INFLUENCE OF BUILDING COSTS ON RENTS OF RESIDENTIAL PROPERTY IN OWERRI, NIGERIA

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Abstract

Residential building accommodation projects undertaken by individuals and organizations are investment whose returns and rewards should be adequate to offset the costs incurred and give good level of profit for entrepreneurial risks. In the recent times there existed unprecedented rise in rental values of newly completed building accommodation in Owerri the Capital of Imo State without considerations to the tenantsô ability to the sustainable rent payment obligations. Field investigation indicated that high costs incurred by developers and expectations of early recoupment of capital and profits from residential building investments have prompted high rental expectations. The implication of these is that real property practitioners adduce non co-related basis for property rental determination. This therefore, gives unreliable market values of building investment within the localities.

Key words: Building, Costs, Rent, Residential, Property, Accommodation.

Introduction

Background

Building is a project undertaken by individuals, or corporate bodies and organizations as development investment. Costs are incurred in the process as expenditures to achieve the building projects. Cost, according to the Oxford Advanced Learnerôs Dictionary of Current English (2000), is ñthe total amount of money that needs to be spent by a businessò or ñthe amount of money needed in order to buy, or do somethingò.

Cost in building development is established by aggregating the total sum expended for the acquisition and preparation of land, materials, labour, professional services as well as incidentals in the processes of building development. Barlowe (1978) identified ñtotal cost, average cost and marginal cost. Total cost ñrepresents a sum of all production costs incurred at a given point in the production process. Average cost is used to describe the proration of total costs among the various units of output; and, marginal cost represents the addition to total cost associated with the production of each last additional output.

Costs influence rent in the building investment in that while cost is associated with the input for the production of building; the output is therefore, the returns on the investment, which is the rent the building will be commanding. Olusegun (2000), Rees (1980), Briton & Davis (1980) thus observed the ñcost-in-useò concept as the technique applied at the preliminary stages of a development or building projects to assist in the determination of the best materials to be incorporated in the development. ñEach item is considered in terms of its initial cost, annual maintenance cost, and expected life spanò. This is summed by Olusegun

(2000) to be ñthe present value of all cost over the life span of the building. Therefore, this becomes a best guide to the determination of the rent which the premises may command after development.

Initial costs in building development can be managed to control inflated rent if the effective application of the cost-in-use approach is adopted as a design tool (Olusegun, 2000; Diogu, 2006).

Diogu and Onyegiri (2006) observed that depending on the circumstances, cost reduction and utility maximization designs can be effected using any or a combination of the options, below:

- The Core (Nuclear) housing concept which ñallows residents to adapt and modify their spaces according to their evolving requirements, desires and reconfiguration of the socio-domestic needs and demand on houses.
- Grow Home Concept ï this reduces the ñoverall size of the building (with) availability of some unpartitioned floor space which users could finish as their budget allowsò.
- Prefabrication and industrialization are the production of building components at the construction site using machines.
- Optimization of plan-form Geometry is the design principle which tends to reduce ñmaterial energy consumption by simplifying the housing units configuration or housing form geometryò.
- Cost of building development in Owerri indicated spiral inflation over the years that Okoronkwo (2006) reported the following price regime of the various building materials obtainable in 2004 that was compared with the price index contents of the Annual Abstract (1999) of the Federal Office of Statistics, Abuja, Nigeria.

Table 1: Prices of Selected Building Materials in Owerri (2004)

Building Material	**Price/Unit (₦)**
Cement/50kg bag	1000.00/bag
Roofing sheets/Bundle of 20 sheets	7,500.00/Bundle
12mm S/Rod/12m length	1,000.00
16mm S/Rod/12m length	1,850.00
225mm Hollow Block (Sandcrete)	120.00/block
150mm Hollow Block (Sandcrete)	80.00/block
Sharp sand/trip of 10 tons	8,000.00
Quarry stone/trip of 10 tons	65,000.00
Masonry Labour	3,000.00/day
Carpentary labour	4,000.00/day
Local Hire of pickup van	2,000.00/run

Source: Okoronkwo, (2006)

