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Examination of Tenancy Details and Physical Characteristics of Investment Properties in Abuja, Nigeria

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Quite a number of studies have been carried out on the concept of investment property and its importance to a nation's economy.¹ Investment property is property (real estate) acquired or developed purposely to earn a financial reward through renting, leasing or expectation of price/value appreciation.² This form of investment has been receiving investors' attention because of the notable diversion away from other forms of investments such as stocks and bonds;³ probably due to the global collapse of the capital market.

This focus on investment property, however, needs to come with a greater understanding of its dimensions and characteristics by stakeholders for proper investment decision guiding and planning. To have a reliable analysis of property investment, there should be an appraisal; feasibility and viability studies. This analysis (possibility and profitability) is very vital to property investment planning. However, Nigerian literature on property

investment seem to have concentrated on viability analysis with less emphasis on the feasibility aspect.⁴ Studying profitability indices without possibility indices of property investment will produce a miscalculation to investors. Both indices of investment benchmarks are expected to play a pivotal role in the performance evaluation, hedging decisions, and overall investment strategy.⁵ Most of such available indices are noted to be quantitative performance evaluations such as return, risk, and payback period, among others.

However, a viable index of investment property is not limited to its quantitative performance measurement and evaluation alone. It includes qualitative indicators of the direct object of investment towards guiding the overall investment strategy and planning. Qualitatively, summation of the characteristics of property as an object of investment, constitute its personality. This personality embraces abstract and physical attributes which must be treated like the two sides of a

coin, towards taking appropriate action applicable to each type of property in specific terms.

Tenancy details as an aspect of qualitative performance indicators, explains the abstract attributes of leasing and tenancy on the property. Such attributes include: type, nature, length and renewal of leases and tenancies, mode and period of rent payment, collection and review and rate of vacancy, and expenditure on the property. In addition, the degree by which the land has been developed or improved from its natural state in term of size, shape, height, building coverage, quality of construction and attractive nature constitutes the physical characteristics of property. These qualitative indicators are seen as important distinguishing entities because two properties may be identical to some extent, but cannot be exactly the same, even if only on variations in tenancy detailing, or physical characteristics.

It is noted in the literature that physical characteristics of housing, irrespective of its income-producing status, typically are documented albeit poorly. Previous housing studies⁶ focused on housing quantity generally, but did not specifically capture investment performance nor the performance indicators.

Generalizing the characteristics of housing may bring variation if compared with income producing property specifically. This may mislead the investors' proper planning and eventually have direct or indirect effect on property performance.

Most articles at local and international levels focus on return, some on return-risk, while others compare investments of an inter sector level. None have actually considered the tenancy details and physical characteristics of different types of investment property in any major cities of Nigeria; this is a conspicuous gap in the literature.

The need for home-based empirical analysis of this nature is desired to guide existing and potential investors away from making incorrect or generalize assumptions when making or planning investment decisions.

This research therefore, answers the following questions:

1. What are the types of investment properties in Abuja, Nigeria?
2. What is the specific tenancy nature of each type of investment property in the study area?
3. What are the corresponding physical characteristics (quality) of each type of investment property in the study area?

4. How can this quality analysis of investment property guide the investors appropriately?

This study, therefore, examines the tenancy details of different types of investment property and their corresponding physical characteristics with a focus on Abuja, Nigeria towards provision of relevant qualitative indices that can guide in making appropriate investment decision.

LITERATURE REVIEW

Property as an object of investment is either held for anticipation of benefits of one-time-income (stock), the stream of income (flow), or direct/indirect occupation (non-stock and non-flow). It constitutes a significant medium of investment that provides revenue to its holder base on value. It also has clear evidence of income that can be analyzed as returns on investment and can be sold in the property markets.⁷ Therefore, institutional and multi-national investors have over time concentrated their investment on the property due to the seeming prospects and benefits accruable therefrom.⁸

Investment property has other important characteristics that account for variation in its rental income apart from its heterogeneity.⁹ Collectively these characteristics are referred to as housing characteristics and consequently they embrace quantitative and qualitative performance indicators.

Greater research attention are focus on quantitative issues of housing rather than qualitative aspects such as the tenancy details, physical and neighborhood quality.¹⁰ For instance, renting and duration of the rental agreement are an important aspect of a healthy property investment system of a nation.¹¹ In any property rental arrangement, a lot of factors require consideration especially the one relating to the personality; developers may be more concern about the tenancy details; especially the structure and pattern of expected income while the renters may be more interested in the physical characteristics and quality of the investment property that can indicate rental satisfaction. Understanding the desires of investment property renters is a very useful guide to property investors in investment planning.

