A COMPARATIVE ANALYSIS OF RENTAL VARIATION IN RESIDENTIAL AND COMMERCIAL PROPERTY IN OYO STATE

(A CASE STUDY OF OLUYOLE ESTATE IBADAN)

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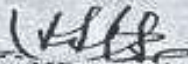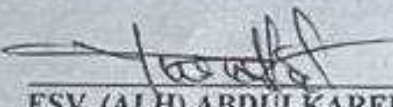
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CERTIFICATION

This is to certify that this project was carried out by **AJIMOTOKAN RUKAYAT TEMITAYO** with Matriculation number **HND/23/ETM/FT/0064** The project was read and approved as meeting the requirements of The Department of Estate Management and Valuation, Institute of Environmental Studies (IES) Kwara State Polytechnic, Ilorin for the award of Higher National in ESTATE MANAGEMENT AND VALUATION.

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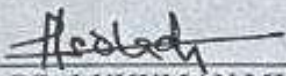Project Supervisor

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DEDICATION

This project is dedicated to the Almighty God, the source of my strength, wisdom, and guidance throughout this academic journey.

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ABSTRACT

This research work is focused on the differences in rent between residential and commercial properties in Oluyole Estate, Ibadan, Oyo State. The main aim is to examine why the rent paid on residential buildings is different from that of commercial buildings. Data was collected through questionnaires, interviews, and field surveys. The study found that residential properties like flats and duplexes usually have higher rents compared to commercial properties like shops and offices. It also discovered that some major factors that affect rent include the location of the property, size, condition, demand, and cost of building materials. The study concludes that the use of the property—whether for living or business—has a big effect on how much rent is charged. It is recommended that property owners and valuers should always consider the best and most suitable use of a property when fixing rent. This work will help property investors, tenants, and estate valuers understand how rent varies and what causes it.

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CHAPTER ONE

1.0 Introduction

1.1 Background to the Study

The study of rental variation of real estate investment, whether residential or commercial, is very important at this time when emphasis is on investment performance analysis in many parts of the world. This is even more important in Nigeria where only few studies have been carried out on the rental variation in residential and commercial property achieved by property investment. Moreover the impact of the ongoing changes in the global and local economy on the value of real estate investment is serving to highlight the need for its careful consideration in the investment decision making process (Palmquist, 1980). Since 1990s, the demand for commercial outlets has risen astronomically in most urban centers in the country. This is as a result of the economic recession which compelled the unemployed and public servants to explore trading activities in addition to their normal jobs. The investors' reaction to this development has been to increase the number of commercial outlets at the expense of residential property developments. Therefore in many towns and cities of Nigeria, open spaces within the vicinity of public institutions have been irrationally developed to accommodate shops and other retail outlets. The situation is further compounded with the perceived notion among Nigerian property investors that commercial

The investors' reaction to this development has been to increase the number of commercial outlets at the expense of residential property developments. Therefore in many towns and cities of Nigeria, open spaces within the vicinity of. public institutions have been irrationally developed to accommodate shops and other retail outlets. The situation is further Compounded with the perceived notion among Nigerian property investors that commercial property performs better than

residential property investment (Smith, 2016). However, the investors can no longer base their decision on intuitive grasp of the market which Ajayi and Fabiyi (2014) considered inadequate for success in property ventures. The central theme of this study therefore is to examine the rental variation of residential and commercial property investments in the study area. This will provide for better investment decision' and risk management for real estate investors in Nigeria.

Commercial properties are properties generally occupied for the purpose of carrying on a trade or profession in the expectation of realizing profit. They comprise mainly of shops, offices, showroom among others and they command the highest rent out of the other types of properties uses. Rent provides the basis of value for landed property and the trends in Land values are of significance in the prediction and determination of income from real property. Also, the income realizable from real estate is required in evaluating the viability of projects. number of factors combine together in determining changes which property values undergo which are of great concern to the Estate managers and valuer.

Shelter is a basic necessity in life. An individual can satisfy this need by either occupying his own (owner's occupier) property or renting another person's property. In our traditional society, the need for shelter is mainly met through the first alternative that is owner occupation. With the emergency of urban centers', the situation has changed. Many people are no longer about to own property because of the difficulty in the acquisition of land and the high cost of building construction. Therefore, they are left with the alternative of renting other people's properties in order to satisfy their need for shelter. Consequently two classes of urban resident have emerged, the landlord and the tenant under this arrangement the tenant pays to the landlord a certain amount of money in consideration for his use of the landlord's house. This amount is popularly known as rent.

During the civil war the Nigeria that is 1966 to 1970 many landed properties in the urban areas of the former Eastern Region of Nigeria, including Oyo state, Ibadan, were destroyed. Consequently, there was a sharp decline in the supply of landed properties after the war. Furthermore, the post – civil war period witnessed an unprecedented number of the rural population trooping into the urban centres due to the conspicuous prosperity brought about in the urban area by the oil boom. This resulted to high demand for the existing limited supply of landed properties. Consequent upon these, rent for landed properties increased considerably.