Table II: Average Prices of some building Materials between 1996 to 2003

Unit	1996 (₦)	1999 (₦)	2001 (₦)	2003 (₦)
5kg back of cement	300.00	450.00	580 ï 700.00	950 ï 1200.00
Bundles of C.I.S. Roofing sheet	2400.00	3000.00	4600.00	7500.00
225 Hollow Block	25.00	35.00	45.00	100.00
200 Hollow block	15.00	20.00	40.00	100.00
12m, 12mm Rod	85.00	200.00	400.00	800 ï 1000.00

12m, 16mm Rod	100.00	150.00	650.00	1500 ï 1800.00
10 tons Quarry stone	8000.00	16,000.00	25 ï 30,000.00	40 ï 65,000.00

Source: *Annual Abstract (1999) Federal Office of Statistics, Abuja, Nigeria*

In 2004 prices paid for the purchase of various types of residential building accommodation built by the Government Agencies in Owerri was as follows:

TABLE III: Prices Paid for Residential Buildings by Government Agencies in 2004

Types of Accommodation	**Location**	**Price (N) million**
Massionetts	Exclusive Garden Nekede	15.0m each
Massionetts	Aladinma Extension	11.0m each
3B/R Bungalow (detached)	Umuguma	2.04m each
3B/R Bungalow (semi detached)	Umuguma	2.0m each
2B/R Bungalow (semi detached)	Umuguma	1.6m each

Source: Imo State Housing Corporation Owerri (2004)

Field data obtained from study conducted by the Department of Estate Management, Imo State University Owerri in 2008 for rents per annum paid for residential accommodation between 1990 and 2005, revealed an ascending trend. Rental regimes stabilize for only between two (2) and three (3) years then sharply shifted upwards with between 35% - 150% rise as indicated below:

Table IV: Average Rent Per Annum Paid for Residential Accommodation in Owerri between 1990 and 2005

Accommodation	Rent per Annum (₦)			
	1990 – 1993	**1994 – 1997**	**1998 – 2002**	**2003 – 2005**
Flats	22,000.00	35,000.00	65,000.00	85,000.00
One room apartment	6,000.00	7,200.00	15,000.00	24,000.00
Bungalow	6,000.00	10,000.00	52,000.00	150,000.00

Source: Field Data, Dept. of Estate Management, IMSU, Owerri (2008).

The Problem

The total huge expenditure incurred in the cause of realization of a building project may reasonably influence the arbitrary rises in the rental values expected from buildings. Akinyode (1989) was of the view that developerôs reward and motivation for assuming development risks is primarily the expectation of realizing developerôs fee and profits. This profit essentially represents the difference between the value of the developed real estate,é and the cost incurred in executing the development. Expressed in absolute terms, the developersô profit must be adequate to compensate for the risks, anxiety, effect and the developers own equity capital required for successful execution of the development ideaò.

Okoronkwo (2006) observed the existence of high cost of housing production in Nigeria. Hence, Owerri, Imo State capital in Nigeria was not left out in the trend.

The trend therefore, made it necessary to relate the effect of the rising cost of production of a building to the increased rental values being experienced in Owerri at the moment. This study investigates how the total cost of production of building influences the rental values of newly completed residential building accommodations in Owerri in the recent times.

Objectives of the Study

To achieve the required goal, this work will endeavour to:

i. Determine the relationship that exists between the cost incurred during the production of a building and investment return expectation by the developer.
ii. Assess the investment psychology of developers at incurring certain costs for the production of buildings.

Caution is taken to appraise various building types and materials used for their production; as well as associated costs incurred to produce a building. It investigated the recent rental values of different types of buildings completed and let in Owerri. The investigated production cost are related to current lettings to enable a substantiated conclusion. At the conclusion of this work it is hoped that:

(a) It will form a reference index for professionals and operators in real estate management and development in Owerri and Nigeria at large.
(b) It will assist operators in Real Estate and building development to be more exposed to the interplay of the cost and value implications in building production.
(c) It will ginger curiosity for further research in area of cost implications of buildings; and the investment return expectation from such development.

RESEARCH QUESTIONS

The followisng questions are expected to be answered by the study:

1. What influence does total cost expended on the production of building have on the expected rental values?
2. What component cost factor constitutes the total cost of building development?
3. Does the influence on the expected rental values of building occur on one time effect or does it spread throughout the life span of the building?