However, a strategic approach to the development of workable rental housing policy should recognize existing rental arrangements before finding a flexible and realistic way to enforce them.¹² Furthering the understanding of existing rental arrangement before making workable rental housing policy, Babatunde¹³ is of the view that a tax policy framework that would encourage private sector investment

in real estate would need to take cognizance of property rental arrangements and avoid rental disequilibrium in a bid to stimulate economic growth and development. Therefore understanding the details of tenancies and leases is an important aspect of a workable rental housing policy.

According to the UN-Habitat,¹⁴ factors considered to measure the physical characteristics for determining the quality of accommodation by tenants include: the quality in terms of physical characteristics and durability of the building, materials used for building, levels of maintenance, level of crowding, access to jobs and public services, location and social support systems, responsiveness to tenants' mobility and access to basic infrastructure. All these factors need to be considered to achieve a workable and yieldable investment property.

Physical characteristics as identified by various studies¹⁵ include: quality of building facilities/basic amenities; accessibility/region/neighborhood/location; neighborhood type/quality/services; age of the property; land/plot size; built-up area; number of bedrooms; number of floors; quality of construction/finishing; structural attributes; availability of basic amenities; and occupancy rate.

Other physical characteristics according to Bello¹⁶ include the type of structures such as a self-contained apartment, detached bungalow, semi-detached bungalow, a block of flats, detached duplex, semi-detached duplex, terrace duplex apartment, open office space, warehouse, and lock-up shops among others.

In Kenya, Makachia¹⁷ illustrates the physical qualities of housing in informal transformations of formal housing and notes a design strategy (in physical form and socio-economic form) that is responsive to the varied objectives of economic, social and physical-spatial demands of housing should inform concepts in housing design.

Oladapo *et al.*¹⁸ investigates factors influencing the choice of location of residential location by tenants in Bosso Local Government Area, Minna, Nigeria to establish the role of diverse housing attributes. The study reveals that dwelling attributes of number of rooms, bath and toilets, and accessibility attributes of nearness to primary and secondary school are the main housing attributes that determine the preferred location of tenants' residence. The study concluded by calling the attention of landlords to the preferred dwelling attributes of tenants and attention of Government to the accessibility attributes respectively for a good and balanced spread of tenants' occupation in the study area. This study focused on tenants' attraction and preference of

location to live but not on comprehensive physical characteristics and tenancy detailing of the property.

To determine whether there is an expansion in office transactions, Chicago, Colwell *et al.*,¹⁹ applied a hedonic model to a Chicago office property using observations of building characteristics and neighborhood aspects as explanatory variables. The results depicted a contrary result to the general market belief that there was a nominal expansion in Chicago office transaction prices over the course of the 1980s. This work by hedonic model is limited to office properties and the personal observations of the authors on the building and neighborhood characteristics, but not investment properties generally.

Extending from physical characteristics, Ilesanmi²⁰ examines the quality of public neighborhood and housing to identify the quality indicators and causes of housing inadequacy in Lagos, Nigeria. This is done by creating a neighborhood density yardstick that measures the physical quality of property in the literature. The study's findings indicate that housing blocks in the low-income estate exhibit a lower level of housing and environmental quality than the median income and the neighborhood related defects in quality appear to be more severe than the building related defects.

Within the same neighborhood and location, property prices vary frequently over different seasons and periods. This is why Bello²¹ utilizes the coefficient of multiple regression model outcomes on the attributes against log price to explore the importance of Finland housing attributes. This is with a view to arrive at the influence these attributes may have on prices and homeowners' decision on where to live, when to purchase, and age of the building to buy. These attributes will not only apply within the scope of performance analysis but also for the benchmarking of real estate portfolios or decisionmaking in the portfolio management asset allocation.

Olajide²² explores the position of building/neighborhood characteristics of investment properties among the key determinants of residential property value in Nigerian housing neighborhood. The study suggests that accessibility is the most significant determinant of property value, followed by neighborhood crime and lastly building/neighborhood characteristics. There is however no statistically significant relationship between building/neighborhood characteristics and investment property values. This finding is consistent with the studies of Royalepage²³ and Tse and Love,²⁴ but at variance with the finding of Ajibola *et al.*,²⁵ which

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establish that there is a direct impact of physical characteristics on property value.

Therefore, in qualitative performance assessment of investment property, while some of the literature focuses on the physical characteristics of an investment property to a certain extent, many fail to include an analysis of tenancy details that can help investors gain the necessary real insight into Abuja city, specifically, and the Nigerian property market generally.

METHODOLOGY

This article makes use of a questionnaire as a means to gather data and gain real insight into the Nigerian property market. The questionnaire is made up of closed-ended questions, and these questions generated data of qualitative variables that have the ability of eliciting contemporary insights into this research inquiry. The questionnaire has a uniform questioning pattern, but the respondents were made to answer the same set of questions separately for each property. Thus, the questionnaires were administered to the property managers of the Estate Surveying Firms (ESFs) in Abuja to collect data on investment properties in their portfolio. These respondents are expected to have and can supply the required data for this study base on their record and experience.