This trend has continued with the effect that "the average worker is paying 30% to 40% of his salary as rent" (Oshadiya, 1985). Thus the increase in rents on the properties has led to the variation of rent on properties.

In urban area due to location advantage (for example prime location) which some properties offer above others for commercial and residential uses, rent tend to very on account of the type of use which a property can offer.

1.2 Statement of Problem

Location of economic properties has been a difficult concept to understand. Although the primary objective of commercial properties is the derivation of financial gains, while that of residential properties is for habitation, shelter and comfort, the demand for land is a reflection of the profitability or utility derivable from its use. The greater the benefit to be obtained from a particular use, the higher the rent that the user will be willing to pay for it.

There appear to be wide ranging differences in the levels of rent passing on residential and commercial properties in Oyo state, Ibadan and Nigeria generally.

This research is seeking among other things to find out the causes of rental variation in commercial and residential properties in Ibadan Oyo State as a case study.

1.3 Aim and Objectives

The main aim of this research is to Analysis the rental variation in commercial and residential properties with a view to provide tool to be used in catching issues related to rent on these properties in Ibadan, Oyo state.

To achieve the standard goal, the following objectives are to;

- Identify various type of residential and commercial properties in Oluyole Estate Ibadan, Oyo state,

- Identify the level of rents for commercial and residential properties in Oluyole Estate Ibadan, Oyo state,

- Ascertain and examine the factors influencing the rents being commanded by these properties in Oluyole Estate, Ibadan Oyo State

1.4 Significance of the Study

The findings of this study will be of benefit to the following groups;

Firstly, tenants who are charged rents based on different reasons, especially when the properties are of the same nature (physically). This will again enable the investors not only to understand how occupier thinks, but also why and the things they consider before acquiring properties for certain uses.

Secondly, the generality of the public can now understand the reason why the rents being commanded by these properties have to differ.

Lastly, this research work will help to determine the factors influencing, commercial and residential properties which is an essential pre-requisite to successful development as well as stimulating interest in the students to carryout out further research on the topic.

1.5 Scope of the Study

The researcher covered Oluyole Estate in Ibadan. Its therefore focused on analysis of rental variation in residential and commercial properties in Nigeria.

1.6 Limitations of the Study

Expectedly, this work met with some hindrances during the stage of data collection. The issue of rent passing on a property (residential or commercial) is usually regarded as classified information, which is not easily disclosed to people particularly researchers. This was largely suspected to be the reason why some Estate surveyors, property owners, tenants, Estate firms, property companies and even Estate agents who were approached through oral interviews, discussions and visitations found it rather difficult to reveal essential information despite every explanation that the exercise is strictly for academic purposes, a good number of them, still nursed the fear that it may be for property rating and taxation purposes.

There was also the problem of logistics occasioned by the society. The researcher worked with a very light budget throughout the period of study as the frequent and repeated visits to relevant persons and offices entailed quite some money. Moreover, also recall that some of the interview

respondents were not co-operative as they kept on playing to the gallery as a means of avoiding supplying the required information. On a general note however, the researcher ensured that these bottle – necks never affected the findings of this study since the success far outweighed the hindrances as enumerated.

1.7 Definition of Terms

Rent : According to Hutchison N. (2015)defines rent as the sum of money paid by a tenant for the occupation of land or property, often adjusted for inflation, market conditions, or specific contractual terms. He highlights rent reviews as a key part of estate management practices, especially in long-term leases.

Property: According to Smith, A. E., and Gill, J. T. (2022) define property as land, buildings, or structures that are managed for the benefit of owners or investors. They focus on the responsibilities of estate managers, which include property maintenance, legal consideration, rent setting, and long-term investment planning.

Residential property: According to Barton, A. S., and Reeves, T. (2021) define residential property as buildings or land meant for human habitation and explore how property managers must adapt to emerging trends like smart home technology, sustainability, and changes in tenant expectations. They stress the importance of staying informed on market trends and tenant needs to maintain occupancy and rental income.

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, malls, retail stores, farm land, multifamily housing buildings,

warehouses, and garages. In many states, residential property containing more than a certain number of units qualifies as commercial property for borrowing and tax purposes.

Valuation: According to Perry, R., and Upton, P. (2021) define valuation as the process of determining the worth of a property through a detailed analysis of the market, property features, and income potential. Their work also discusses how new technologies and market trends, such as sustainability and energy efficiency, are influencing property valuations.