ENTREPRENEURSHIP IN RESIDENTIAL BUILDING ACCOMMODATION INVESTMENT

THE BUILDING

Understandably, Oxfords Advanced Learnerôs Dictionary (2000) defined a building as ña structure that has a roof and wallsò. Some of the purposes which a building can be used include houses for human shelter; school; hospitals and offices for institutional accommodation, stores, warehouses etc. for commercial purposes; shades, stalls etc. for facility reasons.

Generally building provides accommodation for its use. Barlowe (1978) identified such as ñkeeping the floor plan functional and liveableò by designing to achieve convenience of care and enhancement of family living. Expectation, according to Okpaechi (2006), ñis that a good designed building should embody the principles of commodityé ò which embraces usefulness and functionality of fitness of purpose, and the ceremonial or symbolic interrelationship of spaceò. Diogu and Onyegiri (2006) canvassed for optimality of functional design parameter; and social effectiveness ñwhich are to avoid waste at either the peak or at the minimum amplitude of oscillation of functionò and ñthe ability to satisfy social demand by responsiveness to the dynamism of changes of these social demands in time spaceò. The Imo State Planning and Building Regulation (1996), among other conditions, approves a floor

space of a room meant for human habitation to be at least 12.96m^2, width of 2.7m^2 and height measured from floor to celings of not less than 2.7m.

Building Process

Initiation of a building process among other things according to Barlowe (1978) include ñchoosing a desirable neighbourhood (and) selection of a serviceable lotò. Warland (1965) observed the first step in starting a building to be the ñpreliminary site works which include ñchoice of site, access, temporary services, shelter, site work and setting outò Fullerton (1979) observed ñsurvey and setting outò which will involve ñlocation, setting out, site organization etc. Other processes in building include assemblage of materials, equipments and workmen. These Warland (1965) called ñthe start of the contractò. The actual building work commences with foundation which includes trenches, timbering, placement of mixed concrete and laying of foundation walls.

Further steps in achieving buildings are the laying of the walls with bricks, blocks or other fabrics; the construction of the roofs, finishes, painting, electrical installations, services and utilities.

Materials Used in Building Construction

Materials used in building include concrete which is the mixture of mineral aggregate and binding material such as Portland cement (Fullerton 1979). When concrete is strengthened with steel rods in structures, it is termed ñreinforced concreteò. Other materials include cement, aggregate of either crushed stone or gravel; which could be coarse or fine aggregates, timber, metals usually ferrous and non-ferrous, (under this are iron-cast, wrought or steel iron; aluminum, copper and copper alloy, zinc), plastics e.g. the Polyvinyl Chloride (P.V.C.) etc.

Cost Associated with Building Investment

Olusegun (2000) summarized cost as ña measure of past expenditure resulting from ownership and utilization of a propertyò. Hence cost of building includes the costs associated with the various material components used in the production of the building. It further includes costs arrived at in the nature of site acquisition and preparation; and professional charges, including labour; cost of finance as a major component; as well as the entrepreneurial profit. Olusegun (2000) summed them up to ñcost of building miscellaneous items, (including) cost of finance and development profitò. His concept as applied in building agrees with the Barlowe (1978) ñtotal cost conceptò which ñrepresents a sum of all production costs incurred at any given point in the production processò.

Briton, Davis and Johnson (1980) believed that ñthe most accurate method of arriving at costs of workò is by preparing a ñbill of quantitiesò and for this bill to be priced by a Quantity Surveyor or Contractor.

There are factors that influence costs in building processes. Location or the site of the building is one; Diogu and Onyegiri (2006) observed design to be one major factor that influences the cost of buildings. Olowo-Okere (1989) thought ñdelay in awarding contractsò through the tendering process which if delayed may fail the market index of building materials, thus adjusting cost up or downò. He equally observed ñpoor project administration and financing and delayed contractor payments as major bane of cost influence in building

processò. Mbali and Okali (2002) attributed the selection of high quality materials and space standards as invariably results in expensive housing productsò.