Abuja, the capital city of Nigeria is characterized by centralized activities including residential and commercial infrastructure. It has been noted that the real estate

industry is booming since Abuja officially became the only administrative capital of the federal republic of Nigeria. This has been possible because it witnessed a continuous influx of Nigerians and foreigners for business and official transactions with government and real estate investments. This let it maintain the greatest property value obtainable in Nigeria.²⁶ In addition, with a 139.7 percent growth rate between 2000 and 2010, Abuja was the fastest growing city in the world followed by Al-Hudayda, Yemen (108.1 percent).²⁷ This indicates the probability of getting the required data for this proposed inquiry from the study area considered an emerging African property market.

This justifies research attention on its property investment. Data collected are analyzed with the frequency, averages, percentage, and summation rating as previously done by Ilesanmi,²⁸ Oladapo,²⁹ and Olajide.³⁰

There are a total of 2101 investment properties from the portfolio of the 42 ESFs that participated in the study. These investment properties were subdivided into strata according to the property type. This segregation is desired to track the actual and specific characteristics of each identified property type from the general characteristics of investment properties. A total of 210 questionnaires were administered while 136 were retrieved and found useful for the study (62.38 percent response rate). This response rate is statistically adequate for analysis and generalization according to Tabachnick and Fidell.³¹

EXHIBIT 1—TYPES OF INVESTMENT PROPERTIES FOR THE STUDY

Type of investment properties	Abbreviation	Frame	Size	Response
Detached house without boys quarter	(DH-BQ)	179	18	11
Detached house with boys quarter	(DH+BQ)	221	22	14
Semi-detached house without boys quarter	(SDH-BQ)	58	6	3
Semi-detached house with boys quarter	(SDH+BQ)	122	12	6
Detached duplex with boys quarter	(DD+BQ)	211	21	11
Semi-detached duplex without boys quarter	(SDD-BQ)	71	7	3
Semi-detached duplex with boys quarter	(SDD+BQ)	156	16	9
Terrace house	(TH)	182	18	12
Block of flats	(BOF)	623	62	55*
Lock-up shops	(LOS)	88	9	2
Office apartment and open offices	(OA&OO)	190	19	10
Total		2101	210	136
*Block of Flats has 39 residential use and 16 commercial use components				
Source: Field Survey (2017)				

For identification, 11 types of properties were identified with the abbreviation base on the preliminary survey conducted for the study. This categorization enables the determination of property type with the boys' quarter from the ones without the boys' quarter as previously done by the Nigerian Institution of Estate Surveyors and Valuers.¹² The types of investment properties considered for the study are shown in Exhibit 1.

To strengthen the validity and interpretations of the collected data, Cronbach alpha coefficient stipulates a minimum of 0.6, coefficient was calculated for the verification of data used and is 0.835 for this study. Meaning that it is more than the 0.6 yardstick prescribed to guarantee the reliability of the survey data. This indicates that the questionnaire use in this study is deemed to be adequately reliable.

Variables adopted for property tenancy details include: the rate of occupation, elements of the outgoing, outgoing as a percentage of gross rent, mode of rent collection, rent review and the percentage of the last rent review. The rental detail analysis is based on data supplied by the ESFs and is discussed below.

Rental Detail Analysis

The vacancy rate is calculated by dividing the total vacant accommodation unit by the total available accommodation units on the property, expressed in percentage. The outgoing rate is the percentage estimate of actual gross rental income that represents all expenses incurred on individual property as supply by the ESFs. Elements of outgoing are identified to include: tax, management fee, rent void, insurance, interest rate, repairs, levies and dues and ground rent. The applicable ones to each of the properties are indicated by the ESFs.

Periodic payment/collection of rent variables, where the respondents are expected to pick only one, include: half-yearly, yearly, two years, three years, four years and five years. Contrastingly, the periodic review of rent includes: yearly, two years, three years, four years, five years and property market determine. The rate of last income review is calculated by finding the difference between the net preceding income and the net succeeding income generation on a property, divide by the net preceding income express in a percentage to determine the growth or falling rate of net