Comparative: According to Wheatley, D., and Brooks, R. (2022) discuss the comparative method as a core technique in property valuation, emphasizing its effectiveness in markets with a sufficient number of similar property transactions. They also address how estate managers adjust comparable properties based on a variety of factors, from age and condition to specific market conditions that may affect value.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter provides a theoretical foundation for the study, reviews related literature, and examines key factors influencing rental variation in residential and commercial properties. It also defines key concepts pertinent to understanding the dynamics of rental variations in Oluyole Estate, Oyo State.

2.1 Conceptual Framework

2.1.1 Definition of Key Concepts

Rental Variation

Rental variation refers to the fluctuation in property rents due to market forces, location attributes, and socioeconomic factors. According to Oyebanji and Ojo (2022), rental variation is influenced by elements such as infrastructural development, demand-supply dynamics, and proximity to key urban amenities. It serves as an indicator of the real estate market's responsiveness to economic and environmental changes.

Residential Property

Residential property refers to buildings or land developed primarily for habitation. Aluko (2021) defines residential properties as structures designed to provide housing for individuals or families, with values often determined by proximity to schools, security, accessibility, and the availability of community facilities. Examples include apartments, bungalows, and duplexes.

Commercial Property

Commercial property encompasses buildings or land used for business purposes. Adeyemi and Ajayi (2023) describe commercial properties as spaces utilized for economic activities such as offices, retail outlets, and warehouses, with their rental values shaped by factors like location attractiveness, economic activity, and accessibility.

2.2 Distinction Between Residential and Commercial property

2.2.1 Usage

Residential Property:

Residential properties are primarily designed for habitation, providing living spaces for individuals and families. This category includes single-family homes, apartments, and condominiums. The primary function is to offer a safe and comfortable living environment. According to Gyourko (2009), residential real estate markets are influenced by local amenities and household preferences.

Commercial Property:

Commercial properties are intended for business activities, encompassing structures like office buildings, retail spaces, warehouses, and industrial facilities. These properties facilitate various business operations, including manufacturing, distribution, and services. Gyourko (2009) notes that commercial real estate markets are driven by broader economic factors and business cycles.

2.2.2 Lease Agreements

Residential Property:

Residential leases are typically shorter in duration, often ranging from one to two years, with options for renewal. These agreements tend to be more standardized and are subject to local housing laws that protect tenant rights, including regulations on rent increases and eviction procedures. The focus is on providing stability and habitability for tenants. As noted by Bohman and Karlsson (2019), residential leases often involve lower risk premiums due to their standardized nature.

Commercial Property:

Commercial leases are generally more complex and longer-term, often spanning several years. They are highly customizable, with terms negotiated to suit the specific needs of the business,

including clauses related to property modifications, maintenance responsibilities, and usage restrictions. Commercial leases may also include provisions for rent escalation based on market conditions or inflation. Bohman and Karlsson (2019) highlight that commercial leases carry higher risk premiums due to their complexity and the significant capital involved.

2.2.3 Market Dynamics

Residential Property:

The residential real estate market is influenced by factors such as population growth, employment rates, and interest rates. Demand for housing tends to be more stable but can be affected by changes in economic conditions and government policies related to housing. Gyourko (2009) emphasizes that residential property markets are subject to local supply and demand dynamics, which can lead to price volatility.

Commercial Property:

Commercial real estate markets are closely tied to the performance of the broader economy. Factors such as business growth, consumer spending, and corporate profits directly impact demand for commercial spaces. These markets are more susceptible to economic cycles, experiencing greater fluctuations during periods of economic expansion or contraction. Gyourko (2009) points out that commercial property values are influenced by national and global economic trends, making them more volatile compared to residential properties.

2.3 Theoretical Framework

2.3.1 Economic Rent Theory

Economic Rent Theory is a concept in economics that refers to the payment made for the use of a factor of production that is in fixed supply. In the context of real estate, it explains the excess payment received by landowners or property owners beyond the opportunity cost of the land or

property. This theory is based on the idea that some properties possess unique characteristics that allow owners to charge rents higher than the minimum amount required to attract tenants. According to Stiglitz (2020), economic rent can arise from factors like location, accessibility, and scarcity of land or space in a given area. These factors contribute to the variation in rental prices across different properties.

2.3.2 Highest and Best Use Theory

The Highest and Best Use Theory posits that the value of a property is determined by the most profitable and efficient use it can be put to, given the physical and legal constraints. According to Davis,M.,&Kearl, T. (2021), the highest and best use of a property maximizes its economic value, which, in turn, affects its rental price. In real estate, this principle is often used to determine whether a property is being used optimally, either as residential or commercial space. For example, a residential property in an area undergoing commercial development may have its highest and best use as a commercial space, leading to a higher rental value. The theory emphasizes that land or property value changes as the optimal use shifts based on market demand.

