RENT DEFAULT FACTORS IN RESIDENTIAL PROPERTIES IN OSOGBO METROPOLIS OSUN STATE, NIGERIA

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This study aims at assessing the causative factors responsible for rent default among residential property tenants in Osogbo, Osun state Nigeria with a view to providing information that will enhance property management practice in the real estate sector. The population for the study comprised of practicing estate surveyors and valuers and private residential tenants in the study area. Questionnaire survey was conducted to solicit for information from the respondents. A total of 115 questionnaire in all were administered (100 questionnaires were administered on household heads who are residential tenants and 15 questionnaires were administered on branch managers of respective estate surveying firms in the study area). A random sampling technique was used in the selection of the tenant respondents while a total enumeration survey of the estate surveying firms was carried out. From the tenant respondents, 84 questionnaires were filled and returned for analysis representing 84% response rate. While 10 questionnaires were filled and returned from estate surveying firms representing 66.7% response rate. Both descriptive and inferential statistics were used in analyzing the data obtained. Findings from the study showed that the most critical factor influencing rent default in the study area is unemployment/retrenchment (R.I.I., 0.854), this might not be unconnected to the recent economic recession being experienced in Nigeria. Similarly, the least factor influencing rent default in the study area is the unilateral increase of rent by property owners (R.I.I., 0.504). The study concluded that pertinent issues identified in the study area such as careful selection of tenants, periodic inspection of properties with a view to carrying out appropriate maintenance on the property among others could reduce the menace of rent default in the study area.

Keywords: Default, Estate surveyor, Housing, Manager, Rent.

Introduction

There is a general consensus in literature that shelter is one of the basic necessities for man. This basic need can be satisfied in either of two major ways. By either occupying one's own (owner occupier) property or by renting from another person (Dabara, Okunola, Odewande. & Okorie, 2012). With the persistent rural-urban migration experienced in most developing nations, many people are left with the option of renting apartments when they move to cities in search of jobs or 'greener pastures'. More so, the

huge capital outlay required for real estate development has made owning one's dwelling out of reach for many people. 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 residents have emerged, the landlords and the tenants. Under this arrangement the tenant pays to the landlord a certain amount of money in consideration for his use of the landlord's housing unit, this amount is known as rent ((Olatoye, 2005; Akomolede, 2006; Francis, 2011).

The role which rental housing plays in the real estate sector cannot be overemphasized as a great percentage of urban dwellers live in rented apartments (Mondel, 2001; UN-HABITAT, 2003; UN-HABITAT, 2006). The bulk of rental housing provision across the globe was observed to have been provided by the private sector. In Denmark, Germany, France and Switzerland investigations revealed that banks, insurance companies, pension funds and real-estate companies rent out about 80% of the total housing stock. In Canada, it has been noted that "the small investors has always been important in the supply of rental housing." And, in Russia, small-scale landlords have been noted to increasingly contribute to the provision of the rental housing units (Watson & McCarthy, 1998; UN-HABITAT, 1999; Mondel, 2001; UN-HABITAT, 2006). These investors recoup their capital and get profits through periodic collection of rent from their respective tenants.

It has been observed however, that after the payment of the initial rent, most tenants in developing economies defaults in payment of subsequent rents. This scenario affects the investment expectations of property owners and breeds conflicts among stakeholders in the rental housing sector. Moss (2003) identified factors responsible for rent default as follows: 'affordability, disputes over quality of housing units, confusion over the type of tenure and the prevailing culture of entitlement on the part of tenants'. Salleh, Yosof, Johari & Talib (2014) in a study conducted in Malaysia indicated that only ethnic group variable significantly influenced the ability to pay rent in the study area. Similarly, Dabara, Ankeli, Oluwasegun & Odewande (2014); Ankeli, Dabara, Oyediran, Guyimu, & Oladimeji (2015) and Sani & Gbadegesin (2015) identified poor housing facilities, breach of tenancy agreement, unemployment, retrenchment, poor property maintenance, bad landlord/tenant relationship and harsh landlord's policy as the major factors responsible for rental default.