EXHIBIT 2—RESPONSE SCALING FOR PHYSICAL CHARACTERISTICS OF THE PROPERTY

Physical variables	5 SCORES	4 SCORES	3 SCORES	2 SCORES	1 SCORE
Location quality/ accessibility	Very prime	Prime	Good	Fair	Relatively remote
Land area/plot size	1000m ² above	801m ² -999m ²	640m ² -800m ²	401m ² -639m ²	Less than 400m ²
Building coverage in the total site	81% above	61-80%	41-60%	21-40%	1-20%
How many floors on the property	5 floors	4 floors	3 floors	2 floors	1 floor
No of toilets/unit or apartment	5 toilets	4 toilets	3 toilets	2 toilets	1 toilet
No and quality of parking space in relation to No of occupiers	Very sufficient	Fairly sufficient	Relatively sufficient	Insufficient	None
Quality of construction	Very good	Moderate	Good	Fair	Poor
Relative nominal age of the property	0-5 years	6-10 years	11-15 years	16-20 years	21 years above
Appealing and decorative attraction	Very attractive	Moderately attractive	Fairly attractive	Lowly attractive	Not attractive
Wall fencing for security	Fully fenced, gated and well finished	Partially fenced, gated and finished	Fully fenced, gated and not well finished	Fenced, but not gated	Not fenced, not gated

Source: Authors Field Work (2017)

income. The average of these is calculated for each type of investment properties.

Physical Characteristics

Variables adopted for physical characteristics as adapted from literature include; location, land size, building coverage, number of the floors, number of the toilets, quality of construction, property attraction, the sufficiency of a parking facility, the age of the property and wall fencing. Each identified physical variable is scaled between 1 and 5 points as shown in Exhibit 2.

RESEARCH FINDINGS

Tenancy Details of Investment Properties

Analysis of Vacancy Rate on Property

Exhibit 3 shows that the highest vacancy rate of 25 percent is observed in the block of lock-up shops and the five bedroom semi-detached duplexes with boy's quarter.

EXHIBIT 3—VACANCY RATE ON PROPERTY

Types of Investment Properties	Abbreviation	Responses (%)
A detached house without boys quarter	(DH-BQ)	12.60
Detached house with boys quarter	(DH+BQ)	16.25
A semi-detached house without boys quarter	(SDH-BQ)	15.00
Semi-detached house with boys quarter	(SDH+BQ)	17.66
Detached duplex with boys quarter	(DD+BQ)	20.00
Semi-detached duplex without boys quarter	(SDD-BQ)	22.00
Semi-detached duplex with boys quarter	(SDD+BQ)	17.53
Terrace house	(TH)	16.93
Block of Flats	(BOF)	16.58
Lock-up shops	(LOS)	25.00
Office apartment and open offices	(OA&OO)	14.05
Average		17.60
Source: Field Survey (2017)		

Although, 17.60 percent is the average record for the vacancy rate on all the sample properties, it varies from one property to the other. The detached house without boys' quarter was the property type with the lowest vacancy rate of 12.60 percent.

Elements of Outgoing on the Property

Exhibit 4 shows the eight identified elements of outgoing on property type where management fee tops the responses with 149; follow by repairs (141); tax (119); ground rent (73); levies and dues (44); insurance (30) and void (23). Interest on capital has the least response (9).

Rate of Outgoing on Property

Analysis of rate of expenses in relation to income on property (rate of outgoing) shows an average of 18.33 percent as exhibit in Exhibit 5. A block of lock up shops has the highest rate of outgoing of 25 percent, follow by semidetached duplexes without boy's quarter (22 percent). Office apartment and open offices has the lowest rate of outgoing of 14 percent.

Period of Rent Collections

Exhibit 6 indicates that 129 responses (94.85 percent) affirm that rent is collected yearly in advance. 2.94 percent indicate that rent collection is on a two-year bases while 2.20 percent indicate that rent is collected half yearly. There are no responses for three years and above.

Periodic Review of Rent

Exhibit 7 presents the periodic review of rent on properties where 27.94 percent of responses note that the review of rent is done every two years, while 24.26 percent affirm that rent review is every three years and determined by the property market situation. Rent review occurs on a four year bases (4.41 percent) while 19.12 percent affirm that rent is reviewed every five years. However, none of the respondents are of the view that rent review is done on a yearly basis.

Rate of Last Rental Income Review

The rate of last income reviewed (increase or decrease) on properties is shown in Exhibit 8. This exhibit shows that a semi-detached house with boy's quarter has the highest last positive income reviewed (16.48 percent) follow by a semi-detached duplex without boy's quarter

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EXHIBIT 4—ELEMENTS OF OUTGOING ON PROPERTIES

Property Type	RESPONSES FROM ELEMENTS OF OUTGOING							
	Tax	Mgt. fee	Void	Insurance	Interest	Repairs	Levies	Ground rent
DH-BQ	9	11	0	5	2	10	2	6
DH+BQ	10	14	1	6	1	11	2	6
SDH-BQ	2	3	0	0	0	2	1	2
SDH+BQ	4	5	1	2	0	6	1	5
DD+BQ	7	11	0	2	0	10	1	5
SDD-BQ	1	3	0	0	0	3	0	3
SDD+BQ	9	9	0	2	0	8	1	4
TH	9	12	2	1	2	12	0	6
BOF	57	70	14	10	4	68	32	30
LOS	1	1	0	1	0	1	0	0
OA & OO	10	10	5	2	0	10	4	5
Total	119	149	23	30	9	141	44	73