2.3.3 Urban Land Economic Theories

Urban Land Economic Theories focus on how urbanization, population growth, and economic development influence the value and rental prices of land and property. These theories explore the relationship between urban land use patterns, transportation infrastructure, and economic factors that impact land rents in cities and metropolitan areas. Urban land theories suggest that the demand for land increases as cities grow, pushing rental values up, especially in areas with good transportation links or proximity to business hubs. The Bid-Rent Theory, for instance, explains how the location of a property in relation to central business districts influences its rental value. According to Alonso (2021), land rents decrease as one moves further away from the city center, reflecting the opportunity costs of land use in urban environments.

2.4 Factors Influencing Rental Variation

2.4.1 Factors Influencing Rental Variation in Residential Property

1. Location:

The location of a residential property significantly impacts its rental value. Proximity to amenities such as schools, hospitals, transportation networks, and recreational areas enhances its desirability. According to Morrow and Johnson (2022), properties located in well-connected urban centers typically command higher rents due to their accessibility to key services and infrastructure.

2. Supply and Demand:

The availability of residential properties in a given area relative to the demand for housing plays a critical role in rental variation. A shortage of housing in high-demand areas can lead to increased rents. Conversely, oversupply can reduce rental prices. As noted by Glaeser and Gyourko (2020), population growth and migration patterns strongly influence residential demand.

3. Economic Factors:

General economic conditions, such as employment rates, wage levels, and economic growth, influence people's ability to pay rent and the demand for residential properties. Higher disposable income and a stable job market lead to increased demand for quality residential properties. According to Smith (2021), economic prosperity tends to drive up rental prices, especially in urban centers.

4. Property Features and Condition:

The condition of a property, its size, age, and the availability of amenities (such as modern kitchens, air conditioning, and parking) can affect rental rates. A well-maintained property with upgraded features is likely to demand higher rent than one in poor condition.

5. Government Policies and Regulations:

Government intervention in housing markets through rent controls, subsidies, and zoning regulations can influence rental prices. Policies aimed at increasing affordable housing supply or controlling rent increases can limit or stabilize rental variations. According to Tatum and Williams (2021), government regulations play a significant role in the affordability and rental dynamics of residential properties.

2.4.2 Factors Influencing Rental Variation in Commercial Property

1. Location and Accessibility:

The location of commercial properties is a major determinant of their rental value. Proximity to business districts, major transportation hubs, and consumer traffic is crucial for retail spaces, while office spaces benefit from accessibility to skilled labor and transport links. According to Alexander and Arnold (2021), commercial properties in high-demand areas or central business districts (CBDs) tend to command premium rents due to their strategic importance.

2. Economic Conditions and Business Activity:

The state of the economy and local business activity directly affect the demand for commercial properties. During periods of economic growth, businesses expand, leading to an increased demand for office, retail, and industrial spaces. Conversely, economic downturns result in reduced business activity and lower demand for commercial properties. As noted by O'Rourke and Chang (2020), commercial property rents are closely tied to fluctuations in the business cycle and corporate profitability.

3. Property Size and Functionality:

The size, design, and layout of a commercial property affect its rental value. Properties with flexible layouts or those designed to accommodate a variety of business types (e.g., open-plan office spaces or adaptable retail stores) tend to attract higher rents. The property's functionality to

meet specific business needs (e.g., warehouse space or conference facilities) also impacts its rental variation.

4. Lease Terms and Tenant Mix:

The nature of the lease agreement and the type of tenants occupying the commercial property can influence rental prices. Properties leased to long-term, financially stable tenants typically enjoy more stable rents. However, tenant turnover and shorter lease durations may lead to higher vacancy rates and rental fluctuations. As suggested by Ball and Ward (2021), the tenant mix in commercial properties also affects rental stability.

5. Supply and Demand:

Just like residential properties, the supply and demand dynamics for commercial properties play a critical role in rental variation. The availability of office space or retail outlets in a particular area, in relation to demand, drives rental values. If there is a surplus of commercial properties, rents may decrease, while limited supply could lead to higher rents. According to O'Rourke and Chang (2020), new developments and changes in the economic environment directly affect commercial property rents.

2.5 Comparative Analysis of Residential and Commercial Property: Highlighting Differences in Rental Determinants

2.5.1 Rental Determinants for Residential Property

1. Location and Accessibility:

For residential properties, location remains one of the most significant determinants of rental value. Proximity to schools, healthcare facilities, public transportation, and recreational amenities is a major factor influencing demand. Residential properties in well-established neighborhoods with easy access to urban centers or essential services generally command higher rents. According to

Morrow and Johnson (2022), properties located in well-connected areas with good amenities tend to have higher rental prices.

2. Supply and Demand:

The balance between supply and demand is critical in determining residential rental prices. In areas experiencing high population growth or limited housing supply, rents tend to rise. Conversely, an oversupply of residential units in a specific area can lead to lower rents as landlords compete to attract tenants. Glaeser and Gyourko (2020) emphasize that the relationship between supply and demand is essential for predicting rental trends.

