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RESEARCH ARTICLE

IMPACT OF LOCATION ON PROPERTY VALUE AND BUSINESS DEVELOPMENT IN
ILORIN METROPOLIS, NIGERIA

*Ibrahim, T. Akogun

Department of Estate Management, School of Environmental Studies, Moshood Abiola Polytechnic,
P.M.B. 2210, Abeokuta

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ABSTRACT

It is observed that people do develop their properties without a thorough consideration of the interrelationship that exists between the location and property values. Considerable importance is attached in the modern world to the concept of property location as it influences the use and value of properties. The theme of this project is to X-ray the influence of location on property values and business development in Nigeria using Ilorin metropolis as a case study. Primary data was gathered from three major neighbourhoods within the metropolis by physical observation of property and infrastructural developments, and questionnaires administered on estate surveyors in real estate practice to collect data on property rents. Data collected were analysed and presented mainly by descriptive methods. The project discovered variation in rental values from different places and then examines the causes of the variation and effects on properties and business development in the areas. Business development has concentrated and is growing more intensively in neighbourhoods with highest level of accessibility. This has led to skyrocketed rents on the properties in the areas which may eventually give rise to gentrification whereby important but less financially rewarding businesses are forced to relocate elsewhere. The study consequently recommends that the government should provide infrastructures in the less developed areas to encourage people move into the area rather than over-crowding one part of the city.

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INTRODUCTION

From time immemorial, real property is considered one of the three fundamental necessities of life. The fact remains that unlike food and clothing, real property is difficult and costly to acquire. People need to be housed, as it is very essential and indispensable because it is the platform of all human activities. Hence, it plays a vital role in social, economic and psychological development of an individual, a state and a nation at large. In view of the rapid urbanization coupled with rapid population growth, demand for properties has experienced an up shot. This is the case in Ilorin since it assumed the status of a state capital in 1967, and more recently increased demand in the face of relatively low supply of real estates have brought about increased property values. The value of landed properties is influenced by several factors among which accessibility stands to be prominent (Nwuba, 2004 and Friedman *et al.*, 1997). Many property investment analysts often play down accessibility whereas it is a key element in the functioning of land resources that creates advantages and disadvantages of location in the process. It is axiomatic to say that landed properties are fixed in geographical location, and are relatively inelastic in supply. In the course of interaction of man and his activities, it has been established that landed properties located in positions of greatest accessibility, are more sought after. The general tendency for management is to seek the shortest, cheapest and most convenient arrangement of interactions. The time, costs and ease of such relationship are therefore crucial factors in the analysis, assessment and eventual choice of location (Lean and Goodall, 1983). Since the demand for different types of properties is highly dependent on location and level

of transport technology, the rate at which the property is accessible in relation to value determinations, have to be vividly looked into in order to provide means of amendment where possible and avoid future problems. The essence of this study is to bring into focus the effects of location on property values and business development in Ilorin metropolis. The purpose therefore, is to enable prospective investors to identify suitable locations for proposed residential and commercial property development vis-à-vis business growth, as the areas of greatest rental and capital values are revealed and thus make recommendations that will be capable of improving business development in the developing cities in Nigeria.

LITERATURE REVIEW

Concept of Rent

Ricardo (1817) treated "rent" as an economic surplus, as payment to the landowner that is required to keep land in production. Olusegun (2000) defined rent as "an annual or periodic payment for the use of land or of land and buildings." He regards rent as compensation or regular payment made to the owner of the property by the user or occupier as return for his occupancy. Rent is seen as an annual or periodic payment for the use of land or buildings (Britton *et al.*, 1989). In fixing the rent of a property, a valuer is largely influenced by the evidence he can find, the rent actually paid, not only for the property being valued but also for comparable properties in the same vicinity or district (Richmond, 1985; Ifediora, 1993). The Wikipedia (2012) defined rental value as the fair market value of Property while rented out in a lease. More generally, it may be the consideration paid under the lease for the right to occupy, or the royalties or return received by a lessor (landlord) under a license to real property. The Legaltermsdictionary (2012) defined Rental value as the amount the property is eligible to get had it been rented out as per the prevailing

*Corresponding author: Ibrahim, T. Akogun,
Department of Estate Management, School of Environmental Studies,
Moshood Abiola Polytechnic, P.M.B. 2210, Abeokuta

situations existing in that place for similar property. However, "rent" is generally used in relation to land and building while "hire" is normally used for other material objects. The rent payment could be weekly, monthly, quarterly or yearly depending on the terms and conditions of the tenancy.

