Harnessing Real Estate Investment through Decision Process

for Selecting Tenants in Nigeria

By

ONI Ayotunde Olawande Ph.D., ANIVS, RSV, ARVA
Department of Estate Management,
College of Science & Technology, Covenant University, Ota, Nigeria.
Email: wandeoni@yahoo.com; Tel.: 234-8023122014

Being Paper presented at the 10th African Real Estate Society Conference
Organized by the African Real Estate Society held at Naivasha, Kenya
From 26th to 29th October 2010

Abstract

One of daunting challenges to harnessing real estate investment in Nigeria is selection of tenants. Many prospective tenants of completed development projects often appear good at the recruitment stage but later become belligerent with grave consequence and challenge to the Estate Surveyors. This paper examines the criteria set by practitioners in selecting tenants in Lagos Nigeria. A survey of Estate Surveyors and was carried out to obtain the criteria and relative importance index analysis carried to determine their rankings. The outcome showed the decision process to assist estate surveyors in recruiting reliable tenants such that investors in real estate will harness adequate and remunerative returns and have value for their investment.

Key words: property management, selection of tenants, estate surveyors, bad tenants, arrears of rent, real estate investment.

1.0 Introduction

Estate surveyors render many professional services; these are valuation for all purposes, estate agency, property management, facilities management, property marketing, property development appraisal, and environmental management. In practice, the estate surveyors carry on property management services which include selection of tenants, acceptance of rent, responding to and addressing maintenance issues, advertising vacancies for letting, reviewing rent and representing the landlord before courts of competent jurisdiction in ejecting defaulting tenants, amongst other services. In addition to managing income and expense related activities, estate surveyor manages construction, development, repair and
maintenance of a property.

In Nigerian urban areas (particularly Port Harcourt, Abuja, Warri, and Lagos), after the initial advance rent of one to three years has expired, the problem of collection of subsequent rents sometimes sets in. Most prospective tenants who were usually eager to meet the terms, conditions and requirements normally set for new tenants often become recalcitrant no sooner than they had taken possession of the accommodation. Not only do they default in rent payment, they often fail to comply with responsibilities under the covenants of the tenancy. Such responsibilities include settlement of electricity bills, repairs and maintenance of landlords’ fixtures and fittings.

The estate surveyor consequently faces problem of managing bad tenants and the blame is put squarely on him by the landlord. He comes under pressure to continue having the landlord as his client while encountering problem of managing the bad tenant. The landlord often complains about the estate surveyor’s wrong decision to select bad tenants into occupation of the property, even when the landlord himself had played prominent role in selecting and approving the tenant. The last option open to estate surveyor may be ejection of the tenant. Process of ejection from writing statutory notices, instructing a lawyer to take out a writ, and attending court proceedings is time consuming. The process involves time, monetary and non-pecuniary costs sometimes borne by the estate surveyor, where the landlord refuses to bear such costs. The time and energy that could be spent on more rewarding professional assignments are spent on attending court sittings which may last up to twenty-four months in Lagos. The initial celebrations of a done deal in form of agency fees collected soon turn to despair and great concern as such fees are sometimes spent on writing rent demand notices, letters and reminders, transportation, and attending court sessions.

The usual approach by estate surveyor in selecting good tenants is to collect information about them through acquaintance form. This affords the estate surveyor the
opportunity to carry out investigation about the prospective tenants, yet the incidences of bad tenancy remain. A process to assist in selection of tenants and eliminate potentially bad ones will therefore be a great relieve to the estate surveyor.

The aim of this paper is therefore to examine the factors that estate surveyors consider in recruiting tenants with a view to determining the relative importance of the factors such that an order of ranking could be established to assist in the task of managing real estate and harnessing adequate remunerative return for the investors through effective decision-making process.

2.0 Review of Literature

To attain the aim of this paper, literature was reviewed along specific activities in real estate management duties and criteria for selecting tenants. In this regard, earlier studies on risks in real estate investment, recruitment and eviction of tenants, and general recruitment criteria were examined.

2.1 Risks in Real Estate Investment

Real estate investment involves the purchase, ownership, management, rental and/or sale of real estate for profit. Real estate is an asset form with limited liquidity relative to other investments, it is also capital intensive, and it is highly cash-flow dependent. According to Ajayi (1998), investors in property of various types are uncertain about the outcomes of their actions. Future events are difficult to forecast in precise terms and over time such forecast becomes unreliable. He stated further that risk is the level of probability that required return measured in terms of capital value and income would be achieved. Uncertainty implies that neither alternative outcomes nor their probabilities could be identified.

Risks occur in many different ways at every stage of the investment process and include systematic and non-systematic risks. Systematic risk, also called market risk, refers to the risk common to all securities and cannot be diversified away within one market.
Unsystematic risk is associated with assets value caused by factors that are specific to the subject real estate. There is also the downside risk derived from volatility in the development variables that affect the investor’s profit, such variables are rent, void period, yield, construction cost, building period, land cost, and marketing cost (Ogunba, 2002; Ogunba, Oloyede, and Aibinu, 2003).