Rent as Reward from Residential Building Accommodation Investment

The early economists, such as Karl Marx, Henry George and Ricardo ñtreated rent as an economic surplus, (thus) as payment to land owners that is not required to keep land in productionò. Barlowe (1978), viewing rent as investment return, observed that ñit is both logical and proper to view land rent as the economic return to land resources when one considers input ï output relationships from the stand point of society at largeò. Barlowe further observing that ñmost investors, owners and tenants however, tend to treat land rent as a return on their real estate investmentò and that ñtenants typically view their contract rental payments as an operating costò.

Rents can be appropriated monthly or yearly as the case may be; and when this is so Barlowe (1978) called it ñcash rentò which is ñwhen a lease calls for a fixed-cash rental paymentò. Assumption ordinarily is that ñthe Landlordôs return is or should be adequate to cover his costs of property ownership (taxes, insurance, up keep and depreciation) plus a fair return on his investmentò.

Nwuba (2005) citing Okogbue (1992) attributed the rising rents to demand pressure, housing supply shortage and high cost of construction.

Also, Nwuba (ibid) citing Financial Post of January 4, 1992 identified among other factors that influenced rent rise in Kaduna, as the ñhigh cost of building materials which adversely affected housing supply. Briton et al (1989) in Nwuba (2005) agreed that ñthe factor of greatest importance in fixing rent is demandò.

When the supply of buildings in the market are adversely affected by low production due to high cost of production, the tendency is for the demand for the few building in the market to be high with subsequent rise in the rent demands from landlords and vice versa if the prices of construction cost become low and buildings are over supplied to the market beyond the demand requirement.

Cost Influence on Rent Charges

Investments alternative according to Barlowe (1978) constitute one basis which relate performance vis-à-vis a prospective building investment, to ascertain the profitability of the worthwhileness of his adventure in building investment. Thus, ñwhen the operator is production ï minded in economic terms, he will carefully evaluate his investment alternatives and weigh his expected cost of ownership against the costs he would encounter as a non ownerò. Further, Barlowe (1978) linked the ñRisk of successful ownershipò to a reasonable cost influence on rental values thus: once one has acquired ownership, he had the problem of maintaining his ownership rights. His success in this regard is conditioned by the supply of capital and human resources he had at his command, by the ability he shows in managing these resources, and his exposure to various risk factors which he summarized as the ñrisks involving over commitments and influence of personal and family factorsò.

Akinyode (1989) observing value reaction in a depressed economic situation saw ñcontraction of effective demand for real estateò which he observed may manifest in the form of increased vacancy rate and as a result may lead to pragmatic rent reduction. Equally, observed is that ñboth the operating expenses and debt services components of a property owner obligations may be increasing due to increases in the cost of property maintenance,

cost of replacement of worn out building components and increases in the effective interest charged on building loans. (Thus) the effect of decreasing effective gross income in the face of increases in ownerôs obligations (being) the residual equity yield will be reduced or eliminated completely.

Further substantiating ñEquilibrium Market Rental Rateò Brueggeman and Fisher (1997) observed that ñthe maximum amount of space that can be leased at any given point in time is limited by the existing stock of spaceò. They argued that ñat lower market rental rates, some of the existing space may not be made available for leaseò because ñthis space may be deliberately held vacant by owners in anticipation to higher market rents in the futureò.

The level of risk which an investor encounters in building does influence the investors return expectation. Brueggeman and Fisher (1997) felt that ñmany sources of risksé affect return on real estate investment by making such returns more variableò. Further observation is that ñthe higher variability in returns the greater the risk in projectsò. Vandell and Lane (1988) did join other scholars in ñattempting to evaluate empirical contribution of architectural quality to the value of buildingò. Ruegg and Marshall (1990) concluded that ñwe need both improved measures of these hard-to-quantify benefits and cost and greater use of the measures in economic evaluation of buildingsò.

Cost Reduction in Building Construction Process

Building process as articulated in the foregoing, influences costs either positively or negatively through design, choice of site and neighbourhood or environmental factors, materials applied, labour and activities as well as overheads and incidentals such as transport, storages, security and delays in project execution.

