



# An Examination of the Factors Affecting Residential Property Values in Magodo Neighbourhood, Lagos State

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## ABSTRACT

Lagos State is steadily emerging a multi-nuclei metropolis giving rise to a number of business hubs and real estate submarkets. Notwithstanding, investment and return on property are normally adjudged as more juicy in some neighbourhoods such as Ikoyi, Victoria Island, Lekki-axis, Ikeja, Apapa, Isale Eko and Amuwo Odofin. Obviously, these neighbourhoods share similar characteristics in that they are at the centre of Lagos State business activities, the home to many industrial establishments, headquarters of several business formations, the destination of early morning traffic rush from various parts of the State. The relationship among accessibility, property values and land use patterns has been the pre-occupation of earliest theorists with indication that travel costs were traded off against rents, population densities and distances from the Central Business District. This study assesses the veracity of this proposition in Magodo neighbourhood property market and the impact of other factors such as locational, structural and neighbourhood characteristics. A total of 232 questionnaires were distributed to two study groups, the estate surveyors and valuers and Magodo residents. Response were presented and analysed with tables, percentages and relative importance index. It was found amongst other things that travel distance and cost does not affect residential property value as others factors do. It was recommended that property investors should consider those attributes that significantly affect property values while government should endeavour to harness development potentials in the study area.

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## 1. Introduction

Property is a multi-dimensional product and the number and nature of factors that influence its value are equally of different kinds [14,9]. Property and land values tend to increase in areas with expanding transportation networks, and increase less rapidly in areas without such improvements. Rapid and continued rise in housing and land prices are expected in cities with transportation improvements and rapid economic and population growth [5]. The value of access is capitalized into the land value and access is measured through market participants' willingness to pay. Essentially, this view suggests that accessibility measures may be inferred from land prices. The relationship among accessibility, property values and land use patterns has been the pre-occupation of earliest theorists with indication that travel costs were traded off against property rents and population densities from Central Business District (CBD) to suburbs of a mono-centric city [12].

Quality of the environment is also another factor that affects the values of land. Land value does not only depend on the physical characteristics of a building but also the environment that surrounds the building. Developments of various transportation modes have become pivotal to physical and economic developments [16]. Access to major roads provides relative advantages to residential users. Modern business, industries, trades and general activities depend on transport and transport infrastructures, with movement of goods and services from place to place becoming vital and inseparable aspects of global and urban economic survival. [2] stated that the factors affecting property values are generally classified into external and internal factors. This study therefore examines the effect of these factors such as accessibility measured in terms of travel distance and cost, neighbourhood, structural (property) and locational characteristics on residential property value in Magodo, Lagos State.