3. Economic Factors:

The overall economic environment, including employment rates and disposable income, significantly impacts the ability of tenants to afford residential rents. High unemployment or lower disposable income can limit the demand for rental properties, leading to downward pressure on rental prices. Smith (2021) suggests that economic prosperity tends to increase demand for rental properties and drive prices up, especially in urban areas.

4. Property Features and Condition:

Residential properties that offer desirable features such as modern amenities, energy efficiency, and well-maintained interiors are likely to attract higher rents. Tenants generally prefer properties with better living conditions, such as updated kitchens, sufficient storage, and outdoor space. Tatum and Williams (2021) highlight that property condition directly influences rental variation.

5. Government Policies:

Government intervention in the form of rent controls, housing subsidies, and tenant protection laws can influence rental rates in residential properties. These policies are often aimed at promoting affordability and stabilizing rental markets in response to economic or social pressures. Tatum and Williams (2021) emphasize that regulatory policies are key in shaping rental dynamics in the residential market.

2.5.2 Rental Determinants for Commercial Property

1. Location and Accessibility:

Location remains a significant determinant in the commercial property market as well, but its impact is more closely tied to business needs. Office spaces or retail outlets situated in central business districts (CBDs) or areas with high foot traffic typically command higher rents due to their proximity to other businesses, consumers, and essential services. Alexander and Arnold (2021) highlight the importance of location for commercial properties, especially in high-traffic areas.

2. Economic Conditions and Business Cycle:

Commercial properties are more directly influenced by macroeconomic factors, such as economic growth, business activity, and the performance of the corporate sector. During periods of economic expansion, demand for office and retail spaces increases, resulting in higher rents. Conversely, economic recessions lead to reduced business activity and a drop in demand for commercial properties, resulting in lower rents. O'Rourke and Chang (2020) emphasize the relationship between economic cycles and commercial property rental prices.

3. Property Functionality and Use:

The functionality and adaptability of commercial properties play a significant role in determining their rental value. Properties that offer flexible layouts or can accommodate various business types (e.g., offices with open spaces or retail outlets with high ceilings) typically attract higher rents.

Ball and Ward (2021) suggest that adaptable properties with versatile spaces see greater demand and thus higher rental values.

4. Lease Terms and Tenant Mix:

Commercial properties are typically leased for longer terms, and the rental value is heavily influenced by the lease structure. Longer leases with reputable, financially stable tenants can secure higher rents for commercial landlords. Furthermore, the tenant mix in a commercial property (e.g., high-end retailers or established companies) can enhance the property's rental value due to the credibility and stability they bring to the location.

5. Supply and Demand:

Similar to residential properties, the supply and demand dynamic plays a crucial role

2.6 Empirical Theories on Rental Variation in Residential and Commercial Property

2.6.1 Empirical Theories on Residential Property

1. Hedonic Pricing Model (HPM):

The Hedonic Pricing Model is one of the most widely used empirical approaches for determining rental values based on property attributes. This model posits that the price or rent of a property is determined by the various characteristics it possesses, such as size, location, condition, and amenities (Rosen, 2020). The HPM has been widely applied in residential property markets to determine how these characteristics influence rental variation. For instance, studies by Poterba (2020) demonstrate that proximity to good schools or public transport can significantly increase residential rents.

2. Supply and Demand Theory:

Empirical studies also highlight the role of the supply-demand balance in influencing residential rental prices. Research by Gyourko and Molloy (2020) demonstrates how population growth, migration patterns, and housing supply in urban areas can cause rental prices to fluctuate. Their findings suggest that when supply cannot keep up with increasing demand, especially in urban hotspots, rents tend to rise significantly.

3. Rent Control and Affordability Studies:

Empirical research on the impact of government policies, such as rent control, has provided insight into rental variation in residential markets. Studies by O'Neill (2021) and Green (2021) show that rent control, while aimed at providing affordable housing, often leads to reduced supply, longer vacancy rates, and increased rental prices in the informal markets. The empirical evidence suggests that while rent control can stabilize rents in the short term, it may lead to inefficiencies and higher long-term costs.

2.6.2 Empirical Theories on Commercial Property

1. Capitalization Theory (Cap Rates):

The Capitalization Theory (Cap Rate) is an empirical theory used to estimate the value and rental rates of commercial properties. The cap rate is calculated by dividing the property's net operating income by its market value. Empirical studies, such as those by Lee (2021), have shown that the capitalization rate varies significantly across different types of commercial properties, including office, retail, and industrial spaces. Lower cap rates tend to reflect higher rental prices, indicating strong demand and low risk.

2. Rent-Price Gradient Theory:

The Rent-Price Gradient Theory, developed by Alonso (2021), suggests that commercial rental prices decrease as the distance from the central business district (CBD) increases. Empirical studies, such as those by Glaeser and Gyourko (2021), show that commercial rental prices are

highly sensitive to location, and properties in the CBD or near major transportation hubs often experience higher rents. Their research indicates that transportation infrastructure and access to customers are key drivers of commercial rental variation.