These costs can be drastically curtailed in the course of a building process to obtain a reduced total cost at the completion of the building activity. Diogu and Onyegiri (2006) observed the several options available to architects for house costs reduction through design. They itemized these in the form of:

i. The Core (Nuclear) Housing Concept
ii. The Grow Home Concept
iii. Prefabrication and Industrialization
iv. The Narrow-Front Development Concept
v. Optimization of Plan-Form Geometry, and
vi. Application of Design-Economy Indices

Cost reduction in building investment is as good as risk reduction in returns from building investment; and, as such Brueggman and Fisher (1997) observed that ñthe investor can significantly reduce risk through diversificationò by developing a portfolio of different investment properties.

Asikogu and Okoronkwo (2007) felt that the application of local building materials such as Fibre-cem roofing tiles and burnt bricks in building processes will reduce cost of building to as low as 60% level. Olowo-Okere (1989) advocated the reduction in the time taken to process tenders and award of public contracts to a barest minimum so as to avoid the inflation of building materials and other cost items.

Mbali and Okali (2002) in support suggested that reduction in the cost of houses could be achieved through reduction in selecting high quality materials in the construction of building as well as adherence to space standards in buildings, hence house affordability by the

low income earners. Zubairu (2002) advocated for the use of the ñmud, the traditional in-situ-cast earth wallsò which is known as the compressed earth called ñcompressed adobe brickò as a locally made (building) material will provide cheaper houses.

Methodology

Study Area

The study is located within the following areas:

The entire Owerri Municipal Local Government Area; Amakohia, Orji, Uratta, Egbu Communities all in Owerri North Local Government Area; Nekede, Umuguma, Irete, Egbeada communities in Owerri West Local Government Area of Imo State. The areas are lying within longitude 7^{o} and 7^{o} 15^{1} East and Latitude 5^{o} 45^{1} and 5^{o} 30^{1} North in the Official Map of Nigeria. Going by National Census Report (1998) it is populated by about 1.5 million residents. The location is inhabited by residents whose vocations are predominantly public and service oriented.

Data Collection and Analysis

Methods adopted in the collection of data for this work include the administration of structured questionnaire to selected respondents within the study area. These include owners of on-going and newly completed building projects, sitting tenants in building accommodation in the selected location within the study area; as well as building and development contractors within the study area.

The study effected the distribution of fifty (50) structured questionnaire on the basis of ten (10) questionnaires to the Owerri Municipal locations, Eight (8) to Umuguma Housing Area; eight (8) to Egbeada/Amakohia Housing Areas; five (5) to Irete Development Centre; Five (5) to Nekede/Ihiagwa Development Centres; Seven (7) to Naze Development Centres and Five (5) to Egbu Development direction.

The decision to administer only fifty (50) questionnaires in the ratio above is as a result of the sluggish nature and rate at which new residential building constructions are completed in Owerri. This is being heightened by the development authorities inability to open up access ways, plotting and provision of infrastructures in the new nodal locations. These delay accelerated development efforts to commence constructions at the new nodal centers. On annual basis the ratio of the number of newly completed building distribution stands at eighty five percent (85%), of various types in these locations.

Selection was simply based on sighting relatively newly completed residential building sites whose physical environment clearly shows recent occupation or where dynamic evidence at site shows about 90% completion level of such buildings.

Analysis of the data based on the eight (8) responses returned from the Municipal centres; eight (8) from the Umuguma Housing Area; Five (5) from the Irete Development Centre, Five (5) from the Naze development area; Five (5) from Nekede Development Centres and Five (5) from Egbu Development directions totaling forty two (42) responses.

In presenting data, tables of items and related items required are drawn based on the frequencies of occurrence and accordingly ranked. While ranked frequencies are represented as a simple percentage of total responses from where inferences are drawn

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Limitation

Several factors inhibited the indebt exhibition of this study. Among which were time and, good number of respondents refused return of some of the vital data required for the study, therefore posing restraint.

Data Analysis

TABLE V: Types of Buildings and Status of Respondents

Status/Type	Bungalow	Flats	Single Room	Total
Contractor	5	4	2	11(26%)
Owner	4	2	0	6(14%)
Tenant	13	9	3	25(60%)
Total	22(53%)	15(35%)	5(12%)	42(100%)

Source: Field Survey 2007.

The analysis shows that, 60% were tenants, 26% contractors and 14% property owners. Correspondingly, 53% were either occupying, owned or constructed bungalows, 35% flats and 12% single room accommodation.