Source: Field Survey (2017)

EXHIBIT 5—RATE OF OUTGOING ON PROPERTY

Types of Investment Properties	Abbreviation	Responses (%)
A detached house without boys quarter	(DH-BQ)	20.33
Detached house with boys quarter	(DH+BQ)	16.25
A semi-detached house without boys quarter	(SDH-BQ)	15.00
Semi-detached house with boys quarter	(SDH+BQ)	17.66
Detached duplex with boys quarter	(DD+BQ)	20.00
Semi-detached duplex without boys quarter	(SDD-BQ)	22.00
Semi-detached duplex with boys quarter	(SDD+BQ)	17.66
Terrace house	(TH)	17.00
Block of Flats	(BOF)	16.75
Lock-up shops	(LOS)	25.00
Office apartment and open offices	(OA&OO)	14.00
Average		18.33

Source: Field Survey (2017)

(10 percent). At the positive (upward) income reviewed side, while a semidetached house with boys' quarter has the highest positive (upward) income reviewed, semi-detached houses without boy's quarter and a block of flats have the least positive (upward) income reviewed of 0.46 percent.

At the negative (decrease) income review side, a semidetached house with boy's quarter has the highest negative (downward) income review of -2.68 percent while the detached house with boy's quarter has the least negative (downward) income review of -0.13 percent. The comparison between current and previous income on properties is generally a mixture of negative (downward) and positive (upward) review. In general term, all the investment properties in the study area exhibit positive income increase of 4.86 percent.

Analysis of Physical Characteristics of the Investment Properties

The physical characteristics of the various property types are analyzed in Exhibit 9. DH-BQ, DH+BQ, SDH-BQ, SDH+BQ, DD+BQ, SDD-BQ, SDD+BQ and TH make up the residential property types, LOS and OA/OO make up the pure commercial property while block of flats (BOF) has the combination of residential and commercial use. The physical characteristics

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EXHIBIT 6—PERIOD OF RENT COLLECTION

Property type	RESPONSES					
	Half yearly	Yearly	2 years	3 years	4 Years	5 Years
DH-BQ	0	11	0	0	0	0
DH+BQ	1	13	0	0	0	0
SDH-BQ	0	2	1	0	0	0
SDH+BQ	1	5	0	0	0	0
DD+BQ	0	10	1	0	0	0
SDD-BQ	0	3	0	0	0	0
SDD+BQ	1	8	0	0	0	0
TH	0	11	1	0	0	0
BOF	0	55	1	0	0	0
LOS	0	1	0	0	0	0
AO&OO	0	10	0	0	0	0
TOTAL RESPONSE	3	129	4	0	0	0

Source: Field Survey (2017)

EXHIBIT 7—PERIODIC REVIEW OF RENT

Property type	RESPONSES					
	Yearly	2 Years	3 years	4 years	5 Years	Property Market Determine
DH-BQ	0	4	2	0	2	3
DH+BQ	0	6	3	0	1	2
SDH-BQ	0	0	0	0	1	0
SDH+BQ	0	3	1	0	2	3
DD+BQ	0	2	3	0	3	2
SDD-BQ	0	1	0	0	1	1
SDD+BQ	0	4	2	2	5	2
TH	0	3	3	0	3	1
BOF	0	13	17	2	4	19
LOS	0	0	0	1	0	0
AO&OO	0	2	2	1	4	0
TOTAL	0	38	33	6	26	33
%	0	27.94	24.26	4.41	19.12	24.26

Source: Field Survey (2017)

of each of these property types are therefore presented in Exhibit 9.

Physical Characteristics of a Detached House without a Boy's Quarter (DH-BQ)

Most of the DH-BQ have a good location, they are a one-floor structure on a total land area of between 801

and 999m² with a building coverage area between 21-40 percent. They have been built 10 years ago with an average of three toilets facilities and sufficient parking space. They are of good quality construction with moderate attractiveness and are fully fenced with a gate. This property type has a physical quality rating of 37 points (74 percent).