3. Tenant Creditworthiness and Lease Terms:

The financial stability and creditworthiness of tenants are also crucial factors influencing commercial property rental variation. According to empirical studies by Nguyen and Tan (2020), commercial landlords often adjust rental prices based on the risk associated with the tenant's credit profile. Higher creditworthiness may lead to lower rent escalation clauses or better terms for tenants, while tenants with weaker credit histories may face higher rents and more stringent lease terms.

4. Economic Sensitivity and Business Cycles:

Commercial rental prices are highly sensitive to economic cycles, as evidenced by the empirical work of O'Rourke and Chang (2020), which indicates that commercial rents rise during periods of economic expansion and decline during recessions. The sensitivity of the commercial property market to business cycles is crucial in understanding rental variation, especially during times of economic instability or growth.

2.6.3 Comparative Empirical Findings Between Residential and Commercial Property

While empirical theories in both residential and commercial property markets show similarities, such as the importance of location and economic cycles, the impacts of other factors can differ significantly. For example, while supply-demand theory plays a crucial role in both markets, commercial properties are much more sensitive to the business cycle and tenant creditworthiness than residential properties. Similarly, governmental interventions like rent controls and housing subsidies tend to have more pronounced effects on residential rental markets, whereas commercial properties are more influenced by market-driven variables such as cap rates and tenant mix.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This research uses a comparative analysis to study the differences in rental prices between residential and commercial properties. Data was gathered from real estate records, market reports, and surveys. The study examines factors like location, property type, and demand to understand what affects rental prices. Both numerical data and opinions from real estate professionals were used to compare trends in the two property types. This method helps provide a clear and balanced view of rental variations, ensuring reliable and useful results.

3.1 Research Design

Research design is a strategy or approach to be used for conducting ascientific enquiry, a research design is a plan or blue print that specifies how data relating to a particular problem should be collected and analyzed.

3.2 Data Type and Source

In a bid to gather the data used in this research, various means were used depending on the type of information sought. The chief sources of data include.

1. Primary Sources

2. Secondary Source

i. Primary sources

This source of data collection provided a means of collecting first-hand information for the research, specially the under listed method served this useful purpose. Questionnaires, Oral interview, Field survey and Physical survey

ii. Secondary Source

Secondary sources were taken from various journals, gazette, seminar paper, textbooks, past project and some other documented materials, some of which were published while some were not.

3.3 Instrument of Data Collection

Questionnaires: Structured questionnaires were administered to property owners, tenants, and estate surveyors to collect quantitative data. The questions covered topics such as property types, rental rates, and factors affecting rental values.

Oral Interviews: Semi-structured interviews were conducted with landlords and estate professionals to gain deeper insights into the dynamics of the rental market in Oluyole Estate.

Field Surveys: Physical inspections of properties were carried out to observe their conditions, locations, and usage.

3.4 Target Population

The population for this study comprises landlords, tenants, and real estate surveyors in Oluyole Estate, Ibadan. This group was chosen because of their direct involvement with residential and commercial properties in the study area.

3.5 Sampling Frame

The sampling Frame includes all residential and commercial properties within Oluyole Estate. According to the Landlord Association records, there are approximately 120 properties, which formed the basis for sampling.

3.6 Sample Size

The study includes the total number of properties within the sampling frame, ensuring comprehensive coverage of residential and commercial property types.

3.7 Sampling Procedure

Purpose and simple random sampling procedure will also be employed to ensure a fair representation of all staff therefore, there will be an equal sampling to ensure effective sample and effectives research.

3.8 Method of data Analysis

In the presentation, analysis and interpretation of data, tabular, statistical and textual modes of data presentation are used. The responses for each relevant question in the questionnaire are represented in tables and the statistical results used to compare relative importance to various answers.

3.9 Method of Data Administration

Data were administered through physical distribution and retrieval of questionnaires, in person interviews, and field visits. Questionnaires were delivered to respondents during scheduled visits, while interviews and surveys were conducted on site to ensure accuracy and completeness.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.0 Introduction

This chapter deals with the presentation, analysis and interpretation of the data collected by the researcher in the course of carrying out the research. The presence of data makes no meaning to anybody unless adequate analysis of such data is carried out. The research is based on the analysis of questionnaires, field survey, and interview.

4.1 General Observation

The base data is also presented in tables. The researcher distributed 100 questionnaires to the owners/landlords of both commercial and residential properties and to Estate Surveyors and Valuers of commercial and residential properties. Out of 100 distributed, 80 were returned.

Table 4.1 Sex of Respondents

Option	Number	percentage
Male	69	86.27
Female	11	13.75
Total	**80**	**100**

Source: Field Survey, 2025

In the above table 4.1, out of 80 respondents, 69 (86.25%) were male while 11(13.75%) were female.