In Nigeria, a lot of risks and uncertainties affect property development and there is lack of information or model to predict property values to reduce the effects of such risks and uncertainties (Oni, 2009). However, the risk most common to completed development project in Nigeria and found relevant to this study is the tenants’ risk which is evident in destruction of property, default in rent, and non-compliance with covenant of the tenancy.

2.2 Criteria for Selection of Tenants

Tenants’ risk can hinder success in harnessing adequate and remunerative returns on investments. The main mitigation strategy against the risk is through careful tenants’ selection process by experienced property managers. Tenant selection is the most important aspect of successful property management. It involves screening of prospective tenants out of many that must have applied for limited number of accommodation units. Most mistakes can be corrected; however, putting wrong tenant in possession can not only cost lots of money, but also endless frustration. Tenant screening is an essential part of being a landlord and playing a role in real estate management as an estate surveyor and valuer. Without proper screening procedures, the agents and owners can find themselves stuck with potentially bad tenants. Many tools have been developed for screening of prospective tenants; however, they are not widely used in Nigeria as selection is carried out by intuition and consideration of criteria that are subjective.

There are several qualifications that estate surveyor expects of a prospective tenant, and selection of good and reliable tenants is a key factor in successful management of a
property. The estate surveyors actually know the key attributes that a prospective tenant must possess; these include sources of income and employment, regularity and prospects of employment, physical appearance, social status, while in some cases such attributes are imposed by the owners of the properties. Some owners may specify religion, marital status, age, maximum number and ages of children, maximum number of cars, and tribe. Such attributes however have relative importance that fits the best expectation and minimize default in rent payment.

In the opinion of Akomolede (2006), it is better not to let a property than let it to a difficult tenant. He suggested that ability and willingness to pay required rent, suitability of the tenant to the property, ability and willingness to meet the terms of the lease, provision of suitable reference, payment of rent, and caution deposit are paramount in selecting tenants. This assertion was supported by Udo-Akagha (1981) and Ojo (2003) who stated further that estate surveyor encounters problems with difficult tenants and that they cautiously go about selecting tenants based on prestige and economic climate at the time of transaction.

Relating the success of management of property and type of tenants, Brzowski (2008) opines that for landlord and agent to succeed depends on screening of tenants, which is the “weeding out the Naughty and renting to the Nice” and suggested that awareness of and compliance with the Fair Housing Act is not only necessary, but essential to succeed in management of real estate. He stated further that criteria must essentially be written to lay a simple set of guidelines.

In the opinion of SLPM Property Management (1995 – 2006), the selection process of tenants is expected to be thorough and complete. It should start with complete credit report followed by verification of employment, source and stability of income, discussion with tenant’s current and past landlords or property managers. Essentially, the process alleviates fraud in the application process and when possible, attempt is made to view the tenant’s
current residence. Information regarding the applicant is discussed and thoroughly evaluated, before decision to accept or reject application is taken. After the applicant has qualified, security deposit is collected and full month’s rent, conduct a detailed move-in inspection and have the tenant sign a complete legal rental contract that details tenant and landlord responsibilities. In addition to standard items found in most rental agreements, SLPM addresses in detail such things as late rents, repairs, broken windows, landscaping maintenance, carpet cleaning, plumbing and drain problems, insurance, and so forth.

A study of the Kentucky Housing Corporation policy in screening and selecting tenants revealed that applicant for space in the corporation estates must demonstrate ability to pay rent on time; comments on present and previous landlords may be requested; and Police checks may be made on each applicant over 18 years of age. Other issues that are considered include: applicant must certify whether family’s assistance or tenancy in a governmental housing program has ever been terminated for fraud, non-payment of rent or failure to cooperate with recertification procedures. In addition, applicant must not be on the National Sex Offender Registry, and must not have been convicted of manufacturing, production or distribution of methamphetamine on Federal property.

In Bello (2008), tenant’s ability to pay rent and observe other covenants in tenancy agreement are paramount considerations for judging whether they are good or bad. Estate surveyors in Nigeria “judge” the ability to pay by distinguishing between individual and corporate tenants. The study stated that corporate tenants rarely default in rent payment, and requirements to ensure good tenant include appropriateness, sensibility and satisfaction of use to which the tenant wants to put the property. It listed the variables that landlords consider in selecting tenants as preference for type and qualification of tenant which is primary and often over-rides the estate surveyor’s choice, occupation, marital status, age, religion and place of worship, size of income, size of family, and sex. However, it is evident in practice that
corporate tenants are not at all times better than individual tenants. Estate Surveyors sometimes find it tougher to deal with difficult corporate tenants especially when they default in rent payment and the need to eject them arises; they have resources to engage experienced lawyers to frustrate ejection processes. Also, the decision to rate a particular tenant over the others is done basically by intuition, without scientific measure and technique to actually predict really good prospective individual or corporate tenant.