EXHIBIT 8—LAST REVIEW OF INCOME ON PROPERTY TYPE

Property Type	Sub-property income review	Property type income review
DH-BQ	-8.41+2.19+16.89	3.56
DH+BQ	3.15+10.31+(-0.84)+(-13.13)	-0.13
SDH-BQ	0.46	0.46
SDH+BQ	20.00+(-6.92)+36.36	16.48
DD+BQ	13.24+0.91+(-3.84)	3.44
SDD-BQ	0.00+20.00	10.00
SDD+BQ	-6.25+7.28+(-9.09)	-2.68
TH	9.00+10.12+4.63	7.92
BOF	-6.75+1.16+(-0.27)+7.69	0.46
LOS	7.04	7.04
OA&OO	-13.33+12.32	-0.51
AVERAGE	3.56+(-0.13)+0.46+16.48+3.44+10.00+(-2.68)+7.92 +0.46+7.04+(-0.51)/11	4.86

Source: Field Survey (2017)

Physical Characteristics of a Detached House with Boy's Quarter (DH+BQ)

DH+BQ are primly located; built on one floor occupying 1-20 percent of over a 1000m² land area. They were built 10 years ago with an average of three toilets and sufficient parking space. They are of very good quality construction, very attractively decorated and have a well-established wall fence with a gate. This property type has a physical quality rating of 41 points (82 percent).

Physical Characteristics of a Semi-Detached House without a Boy's Quarter (SDH-BQ)

Most of the SDH-BQ are one-floor buildings in a good location covering 21-40 percent of the land area of between 801 and 999m². Most of this property type were built 10 years ago with an average of three toilets per unit of occupation and sufficient parking space fully fenced, gated, but fence not well finished. They are of good quality construction with moderate attraction. This property type has a physical quality rating of 35 points (70 percent).

Physical Characteristics of a Semi-Detached House with Boy's Quarter (SDH+BQ)

Most of the sample SDH+BQ are one floor buildings in a fair location of the study area, covering 1-20 percent of the

total land area of more than 1000m². They have been built between 11 and 15 years ago having an average of three toilets with fairly sufficient parking facility. They also exhibit good quality construction with fairly attractive decoration and full fencing. This property type has a physical quality rating of 35 points (70 percent).

Physical Characteristics of a Detached Duplex with Boy's Quarter (SDD+BQ)

DD+BQ are a primly located type of residential property in the study area occupying 1-20 percent of the total land area consisting of more than 1000m². They are mostly situated on two floors, having an average of four toilets. They were built 10 years ago with a very good quality construction and very attractive decoration with very sufficient parking facility. This property type has a physical quality rating of 45 points (90 percent).

Physical Characteristics of Semi-Detached Duplex without Boy's Quarter (SDD-BQ)

Most of the SDD-BQ properties are built on two floors, they cover 21-40 percent of the total land area consisting of 801-999m². They were built between 11 and 15 years ago with an average of three toilets and sufficient parking facility. They exhibit a good quality of construction and moderate attraction, fully fenced with sufficient parking

EXHIBIT 9—ANALYSIS OF VARIABLES OF PHYSICAL CHARACTERISTICS OF INVESTMENT PROPERTIES

PHYSICAL CHARACTERISTICS BY PROPERTY TYPE	RESIDENTIAL PROPERTIES								COMMERCIAL PROPERTIES			
	DH-BQ	DH+BQ	SDH-BQ	SDH+BQ	DD+BQ	SDD-BQ	SDD+BQ	TH	BOF RESIDENCE	BOF (COMM)	LOS	OA&OO
Location	Good (3)	Prime (4)	Good (3)	Fair (2)	Very prime (5)	Prime (4)	Prime (4)	Fair (2)	Good (3)	Prime (4)	Very prime (5)	Good (4)
Size of land	801m ² – 999m ² (4)	1000m ² above (5)	801m ² – 999m ² (4)	1000m ² above (5)	1000m ² above (5)	801m ² – 999m ² (4)	1000m ² above (5)	801m ² – 999m ² (4)	801m ² – 999m ² (4)	640m ² – 800m ² (3)	640m ² – 800m ² (3)	801m ² – 999m ² (4)
Building Coverage to the land size	21–40% (4)	1–20% above (5)	21–40% (4)	1–20% above (5)	1–20% above (5)	21–40% (4)	1–20% above (5)	21–40% (4)	21–40% (4)	41–60% (3)	41–60% (3)	21–40% (4)
No of Floors	One floor (1)	One Floor (1)	One Floor (1)	One Floor (1)	Two floors (2)	Two floors (2)	Two Floors (2)	Two floors(2)	Three Floors (3)	Three Floors(3)	Three Floor (3)	Four floors (4)
No of toilets /apartment	3	3	3	3	4	3	4	2	2	2	0.25	1
Availability/sufficiency of parking space	Very sufficient (5)	Very sufficient (5)	Very sufficient (5)	Fairly sufficient (4)	Very sufficient (5)	Very sufficient (5)	Fairly sufficient (4)	Relatively sufficient (3)	Fairly sufficient (4)	Relatively sufficient (3)	Insufficient (1)	Insufficient (1)
Quality of construction	Good (4)	Very good (5)	Good (4)	Good (4)	Very good (5)	Good (4)	Good (4)	Moderate (3)	Moderate (3)	Moderate (3)	Fair (2)	Good (4)
Age of the building	6–10yrs (4)	6–10yrs (4)	6–10yrs (4)	11–15 yrs (3)	6–10 yrs (4)	11–5 yrs (3)	11–15 yrs (3)	16–20yrs (2)	16–20 yrs (2)	11–15yrs (3)	16–20yrs (2)	11–15 yrs (3)
Decorative attraction	Moderately attractive(4)	Very attractive(5)	Moderately attractive (4)	Fairly attractive(3)	Very attractive(5)	Moderately attractive (4)	Very attractive (5)	Fairly attractive(3)	Lowly attractive (2)	Fairly attractive(3)	Lowly attractive(2)	Moderately attractive (4)
Wall fence	5	4	3	5	5	4	5	4	5	3	-	3
Physical Quality	37	41	35	35	45	37	41	29	32	30	21.25	32
Percentage	74%	82%	70%	70%	90%	74%	82%	58%	62%	60%	42.50%	64%

