedure

The instrument of data collection that is adopted for this study includes conduct of personal interview and administration of questionnaires. Data were also collected through the review of related literatures. This embraces text books, journals, magazines and internet.

3.5. Method of Data Analysis

The data collected from the questionnaire administered will be processed and analyzed which will help the researcher to make recommendations. For the purpose of this study the data will be analyzed using descriptive statistical tools such as charts, Frequency distributions tables and graph.

CHAPTER FOUR

4.0 DATA PRESENTATION AND ANALYSIS

4.1 Data Presentation

Study population	No of Questionnaires		Percentage (%)
	Administered	Retrieved	
Property owners	76	75	65.2
Property Developers/investors	27	25	21.7
Total	120	115	100
Property managers	17	15	13.0

Source: field survey, 2022

The table above shows the total number of questionnaire administered and the number retrieved. 75 questionnaire retrieved out of 76 questionnaire administered to the property owners, 25 questionnaire retrieved out of the 25 questionnaire administered to property developers/investors, 15 questionnaire retrieved out of the 17 questionnaire administered to property managers.

4.2 Data Analysis

Questions relating to the objectives of the study were analyzed with a view to making viable recommendations and one hundred and thirty questionnaires were administered for the survey and hundred responses were analyzed.

TABLE 4.2.1: Sex Distribution of Respondents

Option	Number	Percentage (%)
Male	65	56.52
Total	115	100
Female	50	43.4

Source: field survey, 2022

In the above table 1, 65 (56.52%) were male and while 50 (43.4%) were female. This implies that most of the respondents were male.

TABLE 4.2.2: Age Distribution of respondents

Option	Number	Percentage (%)
16-20	30	26.09
21-24	30	26.09
25-28	30	26.09
29 and above	25	21.74
Total	115	100

Source: field survey, 2022

From the above table 2, 30(26.09%) people were between the age 16-20, 30(26.09%) people were between the age 21-24, 30(26.09%) people were between the age 25-28 and 25 (21.74%) were 29 and above.

TABLE 4.2.3: Marital Status of Respondents

Options	Number	Percentage (%)
Single	60	52.174
Total	115	100
Married	55	47.83

Source: field survey, 2022

From the above table 3, 60(52.174%) were single and while 55 (47.83%) were married.

TABLE 4.2.4: Education Background of Respondents

Options	Number	Percentage (%)
Primary	45	39.13
Secondary	35	30.44
Tertiary	35	30.44
Total	115	100

Source: field survey, 2022

From the above table 4, 45 (39.13%) of the respondents had primary education, 35 (30.44%) of the respondents had secondary education, while 35 (30.44%) of the respondents had tertiary education.

TABLE 4.2.5: Distribution of respondent's occupation

Options	Number	Percentage (%)
Self-employ	70	60.87
Property developers	25	21.74
Estate surveyors and valuers	20	17.39
Total	115	100

Source: field survey, 2022

From the above table, 70 (60.87%) respondents were self-employ, 25 (21.74%) were property developers, while 20 (17.39%) were estate surveyors and valuers.

TABLE 4.2.6: Distribution of respondent's duration

Variable	Number	Percentage
Below 5 years	45	39.13
5-10 years	36	31.3
11 years and above	34	29.57
Total	115	100

Source: field survey, 2022

Section B

Table 4.2.7: Ranking some of the various types of commercial properties available in the study area.

S/N	DESCRIPTION	5	4	3	2	1	WMS	RANKING
1.	Shop	60	40	10	3	2	4.33	1st
2.	Residential	35	30	20	15	15	3.48	4th
3.	Commercial warehouse	30	32	28	10	5	3.37	5th
4.	Hotel	50	45	5	10	5	4.09	2 nd
5.	Mansionette	32	32	28	8	5	3.59	3 rd

Source: field survey, 2022

The table above indicates some of types of real estate development available in the study area. According to the respondent perception are shop a WMS of 4.33 is ranked 1st, followed by hotel with a WMS of 4.09 is ranked 2nd, mansionette with a WMS of 3.59 is ranked 3rd, residential with a WMS of 3.48 is ranking 4", commercial warehouse with a WMS of 3.48 is ranked 5th in the hierarchy of ranking

Table 4.2.8: Ranking some of the challenges facing commercial properties in the study area.