Concept of Location

The initial decision of every organized society, individual or firm is where to locate at a point in time. However, it is clearly understood that the factors that influence such an initial decision completely depend on the reason for the activity to be carried out on that desired location. Ratcliff (1976) defined location as "the sum total of all the topographical, transport and other factors on land use that characterized a particular neighborhood". Location can be referred to as proximity or nearness to transport, employment, shopping, recreational and cultural facilities and the factors of any nuisance that is found in the area. It also includes all the socio-economic characteristics of the people who are present in the neighborhood. Therefore, the basic elements in the concept of location together with locational returns and values are convenience: in terms of cost, time, and disutility of movement of persons or goods from one point to another; favorable exposure and unfavorable exposure to social, economic, legal or cultural variables in the environment (Ibrahim, 2009)

Location and Urban Land Values

The principle of highest and best use of land is known to govern urban land use patterns. What will emerge as the highest and best use of an urban site is the use that places the highest premium on the accessibility of the site and the complementarity of the prevalent or common use in its environs (Barlowe, 1978). Consequently, land users in urban centers placed different values on accessibility and complementarity and this is through the process of competitive bidding. By a process of competition, in any city either large or small, activities seek out and segregate themselves in areas where they would have the highest comparative advantage by virtue of what they are normally able to execute out of all other uses (Lean and Goodall (1983). However the above postulation is not always true because, in the case of public uses of land where political factors and social considerations enter into the decision, public school, churches and so on, could be independent on accessibility consideration. Urban growth is also an important factor that influences urban land users as it does not only alter the pattern of land use and land values within an urban area but also equally affect the intensity of the site use. Consequently, the reaction of urban land market to various changes, forces sub-marginal occupiers to relocate away from central site to more distant places, thus giving way to incoming superiors.

Factors Influencing Property Values

The prevailing level of rent is determined by the interaction of many forces, which can be discussed under three headings, that is demand factors, supply factors and other factors (Ibrahim, 2005). Demand at any given time period, is however influenced by such factors as population changes, general level of prosperity, competition, and profitability of occupants while the other factors which may influence rent are location, government policy, architectural design and finishes, amenities and environmental factors:

Effects of Accessibility on Business Development

Accessibility when viewed critically can have both positive and negative effects. However, its socio-economic effects are positive and thus improvement in accessibility of a given area is always needed at all times. The important ones among the positive effects are enhanced intensity of use, provision of infrastructures encourage decentralization, and enhancement of profitable use of properties. The negative effects identified are over-population, competition and conflict of interests and discriminating site values.

The Study Area (Ilorin)

Ilorin was founded by one Ojo-Isekuse (1600-1700AD) an itinerant hunter. The name "Ilorin" was derived from Ojo-Isekuse's compound (now Okelele area of Ilorin). It was on the stone that Ojo-Isekuse used to sharpen his hunting implements like cutlass and arrow hence "Lorin" meaning, "shaping of iron". Ilorin is essentially a Yoruba city peopled by many ethnic groups such as Hausa, Fulani, Yoruba, Nupe, Kanuri, Bariba, etc. They all merged together and made the city a unique cultural point. At the same time they are all proud of their unique Ilorin identity. The ruler of the city and its environs (the Ilorin Emirate) is of Fulani origin although the Royal House had been Yorubanised thoroughly. Ilorin is located on Latitude 8°30'N and Longitude 4°35'E. It lies in the plain of the South-Western part of Nigeria. The city, which lies along Lagos- Kaduna highway, is 306km from Lagos, 600km from Kaduna and about 500km from Abuja. The main river is Asa River. It occupies a fairly wide valley and flows in South-North direction. The river divides Ilorin into two parts -- a western part representing the core of indigenous area of Ilorin and the Eastern part representing the area where Government Reservation Area (GRA) is located. Towards the North of the Western part is an isolated hill called Sobi hill. The hill is about three hundred and ninety-four (394) feet above sea level. Ilorin has a tropical wet and dry climate. It has a mean rainfall of about 1318mm, which begins in April and ends in November. It has a population of about eight hundred thousand (800,000) as at the last population census in 2006.