The aim of this study is to examine factors influencing rent default in residential properties in Osogbo metropolis with a view to providing information that can enhance property management practice in the study area. To achieve this aim, the researchers seek to answer the following questions: What is the level of rent default among residential tenants in the study area? What are the major factors influencing rent default in the study area? And is there any relationship between rent default factors and level of rent payment compliance by tenants in the study area? The paper is structured as follows: section one introduces the paper, section two presented literature review, section three presented the methodology adopted for the study, section four presented results and discussions and the paper ended with a conclusion.

Related Literature

Moss (2003) examined the causative factors responsible for tenants' rent default in the social housing sector of South Africa. The study adopted a questionnaire survey to elicit for data from respondents who are residential tenants in the study area. Both descriptive and inferential statistical tools such as mean, frequencies and regression analysis were used in analysis of the data obtained. Findings from the study revealed that, affordability, disputes over quality of housing units, confusion over the type of tenure and the prevailing culture of entitlement on the part of tenants form part of the major reasons to the causes of non-payment of rent in the study area.

Dabara, Ojo & Okorie (2012) investigated the level to which a tenancy agreement protects both landlords and tenants in a tenancy relationship. The study found that in Nigeria, the tenancy agreement gives protection to the stakeholders in the rental housing sector only on paper. This is because many

rental agreements between landlords and tenants in Nigeria are personal and informal in nature, concluded outside of any government regulatory framework or formal legal system. This informality and lack of official documentation makes going to court an extremely impractical way of dealing with landlord-tenant conflicts. The provisions of the rent control and recovery of premises laws in Nigeria have been held more in disobedience than in obedience for many years. Hence even when a tenant defaults in payment of his/her rental obligation, it is quite difficult to recover the said rent.

Amenyah & Fletcher (2013) conducted a study in Ghana which aimed at determining the factors influencing residential rental prices. Both descriptive and inferential statistical tools were used in analyzing the data obtained for the study. Findings from the study revealed that location, number of bedrooms, availability of amenities and facilities, and sharing of facilities are significant in determining residential rental prices in the study area. With such facilities in place, it is easier for tenants to perform their obligation of rent payment as at when due.

Karoki (2013) examined the major factors influencing residential real estate prices in Kenya. The study used a multivariate regression model to analyze the relationship between residential real estate prices and various predictor variables. Findings from the study indicated that Interest rates have the most significant effect on house prices followed by GDP and level of money supply.

Oluwasegun et al. (2013) conducted a study which examined the impact of infrastructural facilities on the rental values of residential properties in Osogbo and Ede, Osun state Nigeria. The authors used both descriptive and inferential statistical tools to analyze the data collected for the study. Findings from the study showed that full rental values of residential properties could only be realized when appropriate infrastructural facilities are put in place.

Salleh et al. (2014) examined the factors influencing tenants' ability to pay rent in Malaysian public housing units. A questionnaire survey was carried out among 350 MBI public housing tenants using the strata sampling technique. Weighted mean, frequencies and a multiple regression analysis was used in analyzing data obtained for the study. Results from the study indicated that only ethnic group variable significantly influenced the ability to pay rent in the study area.

Ankeli et al. (2015) conducted a study in Nigeria with the aim of determining the impact of housing facilities' condition on the rental values of residential housing units in Ede, Osun State. The authors collected data from household heads of rented apartments in the study area as well as registered Estate Surveyors in the study area. The data collated was analyzed using both descriptive statistical tools such as frequencies, weighted means and averages as well as trend analysis. Findings from the study revealed that properties with better conditions in terms of infrastructures and physical soundness command higher rental values. The physical condition of the housing facilities also influences the willingness of tenants to meet up their rental obligations as at when due.

Sani & Gbadegesin (2015) investigated the rental housing market in Kaduna metropolis. The methodology used adopted descriptive statistical tools for analyzing data obtained for the study.

Results from the study indicated that there are different forms of rental payment patterns and tenant selection criteria adopted in the study area. The study revealed that among others that breach of tenancy agreement and harsh landlord's policy are the major factors responsible for rent default in the study area.

Dabara et al. (2015) examined the perception of commercial property occupiers' towards their lease structures, terms and duration (LSTD) in Ede, Nigeria. Questionnaire survey was carried out to elicit for information from the occupiers' in the study area. The sample size adopted was 12% of the population. The random sampling technique was used in selection of the sample size for the study. Both descriptive and inferential statistical tools such as frequencies and regression analysis were used for analysis. Findings from the study revealed among others that most occupiers in the study area are satisfied with their current lease duration which is mostly of a year (renewable) duration; most of the occupiers are however dissatisfied with some of the terms in their lease structure which could impact on their willingness to pay rent as at when due.