S/N	CHALLENGES	5	4	3	2	1	WMS	RANKING
1.	Problem of choice of good tenants	30	35	25	15	19	3.52	5 th
2.	Default in payment of rent	35	40	15	15	10	3.65	3 rd
3.	Default in payment of rates and taxes	45	40	20	5	5	4.04	2 nd
4.	Default in payment of service charge	50	40	15	5	5	4.09	1 st
5.	Deterioration of facilities	35	30	20	15	15	3.48	6 th
6.	Uncooperative attitude of tenants	30	32	28	10	5	3.37	8 th
7.	Fighting among tenants	32	32	28	8	5	3.59	4 th
8.	Refusal to honour notices	25	35	30	10	15	3.39	7 th
9.	Improper refuse disposal	30	35	25	15	10	3.52	5 th
10.	Improper use of premises	35	40	15	15	10	3.65	3 rd
11.	Unlawful transfer of premises	30	32	28	10	5	3.37	8 th
12.	Low management fee	50	45	5	10	5	4.09	1 st

Source: field survey, 2022

The table above indicates some of the process involved in real estate development in the study area. According to the respondent perception are default in payment of service charge and Low management fee with a WMS of 4.09 is ranked 1st, followed by default in payment of rates and taxes with a WMS of 4.04 is ranked 2nd, improper use of premises and default in payment of rent with a WMS of 3.65 is ranked 3rd, fighting among tenants with a WMS of 3.59 is ranking 4th, problem of choice of good tenants and improper refuse disposal with a WMS of 3.52 is ranked 5th in the hierarchy of ranking, deterioration of facilities with a WMS of 3.48 is ranked 6th, refusal to honour notices with a WMS of 3.65 is ranked 7th, and uncooperative attitude of tenants and unlawful transfer of premises with a WMS of 3.59 is ranking 8th in the hierarchy of ranking.

Table 4.2.9: Ranking some of the benefits of commercial properties in the study area.

S/N	Benefits	5	4	3	2	1	WMS	RANKING
1.	Strong returns	72	20	13	5	5	4.38	2 nd
2.	Stable income	65	40	5	3	2	4.42	1 st
3.	Lower risk	50	45	15	5	5	4.26	4 th
4.	Tax benefit	64	40	6	2	1	4.37	3 rd
5.	Investment control	30	35	25	15	10	3.52	5 th
6.	Ability to add value	35	40	15	15	10	3.65	3 rd

Source: field survey, 2022

The table above indicates some of the process involved in real estate development in the study area. According to the respondent perception are stable income with a WMS of 4.42 is ranked 1st, followed by strong returns with a WMS of 4.38 is ranked 2nd, tax benefit with a WMS of 4.37 is ranked 3rd, lower risk with a WMS of 4.26 is ranking 4th, investment control with a WMS of 3.52 is ranking 5th.

CHAPTER FIVE

SUMMARY CONCLUSION AND RECOMMENDATIONS

5.0. Introduction

Search basically was carried out in a bid to identify factors determining the values of commercial in Auch. This chapter is the summary of the finding, conclusion and recommendations.

5.1. Summary of Findings

The analysis of the data in the finding proceeding chapter, the major findings of the are hereby presented below:

1. That Rental value is a key parameter for measuring real property performance. It is also a major cost for tenants and important source of income for the landlord.
2. that the 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.
3. Investors in the commercial property market expect return on their investments in the form of rent.

4. Factors such as development, economic recessions, shops owners policy, town planning laws and rent control edict where some of the factors responsible for rent increase on commercial property in Auchi.
5. Also, the commercial property market is defined by some fundamental concepts. These concepts provide the basis for the determination of commercial property rentals values.
6. The finding also reveal that among the tenants the passing rent differs as some tenants pay monthly, quarterly, half a year and annually for their shops.
7. Some of the factors that influence rental value in are shops includes Accessibility. Demand and supply. Size of the shop, Locations, Neighbourhood character, Market competition, Management and Development.
8. Government policies affects increase in rent in the following ways, Increase in electricity. Increase in tax rate, Payments of unnecessary Levies, Increase in issuance, and increase in service charges.

5.2 Conclusion

From the research conducted by the researcher, it was revealed from other studies that, there are numerous factors determining rental values of commercial properties in Auchi depending on the type of shops the tenant required such as location, facilities provided, neighbourhood characteristics, age of the building, size of space and among others.