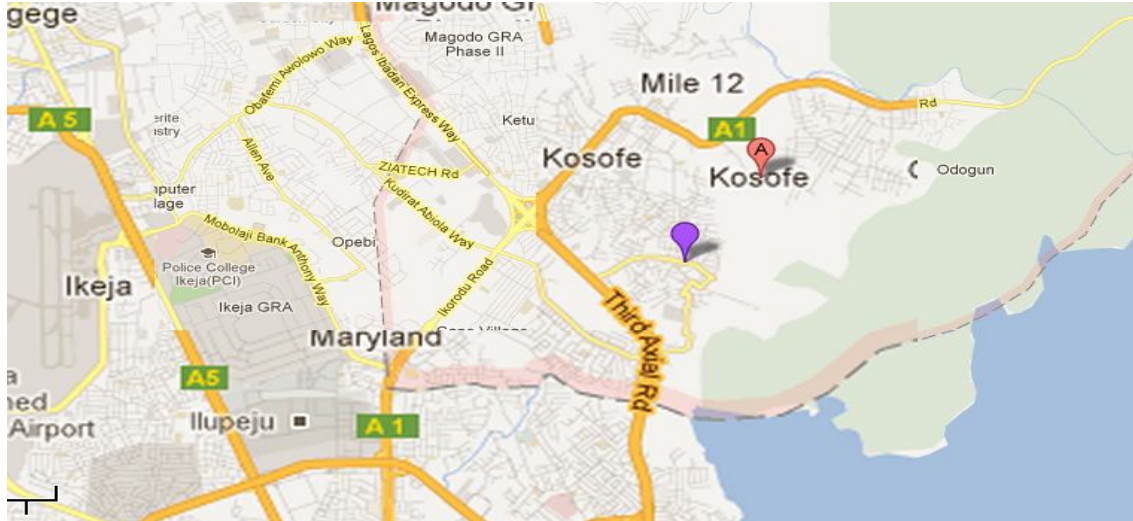
## 2. Study area

Kosofe is a Local Government Council Area of Lagos State which has its headquarters in the town of Kosofe. It has an area of 81 km<sup>2</sup> and a population of 665,393 at the 2006 census. It has an estimated population size of 665,393 as at the last census conducted in 2006 [18]. Like Ikorodu Kosofe is almost enveloped by the Lagos Lagoon. It comprises of communities like, Maidan, Olowora, Magodo, Isheri, Agboyi, Ajegunle, Ketu, Ojota, Anthony Village, Ifako, Oworonshoki, Ogudu and Others. It has Ketu/Agboyi wharf/Inland port, the potentials of which can actually be explored for further development of industrial and commercial activities. Along Ibadan-Oworonshoki express way

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resides several small scale industries and commercial institutions, e.g Kosofe Chinese Village/Market, Mile 12 market, Owode Onirin vehicle/equipment parts market etc. [19]. Magodo estate is divided into two phases with Phase I identified as Magodo-Isheri and Phase II as Magodo (Shangisha). It is close to the dismantled Toll gate at the Lagos end of the Lagos-Ibadan Expressway, via Ikosi Ketu but adjoining Shangisha. The two phases are separated by a big natural gorge.



**Figure 1.** Locational Map of Kosofe

*Source: Google Earth*

### 3. Previous studies

#### 3.1 Value concept in real estate terms

[1] opined that the factors affecting residential property values are not inherent in the commodity, good, or service to which it is scribed but created in the minds of the individuals who make up the market. The institute also noted that the relationships that create value are complex, and values change when factors that influence value change. There are four interdependent economic factors that create value: utility, scarcity, desire and effective purchasing power and these are further classified and defined by the [1]. Utility and scarcity are supply factors while desire and effective purchasing power are demand factors. Utility is the ability of a product to satisfy a human want, need, or desire. Scarcity is the present undersupply of an item relative to the demand for it. Desire is a purchaser's wish for an item to satisfy human needs. In the case of effective purchasing power, it is the ability of an individual or group to participate in a market, i.e. to acquire goods and services.

#### 3.2 Factors affecting property value

Real property has no value if it has no utility, nor scarce or effectively demanded neither is the utility derived from the brick and mortar alone but in some unique characteristics packaged in its location, neighbourhood and infrastructure which are equally desired by the consumers. [4] opine that property value is an essential aspect of property markets worldwide and determined by a variety of factors and the determination of those factors is a significant part of property valuation. Various studies have examined factors affecting property values and have identified the following, age, location, size, neighbourhood characteristics, economic activity, population, transport etc. [6, 8, 15, 13, 11]. [7] group the variables determining property values into: environmental variables, neighbourhood variables, accessibility (location) variables and property variables. [10] cited in [3] further classified factors affecting property values as follow:

- a) Structural attributes e.g. numbers of bedrooms, bathrooms, fireplaces, garages, square footage of house, lot size, age of structure, existence of pool
- b) Neighbourhood attributes e.g. socio-economic characteristics of neighbouring residents, quality of neighbouring structures, ownership/rental, ethnic composition
- c) Community attributes e.g. school and tax districts
- d) Locational attributes e.g. proximity and accessibility to various (dis)amenities including waste sites, powerlines, highways, shopping centres, churches, schools, cultural opportunities, airport, public transportation
- e) Environmental attributes e.g. view from property, noise levels, pollution levels, stormwater
- f) Time-related attributes e.g. month and year of sale, number of days on market

#### 4. Research methodology

Primary data about the subject matter in the study area were obtained from 71 (26.49%) Estate Surveying and Valuation Firms out of the 268 firms in Lagos State based on the Nigeria Institution of Estate Surveying and Valuation 2009 Directory. A total of 142 questionnaires was distributed to qualified estate surveyor and valuer in the firms though only 130(91.55%) were subsequently returned. There are about 200 landlords and over 360 families' resident in Magodo Estate [15]. A total of 90(25%) questionnaires were distributed to the residents through the residents' association to obtain information on their opinions and factors that influenced their choice of location. Only 72(80%) were properly completed and used for the analysis. Data were presented with tables while percentages, arithmetic mean and relative importance index were used to determine the level of significance of the factors.