Table 4.1.1 Age Distribution of Respondents

OPTION	Number	Percentage
20-29	13	16.25
30-39	20	25
40-49	25	31.25

50 and above	22	27.5
Total	**80**	**100**

Source: Field Survey, 2025

From the above table 4.1.1, 13 (16.25%) people were between the ages 20-29, 20 (25%) people were between the ages 30-39, 25 (31.25%) people were between the ages 40-49 and 22 (27.5%) were 50 and above.

Table 4.2: Martial Status of Respondents

OPTIONS	NUMBER	PERCENTAGE
Single	20	25
Married	60	75
Total	**80**	**100**

Source: Field Survey, 2025

From the above table 4.2, 20 (25%) were single while 60 (75%) were married. This shows that married are more than single in the study Area.

Table 4.3: Educational Qualification of Respondents

OPTION	Number	Percentage

F.S.C.L	8	10
WAEC/GCE	10	12.5
OND/HND	16	20
B.SC	19	23.7
M.SC	27	33.7
Total	**80**	**100**

Source: Field Survey, 2025

From the above table 4.3, 8 (10%) respondents had F.S.L.C (first school leaving certificate), 10 (12.5%) had WAEC/GCE, 16 (20%) had OND/HND, 19 (23.7%) had B.SC and 27 (33.7%) had M.SC.

4.2 Objective i: To identify the various type of residential and commercial property in the study area

Types	Number	Percentage
Tenements	20	25
Blocks of flats	15	19
Duplexes/semi detached	10	12.5
Detached houses Bungalow	3	3.5

Shops	20	25
Warehouses	2	2.5
Offices	10	12.5
Total	80	100

Source: Field Survey, 2025

The table above shows the various type of residential and commercial property in the study area, the major type of residential property in the study area is Tenement, Block of flat, detached, semi-detached while the common commercial properties in the study are is shop, office and hall

4.3 Objective ii: To identify the level of rents for commercial and Residential properties

Table 4.4: Respondent's View For Commercial Properties

OPTION	AMOUNT
Shops	70,000
Warehouses	100,000
Offices	85,000

Source: Field Survey, 2025

Table 4.5: Respondents View For Residential Properties

OPTION	AMOUNT
Tenements	150,000
Blocks of flats	400,000
Duplexes/semi detached	500,000
Detached houses Bungalow	300,000

Source: Field Survey, 2025

From the above tables 4.5, levels of rent for commercial properties are 70,000, 100,000 and 85,000 for shops, warehouses and offices respectively.

Levels of rent for residential properties are 150,000, 400,000, 500,000 and 300,000 for blocks of flats, duplexes/semi duplexes, detached houses and bungalow respectively with exception of tenement where none of the selected properties is a tenement building.

4.4 Objective iii: To ascertain and examine the factors influencing being commanded by these properties?

Table 4.6 Respondents View

OPTIONS	RESPONDENTS	PERCENTAGE
Location of property	20	25
Size of property	14	17.5
Demand of property/ land use	16	20
Condition of property	14	17.5
Price of construction materials	16	20
Total	80	100

Source: Field Survey, 2025

From the above table 4.6, 20 (25%) went for location, 14 (17.5%) went for size of property, 16 (20%) went for demand of property/land use, 14 (17.5%) went for condition of property, 16 (20%) went for price of construction materials.

From the findings above, factors that influence rents passing on commercial and residential properties include: location of properties, size of property, demand for property/land use, condition of property and price of construction materials.

Table 4.7 what are the income of prospective buyers/tenants affect their decision to acquire properties?

OPTION	NUMBER	PERCENTAGE
Yes	78	97.5
No	2	2.5
Total	80	100

Source: Field Survey, 2025

From the above table 4.7, 78 (97.5%) said yes while 2 (2.5%) said no. From the above findings, it is very clear that the income of prospective buyers/tenants affects their decision to acquire properties. That is to say that people are of different income groups, they will intend to get a particular size of property/site and distance according to their income.

CHAPTER FIVE

SUMMARY FINDINGS, CONCLUSION AND RECOMMENDATION

5.0   Introduction

This chapter summarized the result of finding so as to proffer appropriate recommendations. Further areas of research were equally stressed, after which a suitable conclusion is drawn up.

5.1 Summary of Finding

From the research carried out, the following findings were derived. That rent passing on residential properties varies/differs from the rent passing on commercial properties as indicated in figures 1 and 2, That there is a positive change between rent and the use to which a propertyis put. Also there is higher demand for residential properties than commercial properties in the study area, the rent of residential and commercial properties varies due to some factors like location, condition of the properties, demand for property/land use, price of construction materials, and size of the property. Lastly the level of rent for residential properties is higher than that of commercial properties.