In conclusion, this research proved that the main factor that plays a significant role in determining rental values in Auchi is facilities provided for tenant use aside location, neighbourhood characteristics, size of space and others. There may be questions which might arise from the findings of this research which the group feels might be a good starting point for the further research. The group however hopes that the results of this research have been able to

provide a reasonably accurate picture of the factors determining rental values of commercial property in Auchi, and that the recommendations made, if adopted would have a significant impact on rental values in Auchi..

5.3. Recommendation

1. From the foregoing, it would appear that the major factor determining rental values of commercial properties are the facilities provided in the house, However, indications from the research show that, the situation might soon change from facilities provided to other factors accessed earlier since Auchi is now growing. There is the need therefore to ensure that some measures are put in place to mitigate some negative effects that may arise from the intended change in Auchi.

2. High priority should be given to the manufacturing of local building materials, which could reduce the cost of building and improvement of the supply chain of various building materials. The government should also use the exemption of value added taxes on building components sourced locally as well as import duties on imported goods. The introduction of mechanism that would ensure that the rent control boards, the shop owners and representatives of landlords would be provide with a platform where consensus building can be done.

3. Proper public education and enlightenment on rent related issues, and the means of gaining redress for any form of exploitation in relation to rent matters. This can be done through the print

and electronic media. This would ensure that landlords and tenants are kept abreast of the basic tenets of rent related issues, and would be able to access arbitration when necessary

4. From the research study, it is evidence that commercial properties have a high potential of rent generation even though, there are certain factors that influence rental value of properties. Location and accessibility are major factors. These sometimes determine the rent charged by property owners and investors. Other factors may include, age, size and economic condition of the property amongst others. Considering this factors, it is possible to say that rent charged on commercial properties varies with time and location.

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APPENDIX I

Federal Polytechnic,

P.M.B 13,

Auchi,

Edo State.

October, 2022

Dear Respondent,

AN ASSESSMENT OF AUCHI COMMERCIAL PROPERTY MARKET,

CHALLENGES AND PROSPECTS

The above referenced questionnaire is designed to solicit your assistance in providing relevant information that will aid the researcher to achieve the stated aim and objective of this research work. Leading to the award of higher national diploma (HND) in Estate Management and Valuation.

Kindly provide answers to the question asked as your response will be treated with the utmost confidentiality and used only for academic purposes

Yours Faithfully,

ADUKU ISAAC

RESEARCHER

Section A

Background Information

Introduction: Kindly tick the appropriate box provided or makes comment where necessary.

1. Sex: male () female ()
2. Age bracket? 20-29 () 30-39 () 40-49 () 50 and above ()
3. Marital status? Singled () married ()
4. Educational background primary () secondary () OND/HND() B.sc () Masters ()
5. Average monthly income: below 20,000 () 20,000-30,000 () 40,000-60,000 ()

Section B

1. Listed below are some of the various types of commercial properties available in the study area. Rank them according to the scale defined; Strongly Agree = 5, Agree = 4, undecided = 3, Disagree=2, Strongly Disagree = 1

S/N	DESCRIPTION	5	4	3	2	1
-----	-------------	---	---	---	---	---

1.	Shop					
2.	Residential					
3.	Commercial					
4.	Hotel					
5.	Mansionette					

2. Listed below are some of the challenges facing commercial properties in the study area?

Rank them according to the scale defined; Strongly Agree 5, Agree = 4, undecided = 3,

Disagree=2, Strongly Disagree = 1

S/N	CHALLENGES	5	4	3	2	1
1.	Problems of choice of good tenants					
2.	Default in payment of rent					
3.	Default in payment of rates and taxes					
4.	Default in payment of service charge					
5.	Deterioration of facilities					
6.	Uncooperative attitude of tenants					
7.	Fighting among tenants					
8.	Refusal to honour notices					
9.	Improper refuse disposal					
10.	Improper use of premises					
11.	Unlawful transfer of premises					
12.	Low management fee					

3. Listed below are some of the benefits of commercial properties in the study area? Rank them according to the scale defined; Strongly Agree = 5, Agree = 4, undecided = 3, Disagree = 2, Strongly Disagree = 1

S/N	BENEFITS	5	4	3	2	1
1.	Strong returns					
2.	Stable income					
3.	Lower risk					
4.	Tax benefit					
5.	Investment control					
6.	Ability to add value					