The study areas in this project are the GRA, Ibrahim Taiwo Road, Oloje. The GRA is an extensive area to the North-east of Ilorin. It was acquired for government use by the old colonial Administration in the early 20th century. Government office and scattered residential houses were constructed there. Many of the British colonial officers and their Nigerian counterparts lived in the area. At independence in 1960, many more Nigerians moved into GRA and later large plots of land area were allocated to the elite class and they built houses some of which were for tenancy. Ibrahim Taiwo Road is a large stretch of road beginning from Emir Road and ends at the General Hospital Round About near Queen Elizabeth College. The Road was known as Oyo Bye-pass until it was renamed Ibrahim Taiwo Road to immortalize the Late State Military Administrator who was assassinated on 13th February, 1976 along with the then Head of State General Murtala Ramat Muhammed. The road separates Taiwo area into two: Upper Taiwo (Taiwo Oke) and lower Taiwo (Taiwo Isale) by the Junction of Wahab Folawiyo (Unity) Road. The stretch of the road from Emir road to Folawiyo road / Ita Amadu Junction is the lower part while the stretch between that Junction and General Hospital is the upper part. Owing to the fact that Taiwo Road is a major commercial area of Ilorin wherein book-shops, boutiques, supermarkets, electrical and building material shops, and more recently, banks and offices abound, house rent is very high compared to some other parts of Ilorin. This is similar to what happened in other roads like Abdul Azeez Attah Road, Emir Road Ita Amodu, and saw mill areas in the metropolis. Oloje is an indigenous area within Ilorin metropolis. Despite the fact that it is in an urban area, part of the area suffers problems of sub-standard houses inadequate infrastructures and overcrowding is drastically turning the environment into "twilight". Most houses are of mud walls and of traditional compound types. The area is predominantly residential and most of the buildings are very old.

METHODOLOGY

Primary data was gathered from three major neighborhoods within the metropolis by physical observation of property and infrastructural developments, and questionnaires administered on estate surveyors in real estate practice to collect data on property rents. Responses were obtained from twelve out of eighteen registered estate firms in the city. The respondents were selected by random sampling. Data collected were analyzed and presented mainly by frequency distribution tables and percentages.

DATA ANALYSIS AND DISCUSSION

The Property Types under the Study

The broad classes of the properties under the study are residential and commercial properties. The residential properties include Tenement, Block of flats, Bungalow, and Duplex. The commercial Properties include Shop and Office buildings. These properties were considered because the property market for them is very active. They are also found in the management portfolio of all estate surveying firms in the metropolis