TABLE VI: Average Cost for Completing a Building in Owerri

Respondent	Bungalow (₦) Million	Flat (₦) Million	Single Room (₦)
Contractor	4,000,000.00	2,500,000.00	200,000.00
Building owners	5,000,000.00	2,000,000.00	300,000.00
Total	9,000,000.00	4,500,000.00	500,000.00
Divide by 2	2	2	2
Average	4,500,000.00	2,250,000.00	250,000.00

Source: Field Survey 2007

From the table above, it costs an average of N4.5m to complete a bungalow; N2.25m, to complete a unit of 3B/R flat and, N0.25m to complete a room accommodation in Owerri. Comparing this with table III, a detached bungalow sold by the Imo State Housing Corporation at N2.04m does not include the reward for development. It shows a difference of N2.46m; and as such outrageous and will be more than 200% when margin of profit is added to it.

TABLE VII: Factors that Influence Costs of Completing a Building in Owerri

	Total	Cost of Material	Labour etc.	Economic Factors	Other Expenses
Contractor	11(64%)	8	0	3	0
Owner	6(35%)	6	0	0	0
Total	17(100%)	14(83%)	0(0%)	3(17%)	0(0%)

Source: Field Survey 2007.

It is noted from the table that 82% of the reason for the cost that influenced the building cost is the cost of materials used and only 17% of the responses attributed the cost of finishing their buildings to general factors of economic nature.

TABLE VIII: Average Rent P.A Expected by Contractors and Building Owners if Let to Residential Accommodation Tenants

Response	**Flats ₦/p. a.**	**Bungalow ₦/p. a.**	**Single Room ₦/p. a.**
Contractor	56,000.00	180,000.00 p.a.	24,000.00 p.a.
Owners	144,000.00	156,000.00 p.a.	36,000.00 p.a.
Total	300,000.00	336,000.00	60,000.00
Divide by 2	2	2	2
Average	150,000.00 p.a.	168,000.00.pa.	30,000.00 p.a.

Source: Field Survey 2007.

From the table above the average rent proposed for collection by both the contractors and owners of buildings are as follows, Flats (a unit) is N150,000.00 p.a., Bungalow (N168,00.00 p.a. and a room accommodation N30,000.00 p.a.

Thus if C/r: where C, = capital invested and r = rent expected from the completed and occupied building.

Therefore: $\left(\frac{4,500,000.00}{168,000.00}\right)$ å 26.8 years é é é .. (1) Assumed to be the maximum period required to recoup all investment expended to produce a block of bungalow accommodation in Owerri.

Also, $\left(\frac{2,250,000.00}{150,000.00}\right)$ å 15yrs. é é é .. (2) Assumed the period required to recover all investment on a flat apartment, and,

$\left(\frac{250,000.00}{30,000.00}\right)$ å 8yrs é é é é (3) Assumed period required to recover all investment expended to produce a one room apartment building in Owerri Capital of Imo State, Nigeria.

Building investment being a long term yielding one, the recoupment periods revealed above are so short and therefore stressful on the sources; which rents paid by tenants are the case in this context.

TABLE IX: Has Rent Expectation been Influenced by Costs Expended to Construct a Residential Building Accommodation?

	Bungalow		**Flats**		**Single**	
	Yes	**No**	**Yes**	**No**	**Yes**	**No**
Contractors	2	3	1	3	0	2
Owners	4	0	2	0	0	0
Total	**6(35%)**	**3(18%)**	**3(18%)**	**3(18%)**	**0(0%)**	**2(12%)**

Source: Field Survey 2007

The analysis shows that 35% agreed that the cost of erecting a building has influenced the rent they are expecting from the building; 18% in flats and none in single room; while 18% disagreed in bungalows and flats respectively; 12% in single room accommodation. Summed up is that a total of 54% agreed that costs influence rent; leaving a total of 46% who disagreed that it does not influence their expected returns.

TABLE X: Rents P.A at the Moment Paid by Tenants in Owerri

Bungalows	**Flats**	**Single Room**
N180,000.00 p.a.	N180,000.00 p.a.	N24,000.00 p.a.