5.2 Conclusion

From overall result of this work the reality is that there are certain factors that affect rent paid on properties. These factors determine the increase or decrease in rent charged by landlords. From this, it is not possible to say that the rental value of a property is the exact rent charged on the property because there are several factors that can affect rent charged. Similarly all properties in a certain area do not command the same rent because it is not the same factors which affect one property that affects the other. In every property one looks at the factors surrounding it, before determine that rent it can command.

Considering these factors, it is now possible that the rent paid for one property will not be the same for the other. One significant factor that brings about differences in rent is the use to which a property is put.

Conclusively, the result of the analysis indicates that rent passing on residential properties is higher than the rent passing on commercial properties.

5.3 Recommendation

The research findings provide working tools in estate management practice in relation to determination of property values. It is therefore, recommended that:

- The practicing Estate Surveyors and Valuers should know that in fixing of rent, the rent passing on residential and commercial properties should not be the same.
- Property owners should always make rent passing on residential properties a bit higher than rent passing on commercial properties largely on the account of the use the property is put.
- Owners of properties should always put their properties to its highest and best use which as the findings revealed could be residential or commercial. Rent for commercial properties are best

measured by per square metre (M2) while rent for residential are measured taking into consideration the number of rooms or flats provided.

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QUESTIONNAIRE

DEPARTMENT OF ESTATE MANAGEMENT AND VALUATION

INSTITUTE OF ENVIRONMENTAL STUDIES

KWARA STATE POLYTECHNIC, ILORIN

Dear Respondent,

This questionnaire is designed for the purpose of collecting data on a research titled **"PROJECT ON A COMPARATIVE ANALYSIS OF RENTAL VARIATION IN RESIDENTIAL AND COMMERCIAL PROPERTY IN OYO STATE(A CASE STUDY OF OLUYOLE ESTATE IBADAN)**

"**. The questionnaire is needed for academic use only which will enable us obtain data relating to our research work. Please, kindly answer the questions as appropriate. The information obtained will be treated with utmost confidence and strictly for research only.

Thank you

Yours faithfully.

Ajimotokan Rukayat Temitayo

SECTION A: PERSONAL DATA

Instruction: Tick the appropriate columns

SOCIO-ECONOMIC CHARACTERISTIC

1. Age

   (a) 18-30 [ ] (b) 31-40 [ ] (c) 41-50 [ ] (d) 51-60 [ ] (e) 61 and above [ ]

2. Sex

   (a) Male [ ](b) Female [ ]

3. Marital Status

   (a) Married [ ]   (b) Single [ ] (c) Divorced [ ]

4. Educational Qualification

   (a) WAEC/NECO/TCII [ ] (b) NCE/OND [ ]   (c) HND/B.Sc[ ]   (d) MSc/MBA

      [ ]   (e) MPh/PHD [ ]   (f) Professional Qualification [ ]   (g) others [ ]

5. What is the name of this area? …………………………………………………

6. Do you use this property permanently as a tenant?   (a) Yes [ ]   (a) No [ ]

7. If yes, how long have you been using it?   (a) 1-2 years [ ]

   (b) 2-4years [ ]   (c) 4-6 years [ ]   (d) 7 years and above [ ]

SECTION B (PART I): Types of Commercial and Residential Property Occupied by the Tenant within Case Study

From the fist in the table below, kindly choose the option by ticking (√) therein which of the option

is the types of Commercial and Residential Property Occupied by the Tenant within Case Study

8. What are the type of residential property in the study area?

   a. Flat   (b). Tenement   (c) detached   (d) Semi Detached

9. what   are   the   type   of   commercial   property   in   the   study   area?

   (a) Shop   (b). Office   (c) Ware house   (d) Hall

SECTION B (PART II): Rent Paid Per Annum on Different Commercial and Residential Properties in Oluyole Ibadan

10. what are the rent passing on residential properties in the study area?

    a. 100,000-200,000   (b)   210,000-300,000   (c) 310,000 – 400,000   (d) 400,000 - 500,000

11. what are the rent passing on commercial properties in the study area?

    a. 20,000-50,000   (b)   60,000-70,000   (c) 70,000 – 80,000   (d) 100,000 -150,000

SECTION B (PART IV): The Effects of Location on Rental Value of the Various Classes of Commercial and Residential Properties in the Study Area

From the fist in the table below, kindly choose the option by ticking ($\sqrt{}$) therein which of the option is the Effects of Location on Rental Value of the Various Classes of Commercial and Residential Properties in the Study Area

12. What are the effect of location on rental value?

Scale 1-Strongly Disagree, 2-Disagree, 3-indifferent, 4-Agree, 5-Strongly Agree

S/N	EFFECT OF LOCATION ON RENTAL VALUE	1	2	3	4	5

1	Increase in rent					
2	High demand					
3	Highly accessible					
4	It encourage prospective tenant					
5	Highest population					

Others…………………………………………………………………………..