Rental Values of Residential and Commercial Properties

From the table 1 below, one can see that residential property values are higher for GRA. These areas are designed mainly for residential purpose, and they attract high-income group of the society because of their location within the metropolis that is, with respect to central business district, network of roads and presence of infrastructural facilities. For example, the rental value of a four bedroom flat averages ₦600,000 in GRA, ₦450,000 in Taiwo and ₦250,000 per annum in Oloje. The rental value is the least for Oloje due purely to location problem. For example, the market for domestic equipment, furniture and fittings etc, is along Taiwo, Murtala and Emir's roads. Oloje is far away from these places than GRA, and Taiwo. Moreover, infrastructural facilities like water and electricity are not as regular in Oloje. The State and Federal Ministries and tertiary institutions in Ilorin that employ most civil servants are located far away from Oloje; so most of them will prefer staying elsewhere to Oloje. The location of Oloje is far from central business district, and major places of work, and also lacks essential amenities. These factors account for its lower rents compared to other places identified in this project. The rental value of commercial properties also varies with location. It is observed that the values are higher along Taiwo road. Here, most offices were converted residential properties. For example a four bedroom duplex converted to office use in GRA commands about ₦600,000 per annum; along Taiwo road, a four bedroom flat used as office attracts a rent of about ₦450,000. While a shop along Taiwo road attracts about ₦15,200 per square metre, it is about ₦13,000 in GRA and ₦6,500 in Oloje. Moreover, the rental value per square metre per annum on offices are ₦12,500, ₦10,600, and ₦5,200 at Taiwo, GRA and Oloje respectively.

Table 1. Average Rental Values of Residential And Commercial Properties

LOCATION	GRA	TAIWO	OLOJE
PROPERTY	₦	₦	₦
SINGLE ROOM	NA	24,000	12,000
1 BEDROOM FLAT	180,000	120,000	30,000
2 BEDROOM FLAT	200,000	150,000	50,000
3 BEDROOM FLAT	250,000	180,000	65,000
4 BEDROOM FLAT	600,000	450,000	250,000
2 BEDROOM BUNGALOW	250,000	200,000	100,000
3 BEDROOM BUNGALOW	400,000	300,000	180,000
4 BEDROOM BUNGALOW	500,000	300,000	200,000
3 BEDROOM DUPLEX	500,000	350,000	200,000
4 BEDROOM DUPLEX	750,000	480,000	250,000
OFFICE (PER m ²)	10,600	12,500	5,200
SHOP (PER m ²)	13,000	15,200	6,500

SOURCE: Field Survey; July 2011

Summary

Business development in Ilorin has concentrated more intensively along Taiwo Road and GRA. All buildings along Taiwo road are used mainly for commercial purposes such as shops, stores and offices. The buildings in most cases were converted from residential because the value of buildings in commercial use is higher. The fact that the roads along which they situate are the most accessible in Ilorin encouraged business development. Just of recent, many banks commissioned their branches in Ilorin, and because of the nature of

their business activities, they require areas of maximum accessibility and locations where they can enjoy the benefits of maximum compatibility and complementarity of uses and activities. They therefore search for landed properties in the already congested areas that is, Taiwo, Murtala and Unity and Roads, and they were ready to offer any amount (rent) to acquire appropriate sites along these roads: this has led to sky-rocketed prices for the properties. The sites along the roads enjoy the maximum value because their use capacity is very high; and because they are directly accessible and have the necessary infrastructures to support their highest and best use, they attract investors who could operate their business successfully to tap the location potentials of the various sites. Therefore, the higher the degree of accessibility, the higher the level of values ascribed to properties in various locations. In this regard, the first class location with maximum accessibility and infrastructures attract commercial users like banks, supermarkets, departmental stores, corporate institutions like insurance companies and others. Second class locations attract a mixture of commercial and residential occupiers while a third class location with minimum accessibility (probably accessible by footpaths and unplanned roads) attract low class residential users, and thus lower property values. All other lands with very poor accessibility may remain under rural and agricultural uses.

Conclusion

Demand for both commercial and residential properties is ever increasing in the face of relatively inelastic supply of the properties and services needed for conducive occupation of the properties. This results in high prices of available properties because people have to compete over the available ones, and the highest bidder takes the property. Every investor is looking for properties in areas that have maximum accessibility for both commercial and residential purposes. GRA and Taiwo areas which have good combination of good access roads and infrastructures appeal to many investors, and so attract good class of people for residential and commercial accommodations. They are relatively overcrowded when compared with Oloje which is less attractive to people. The government should embark on "site and service" scheme to provide such infrastructures as accessible roads, electricity, pipe borne water and other amenities that will enhance property values in the less accessible areas. This will enable people to move into those areas, and decongest systematically the overcrowded areas within the metropolis.

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