Source: Field Survey 2007

It is co-incidental that field information reveals that on average basis rents paid for Bungalow and units of 3B/Room flats are the same in all the nodal locations studied.

TABLE XI: Compelling Factors that Influence Newly Completed Building Owners to Demand High Rents in Owerri

	Response	**% of Response**
Total cost of Building	15	52%
Location/Neighbourhood	2	8%
High demand of property	9	32%
Use type of the property	2	8%
Total	**28**	**100%**

Source: Field Survey 2007

The result of the analysis shows that a total of 52% of the tenant hold the view that the rent demanded on the buildings they occupy may have been influenced by the total cost the owners expended on the realization of the project as against the response of 32% suggested that high rents may have been demanded as a result of the high demand of the type of property accommodation, and 8% percent as a result of the use type of the property accommodation.

TABLE XII: Optional Rents P.A. Acceptable To Tenants of Residential Building Accommodation in Owerri

	Bungalows p.a.	**Flats p.a.**	**Single Room p.a.**
Rent options	N96,000.00	N60,000.00	N9,600.00

Source: Field Survey 2007.

From the survey conducted, majority of the tenants interviewed opted for a maximum of N96,000.00 p.a. for accommodation in Bungalow, N60,000.00 p.a. for accommodation in Flats and N9,600.00 p.a. for accommodation in single rooms notwithstanding the location in Owerri. Further investigation revealed these opted rents are to enable them meet up with the payment obligation out of their income emoluments; while attending to their other needs of their family and society.

Deduction and Findings

1. Tenants are more easily accessible in any search for information regarding building accommodation matters in Owerri, followed by the contractors who are often seen on sites; the building owners are either not available or are camouflaged and could not be identified without stress.
2. From the owners, contractors and tenants there exist a general view that building costs influence the rent paid on buildings in Owerri.
3. Responses exhibited in the analysis show that the rent charged on a building accommodation in Owerri could be regarded as high and may not be in line with the economic realities of the tenantsô income.

Discussion

From the foregoing analysis and observations, the most influencing factor for high rent charges in Owerri is the high building costs. This is as a result of the high cost of building materials in town.

It is possible to suggest from the findings that the building owners do not view their investment in buildings as a long term opportunity which stands effectively as a hedge against inflation. They are equally not thinking in line that buildings are durable products and last longer time and, that income from them should be gradually received to recoup the investment over long period.

There is a general tendency to believe that economic factors such as ability of the tenant to pay rents are not taken into account and thus results to higher rates of default in subsequent payments after the initial deposits (premium).

Reasonably, when there exists a high rate of default in the payment of rents, the tendency is for management responsibilities to increase which escalates to court actions thus fostering bickering in the relationships between the landlords and tenants.

Conclusion

Building cost when agglomerated constitutes a major influence in determining the rent expected by developers from building investment. The cost influences arise when a developer compares the returns or rewards from other alternative investments with the same capital invested in a building development.

Analysis of field data obtained from both builders, contractors and tenants of recently completed buildings in Owerri indicated a very high cost in the production of buildings and as such hold relevant influence in fixing the rents charged on prospective occupiers of such premises. The result being high charges in rental values of properties at various locations in Owerri.

The implication of this trend is that the economic forces of demand and supply of commodities to the market such as that of building are negated; and, rental values are left to the arbitrary influences of cost (opportunity cost of alterative reward from other investments). These are temporary and unreliable in investment appraisal of durable products like buildings.

Recommendation

It is important to recommend for adherence and stemmed advocacy in the use of local building materials, such as the stabilized muds, burnt bricks, fibre-cem roofing tiles and so many other products in order to reduce the cost of buildings; thereby, lessening the anxiety of developers at recovering their capitals at the shortest possible times.

It is equally time for investors in real property to realize that buildings are durable investment products which last much longer than other investments: and if well managed, continue to yield commensurate returns throughout their life cycle; that may be up to sixty years.

Prospective occupiers of newly completed premises in Owerri should reduce the anxiety, tension and panicky emotions they exhibit when searching for accommodation. This will enable relaxed and reasonable negotiations between the tenants and the landlords on what rents should be for building accommodation. This is because adequate consideration would be taken by the parties on the prevailing economic situations; such as ability to pay, necessary periods investment in real estates are recoupable, etc.

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