Methodology

The study area for this research work is the capital city of Osun State (Osogbo metropolis) Nigeria. The population for the study comprised of the 15 practicing estate surveying firms and all the private residential tenants in the estate firm's portfolio in the study area. Questionnaire survey was conducted to solicit for information from the respective respondents.

A total of 115 questionnaire in all were administered (100 questionnaires were administered on household heads who are residential tenants and 15 questionnaires were administered on branch managers of respective estate surveying firms in the study area). A random sampling technique was used in the selection of the tenant respondents while a total enumeration survey of the estate firms was carried out. From the tenant respondents, 84 questionnaires were filled and returned for analysis representing 84% response rate. While 10 questionnaires were filled and returned from estate surveying firms representing 66.7% response rate.

The structured questionnaire was designed using a 5 point Likart Scale. The survey consisted of two main types of questions: those which required a specific response from a limited set of choices and those where respondents were asked to indicate their opinions in their own words. The variables used in the questionnaire were obtained from existing literature; the variables were used to test the perception of the respondents as to whether it will be congruent with what is obtainable in literature or otherwise. The data elicited from the respondents were collated and analyzed using both descriptive and inferential statistical tools; these results are presented in the next section of the paper.

The descriptive statistical tools used included frequencies, weighted means, percentages and averages. While for the inferential statistics a multiple regression model was used to analyze the data collated. The regression equation adopted was

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4\ldots\ldots\ldots bnXn \qquad\qquad 1$$

Where:
Y is the dependent variable
$X_1, X_2\ldots\ldots Xn$ are the independent variables.
$b_1, b_2 \ldots\ldots bn$ are multiple regression coefficients for the independent variables
"a" is an error term which points to the fact that a proportion of the variance in the dependent variable Y is unexplained by the regression equation.

However, the application of the model to our case study shows that

$$REDF = a + b_1UAR + b_2ITS + b_3DSP + b_4NRM + b_5LTR + b_6URI \qquad\qquad 2$$

Where:
Y = Rent Default (REDF)
UAR = Unemployment/Retrenchment (X_1)
ITS = Improper tenant selection (X_2)
DSP = Delay in salary payment (X_3)
NRM = Neglect of repair/maintenance (X_4)
LTR = Landlord/Tenant relationship (X_5)
URI = Unilateral rent increase by landlord (X_6)

Similarly, a Relative Importance Index (R.I.I) was used to identify and rank the variables. In the calculation of the Relative Importance Index (R.I.I.), the formula suggested by Lim & Alum (1995) was used.

$$\textbf{R.I.I.} = \frac{\Sigma W}{A * N} = \frac{5n_5 + 4n_4 + 3n_3 + 2n_2 + n_1}{5N} \qquad\qquad 3$$

where;

W = weighting given to each statement by the respondents and ranges from 1 to 5;
n_5 = strongly agreed; n_4 = agreed; n_3 = uncertain; n_2 = disagreed; n_1 = strongly disagreed
A = Higher response integer (5); and
N = Total number of respondents.

Results and Discussions

This section of the paper presented and analyzed data obtained from questionnaire survey in the study area. From the questionnaire survey 39 tenant (46.4%) respondents indicated that within the space of 5 years starting from 2011 to 2015, they had defaulted in rent payment at one time or the other. While the Estate Surveyors indicated that within the same period of time 37% of residential tenants in their management portfolio have defaulted in payment of rent as at when due. These default percentages are observed to be high when compared to findings of other similar studies such as Neil, Virginia, & Melanie (2001) which was conducted in the UK. Using the Relative Important Index (R.I.I) analysis, the study found the following factors as most critical in influencing rent default in the study area (see Table 1)

Table 1. Factors influencing rent default in Osogbo metropolis, Osun State

Rent Default Factors	1	2	3	4	5	R.I.I.	Rank
Unemployment/Retrenchment	1	4	0	7	18	0.854	1
Improper tenant selection	1	4	0	8	17	0.842	2
Delay in salary payment	0	4	0	13	13	0.725	3
Neglect of repair/maintenance	2	3	0	10	15	0.717	4
Landlord/tenant relationship	3	4	0	5	18	0.517	5
Unilateral increase of rent by landlord	1	7	0	7	15	0.504	6