**Table 1.** Locational factor affecting residential property value

No	Factors	Weights					Total	RII
		5	4	3	2	1		
1	Proximity to waste site	260	152	78	20	4	514	3.954
2	Nearness to schools	275	188	45	20	3	531	4.085
3	Proximity to highway	305	200	48	6	0	559	4.300
4	Nearness to shopping centres	265	200	63	8	2	538	4.138
5	Nearness to worship centres	225	160	105	18	1	509	3.915
6	Nearness to the airport	140	96	63	38	38	375	2.885

Source: Author's Field Survey 2013

The analysis showed that proximity to highway rank highest among the listed locational factors affecting property value. This is closely followed by nearness to shopping centres and schools while nearness to the airport rank lowest on the relative importance index scale. It would be noted that nearness to waste site is ranked higher in RII scale than nearness to worship centres and this is because there is no major dumpsite within or around the study area that could pose any serious challenge to human habitation.

**Table 2.** Structural factor affecting residential property value

No	Factors	Weights					Total	RII
		5	4	3	2	1		
1	Number & size of bedrooms	285	180	90	0	0	555	4.269
2	Number of toilets and bathrooms	270	188	48	14	6	526	4.046
3	Age of building	220	136	99	28	12	495	3.808
4	Availability of fire place	55	52	153	86	36	382	2.938
5	Size of land and building	240	164	45	14	19	482	3.708
6	Availability of swimming pool	195	144	27	42	25	433	3.331

Source: Authors Field Survey 2013

Analysis of structural factors affecting residential property values showed that the number and size of bedrooms in a residential property indicated by a relative importance index of 4.269 on the RII scale is the most important factors affecting its value. This is closely followed by the number of toilets and bathroom with a RII of 4.046 as well as the size of land and building with a RII of 3.808. Moreover, availability of fire swimming pool and fireplace has the minimum RII of 3.331 and 2.938 respectively meaning they are less influence on residential property value in the study area.

**Table 3.** Neighbourhood factors affecting residential property value

No	Factors	Weights					Total	RII
		5	4	3	2	1		
1	Estate plan and quality designs	305	188	0	26	9	528	4.062
2	Infrastructure development	355	212	0	4	4	575	4.423
3	Ethnic mix	15	52	81	158	8	314	2.415
4	Owners/renters mix	85	52	123	72	23	355	2.731
5	Security	235	152	33	38	15	473	3.638
6	Power supply	205	128	69	48	10	460	3.538

Source: Author's Field Survey, 2013

Analysis of responses about neighbourhood factors affecting residential property value revealed that the level of infrastructure development with a RII of 4.423 is the most important neighbourhood factor influencing property values followed by estate plan and quality designs with RII of 4.062. Ethnic mix and owners/renters mix are of less influence on property values when compared to others in this category. Most residents of the estate are attracted to the area not only because of the level of infrastructure development such as road and drainages as well as good estate plan and quality designs.

**Table 4.** Travel distance & Cost versus other factors affecting property value in the study area

Variables	Yes	No	Don't Know
Locational factors	63 (87.50%)	4 (5.56%)	5(6.94%)
Structural factors	56 (77.77%)	9 (40.91%)	7 (9.72%)
Neighbourhood factors	49(68.06%)	18 (25%)	5 (6.94%)
Travel distance/cost	3 (4.17%)	59(81.94%)	10 (13.89%)

Source: Author's Field Survey, 2013

Enquiries were made as regards the opinion of respondents on whether the residents consider significant the influence of factors such as locational, structural, neighbourhood, travel distance and cost on the value of residential properties in the study area. Results showed that majority of the residents are of the opinion that locational, structural and neighbourhood factors actually affect property value and as against travel distance and cost which has 81.94% disapproval.

## 5. Findings

Although, majority of the residents in the study area have their workplaces in relatively distant locations, the distance travel and cost of getting there is not a significant factor that affect property value contrary to the propositions of rent theory. This invariably implies that residents are indirectly paying more to live in the study area. It was further discovered that proximity to the highway that connect Lagos State to other parts of Nigeria, number and size of bedrooms, conveniences, good road and drainages as well as security are the leading factors affecting property values in the study area. Despite the many potentials for industrial development in the Kosofe local government, it is not clear or mentioned that these potentials are been fully harnessed as there are no immediate central or sectoral business district in the study area.

## 6. Recommendations and conclusion

There is the need for government to harness development potential within the local government of the study area to create job opportunity so as to reduce precious time and resources spent on travel cost to workplaces. In addition, to sustain property market in the study area, it is suggested that prospective property developers should take cognizance of locational, structural and neighbourhood factors that significantly affect property value in the study area as this would help the marketability and viability of the investment. The study therefore provides a glance at the ensuing market forces and dynamics in the study area. It provides first hand information for property investors, advisers, planners, builders, architects as well as the government. It is also a guide for global interest in the Nigeria particularly Lagos property market.

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