Source: Field Survey (2017)

Source: Field Survey (2017)

facility. This property type has a physical quality rating of 37 points (74 percent).

Physical Characteristics of a Semi-Detached Duplex with Boys' Quarter (SDD+BQ)

Most of the SDD+BQ are primarily located, built on two floors on a land area of over 1000m² of which the property is covered between 1-20 percent. They are built between 11 and 15 years ago with an average of four toilets; they have fairly sufficient parking facilities and are good quality construction with very attractive decoration, fully fenced with a security gate. This property type has a physical quality rating of 41 points (82 percent).

Physical Characteristics of Terrace Houses (TH)

Most of the TH are on two floors fairly located on a land area of between 801 and 999m². The buildings covered 21-40 percent of the total land area. They were built between 16 and 20 years ago with an average of two toilets per unit. The parking facility is relatively sufficient, the quality of construction is moderate with fairly attractive decoration and the building is fully fenced with a security gate. This property type has a physical quality rating of 29 points (58 percent).

Physical Characteristics of (Residential Use) Block of Flats (BOF)

The location of most residential BOF is good, having an average of three floors. They are situated on a land area of between 801-999m² out of which the property occupies 21-40 percent. These types of properties were built between 16 and 20 years ago with two toilets per flat, moderate quality construction of a lowly attractive decoration, fairly sufficient parking facility and fully fenced with security gate. This property type has a physical quality rating of 32 points (64 percent).

Physical Characteristics of (Commercial Use) Block of Flats (BOF)

Most of BOF for commercial purposes are located in a prime area, having an average of three floors, situated on the land area between 640-800m² in which the building coverage area ranges between 41-60 percent of the total land area. They were built between 11 and 15 years ago with an average of two toilets per flat. They are of moderate quality construction with fairly attractive decoration and not fully

fenced. This property type has a physical quality rating of 30 points (60 percent).

Physical Characteristics of the Lock-Up Shops (LOS)

Most of the LOS are primarily located on average of three floors building on a land area of between 640-800m², with 41-60 percent of this site area is covered by the property. They were constructed between 15-20 years with an average ratio of four shops to one toilet. They have insufficient parking space and a fair quality of construction with a low level of decorative attractiveness. Most of the lock-up shops are not fenced at all. This property type has a physical quality rating of 21.25 points (42.50 percent).

Physical Characteristics of the Office Apartment and Open Offices (OA&OO)

Most of the OA&OO are located on an average of four floors in a good area on a land area of between 801-999m² with 21-40 percent of this total area covered by the property. They were constructed between 11 and 15 years ago, have an average of one toilet per unit with insufficient parking facilities. The quality of construction is good and they appear moderately attractive but with half or partial fencing. This category of property has a physical quality rating of 32 points (64 percent).

Summary of Physical Characteristics of Investment Property

From the above analysis, it can be inferred that the commercial BOF type of properties have a location advantage over the residential BOF type of properties. Contrastingly, residential properties have a bigger land size than the commercial properties. However, less of the land size is developed on residential properties compared to commercial property. This means that there is an inverse relationship between land sizes and building coverage area—the bigger the land size, the lesser develop an area of residential properties. Alternatively, the smaller the land size, the more the develop area for commercial properties.

With the exception of the residential block of flats, all commercial properties have a higher number of floors compared to residential properties, but residential properties have more toilets per unit of accommodation than the commercial properties. In addition, residential properties have sufficient parking facilities and better aesthetic finishes.

Most of the residential properties have full perimeter fencing of the property with a security gate, unlike commercial properties.

Multiple floor physical characteristics of commercial properties especially in the central area confirmed that most high-rise properties are located in the Central Business District. The good quality of construction and attractive look of investment properties reflects the newness of the Abuja city in terms of development. This is because the older properties are assumed to have been in existence before Abuja was named the capital city of Nigeria. Sufficiency of parking space for the occupants of residential properties may have been enhanced by the planning regulation on the stipulated minimum standard for a plot of land; which made provision for ample space for parking and free circulation.