Source: Field Survey, 2016

Table 1 presented the major critical factors influencing rent default in the study area. The most critical factor is unemployment/retrenchment (R.I.I., 0.854), this might be connected to the recent recession being experienced in the country. Retrenchment of workers most especially in the banking industry and other similar sectors is quite alarming; this also impacts on the rental sector of the economy. From the study it was also found that the least critical factor is unilateral increase of rent by property owners (R.I.I., 0.504). Rent increase should be periodical and agreed upon by both parties while signing the lease agreement. However, it was observed that property owners who wishes the value of their properties to catch up with the current inflation in the country unilaterally increase rent before due time and enforce same on tenants. This has led to default by the tenants. Other factors include: Improper tenant selection (R.I.I., 0.842); delay in salary payment (R.I.I., 0.725); neglect of repair/maintenance (R.I.I., 0.717) and bad landlord/tenant relationship (R.I.I., 0.517). The findings of this study are congruent with studies such as Stadelman (2010) and Julius (2013).

Tables 2, 3 and 4 presented the regression results showing the relationship between the aforementioned rent default factors and level of rent payment compliance by residential tenants in the study area.

Table 2. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	0.836	0.698	0.673	0.277

Source: Analysis of Survey data, 2016

Predictors: (Constant), Unilateral Rent Increase, Bad Landlord/Tenant Relationship, Delay In Salary Payment, Improper Tenant Selection, Unemployment/Retrenchment, Neglect In Repair/Maintenance

Table 2. Presented the regression model summary result, which indicated a high positive correlation of 0.836 between all the variables.

Table 3. ANOVA (Analysis of Variance)

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	12.816	6	2.136	27.768	0.000
Residual	5.538	72	0.077		
Total	18.354	78			

Source: Analysis of Survey data, 2016

A. Predictors: (Constant), Unilateral Rent Increase, Bad Landlord/Tenant Relationship, Delay In Salary Payment, Improper Tenant Selection, Unemployment/Retrenchment, Neglect In Repair/Maintenance

B. Dependent Variable: Level Of Rent Default

Table 3 tests the overall significance of the coefficients (β's). The results indicated that the overall model is statistically significant, [$F_{(6, 72)} = 27.768$, $P = 0.000$].

Table 4. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	6.282	0.159		0.000	0.000
Unemployment/Retrenchment	0.308	0.125	0.315	2.466	0.016
Improper Tenant Selection	1.185	0.170	0.000	2.000	0.009
Delay In Salary Payment	0.692	0.117	0.634	5.903	0.437
Neglect In Repair/Maintenance	-3.706	0.251	0.000	1.000	0.000
Bad Landlord/Tenant Relationship	-1.480	0.128	0.000	0.870	1.000
Unilateral Rent Increase	2.507	0.225	0.000	3.640	0.046

Source: Analysis of Survey data, 2016

Table 4 presented the coefficients, the Enter Method was employed in the analysis (this will cause all predictors to be included in the output). Looking at the significance values of the individual β's, it was shown that of all the predictors, only the following significantly predicts rent default: Unemployment/Retrenchment, Improper Tenant Selection, Neglect In Repair/Maintenance, Unilateral Rent Increase in the study area, with $t = 2.466$, $p = 0.016 < 0.05$; $t = 2.000$, $p = 0.009 < 0.05$; $t = 1.000$, $p = 0.000 < 0.01$; $t = 3.640$, $p = 0.046 < 0.05$ respectively, hence they are statistically significant (note that 0.05 and 0.01 above indicates the significance levels at 5% and 10% respectively).

Conclusion

The study examined critical factors influencing rent default among residential property tenants in Osogbo metropolis, Nigeria with a view to providing information that will enhance property management practice in the sector. From the Relative Importance Index analysis carried out, findings from the study showed that the most critical factor influencing rent default in the study area is unemployment/retrenchment (R.I.I., 0.854), this might not be unconnected to the recent economic recession being experienced in Nigeria. Similarly, the least factor influencing rent default in the study area is the unilateral increase of rent by property owners (R.I.I., 0.504). The study concluded that pertinent issues identified in the study area such as careful selection of tenants, periodic inspection of properties with a view to carrying out appropriate maintenance on the property among others could reduce the menace of rent default in the study area.

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