Areas of similarity and differences are noted in the physical characteristics of the BOF property use for residential or commercial purpose. For instance, there are similarities in their land size, number of floors, number of toilets and quality of construction, but there are variations in their location requirement, building coverage area, sufficiency of parking facilities, age of the property, level of attractiveness and fencing, which effect the overall physical quality rating.

DISCUSSION OF RESEARCH FINDINGS

The findings on the tenancy details show that although there is an average vacancy rate of 17.9 percent for all the sample properties, variation exists from one property to the other and vacancies exist on all property types. The high vacancy observed in a block of lock-up shops may be due to the economic recession in the country at the time of this study.

With reference to the recent economic recession experienced in Nigeria whereby most fully occupied properties in major urban centers experienced an increased vacancy rate due to affordability problems, the result of this study may therefore suggest that property types without vacancy rates may not be much affected by the rental affordability problems created by the noted economic recession in Nigeria, thus indicating more sustainability of their property occupation rates. The result of elements of outgoing on property type shows that the block of two bedroom flats requires more repair attention because of its multiple occupations. Furthermore, the major outgoing on property gross income is the management fee deducted for the services by the

ESFs and the repair and maintenance work carried out on the properties.

Although interest on capital, insurance, dues, rent void and levies are elements of outgoing on investment properties, the management fee element is the highest outgoing reflected by this study. This is contrary to the finding of Ukabam³³ who reflects that repair is the highest element of the property investment outgoing in Lagos property market. This means that the elements of outgoing vary from one urban property market to the other.

Furthermore, since rental income is a VAT-able income in Nigeria, the finding that taxes and levies element fell at the low level of outgoing of investment properties may corroborate the reason why total VAT of 55 percent realized in Lagos is far more than that of 20 percent realized from Abuja by the FIRS in 2016.³⁴ However, the variation in the rate of outgoing will guide investors further by understanding the variation in the rate of income erosion rather than limiting their idea to rental value alone.

A yearly collection of rent in advance may not be applicable to new letting where long leases are initiated. The implication of this is that a long lease may exist on the investment properties, but rent is paid yearly in advance. This seems, however, to be different from what is obtainable elsewhere in Nigeria for instance in Lagos or Port-Harcourt where rent of two to three years is collected in advance. Although rent is paid annually, its review is every two years in the study area. This may be as a result of a consensus arrived at by the parties to the tenancy. This every two-year review of rents of investment properties in the study area, however, is in conformity with the previous study conducted by Dugeri.³⁵

Despite the finding of a mixture of positive and negative income review during the study period, Abuja property market still exhibits a positive average income increase of 2.76 percent. This means that upward review is more than a downward review of income in the study area, hence, the average positive result. This confirms the findings of Ekemode & Olaleye³⁶ that note that despite the variation in property return during the study period, the property market still offers an attractive return to investors.

CONCLUSION

This study demonstrates similarities and variations in the intrinsic features of investment properties in the study area. It provides details of Abuja's investment property tenancy in term of the rate of occupation, elements of the outgoing,

outgoing as a percentage of gross rent, mode of rent collection and rent review. It highlights that the percentage of the last rent review varies from one property type to another in varying degrees. Market value is currently a generalized performance indicator of property investment but with the outcome of this study, investors will be further guided by the tenancy details and physical characteristics of each type of investment property.

Furthermore, it identified the distinguishing physical characteristics of residential property type from that of commercial, most especially through their land size and building coverage area. The bigger the land size, the lesser the developed area of residential property and the smaller the land size, the bigger the developed area of commercial property type. This will guide the stakeholders (in property investment) in their investment planning. This finding is in slight variance with the literature of economics of property that real property market and its return characteristics flow directly from property physical characteristics.³⁷ This may mean that what the occupiers of investment properties pay for is not basically its physical attributes but there are additional attributes of importance that actually attract the return on the property. However, the finding has a similar relationship with Rosen³⁸ and Bello³⁹ who find out that the return on heterogeneous goods reflects the component value of the goods general characteristics but is not limited to the physical characteristics.

What is mainly derived from the literature is that the measurement of housing quality cannot be restricted to the physical characteristics only but can extend to neighbourhood characteristics,⁴⁰ therefore, further study should extend beyond the tenancy details and physical characteristics to include the neighborhood quality as well. The study findings will be a good guide to property investors as well as the real estate professionals in investment planning and forecasting in the study area. This study ensures that all the analyzed physical characteristic variables for the study are scored and rated to determine the varying physical qualities of different property type in line with RICS⁴¹ advocacy for standardization of property market data.

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