2.3 Process for Eviction of Defaulting Tenants

Default occurs when a tenant does not pay the rent specified in the tenancy agreement. The default can also pertain to other breaks in the terms of the lease (for example, by adopting a dog when pets are not allowed). However, failure to pay rent is the most frequently committed breach by tenants and is the most common cause of eviction in Lagos State.

According to Oni (2010), the rate of default in rent payments amongst the tenants in Lagos metropolis is high. In a survey of 120 estate surveyors, 12 (representing 10%) stated that tenants usually fall into arrears for up to six months; 86 (about 72%) stated that default is between seven and twelve months; and 22 (about 18%) were of the opinion that rents are owed for more than twelve months. In other words, the study revealed that 90% of the respondents had the experience of default in rent for more than seven months.

As enunciated on eHow.com, ejection of tenants usually follows a process which must be adhered to. In other words, to evict a tenant, the owner or agent must follow proper eviction procedures for removing the tenant and the tenant's possessions from the rental property. The eviction follows four steps, which are: valid reasons for evicting the tenant, such as failure to pay rent, repeated violations or the breach of a lease clause must be established; tenant must be given adequate written notice to terminate the tenancy, following state and local eviction procedures; a lawsuit to evict the tenant if the tenant does not move or correct violations after receiving a termination notice; and, owner or agent must realize that
the tenant may mount a defence against the eviction lawsuit and this may increase the time of
the eviction process.

Citing, the Nigerian Supreme Court judgment in the case of *African Petroleum Ltd vs. Owodunni* (1991) 8 NWLR pt. 210 pg.391, Moneke (2009) stated that a statutory tenant can
sue the landlord for trespass to land because he stands in the same position as if the
contractual tenancy is still extant and tenants can be ejected only on valid grounds upon
application to a Court of competent jurisdiction or a Rent Tribunal. The grounds are: that the
rent lawfully due by virtue of the law is in arrears of three months after it became due; or that
the tenant has been guilty of the breach of an express covenant or agreement of the tenancy;
and that the tenant has given notice of his intention to quit as a result of which the landlord
has contracted to sell or let the premises or has taken such other steps that are likely to put
him in difficulty if he could not obtain possession.

Other grounds are: the premises are reasonably required for any purpose which is in
the public interest; that the tenant or any person residing or lodging with him or being his
sub-tenant has been guilty of conduct which is nuisance or annoyance to adjoining occupiers,
or has been used as a brothel, etc; that the premises are so overcrowded as to be dangerous or
injurious to the health of the co-tenants; or that the premises are subject of an abatement
notice issued by a public authority - such notice is given where the premises is in a
dilapidated state and poses imminent danger to inhabitants; or that the premises require
substantial repair on account of which it is necessary for the tenant to vacate possession -
except where ejection will cause serious hardship for the tenant; or that the premises are
required by the landlord for his occupation, for any of his children above 18 years, or for his
parents.

It is not enough for the landlord to merely aver any of these as ground in support of
the intention to eject a tenant, he must go ahead to proof that such ground actually exists. The
implication of this decision is that it is not only a difficult task to eject a tenant; the process is often long and time-consuming and may take more than twelve months in many cases.

2.4 Techniques Applicable for Decision-making and Selection Process

A number of techniques have been considered in decision-making, especially in making choice between alternatives. One of such techniques is the Analytical Hierarchy Process (AHP) developed in the USA by Saaty in 1977. The AHP is a mathematical decision-making technique that allows consideration of both qualitative and quantitative aspects of decisions. It reduces complex decisions to series of one-on-one comparisons with the results thereafter synthesized. Compared to other techniques like ranking or rating, the AHP uses human ability to compare single properties of alternatives. It not only helps decision makers choose the best alternative, but also provides clear rationale for the choice. It is based on the concept of “exploding tree”, which allows splitting a goal into sub-criteria on the assumption that the relevant importance of one attribute influences a goal over other attributes which can be determined via pair-wise comparisons. The comparisons are executed between all attributes in combinations, avoiding repetitions, and the tree may consist of several levels where a goal for the lower level at the same time can be a sub-criterion for the upper level.

According to Ong and Chew (1996), the technique is acknowledged for its clearness, elegance and relative simplicity; while Bender et al. (2000) described it as “a simple, effective methodology, and promising approach”. Furthermore, the important benefits of the AHP are that it is “technically sophisticated and fully transparent” and possesses the ability to quantify qualitative judgments and incorporate behavioral aspect into analysis. This includes non-rational preferences, perceptions and agency relationships, and it requires small number of pre-selected respondents (Kauko, 2002). The method has also been recognized as decision tool that structures complex decision problem in a hierarchical manner, setting priorities among alternative course of action, and allowing comparison of tangible and intangible
In respect of its general application, the AHP has been widely used in real estate research in different countries. Ball and Srinivasan (1994) proposed to use it in house selection process and illustrated the possibility on the example of Boston; the method was similarly applied for Singapore residential property market research (Ong and Chew, 1996); while it was used in Swiss cities to analyze preferences of homeowners (Bender et al., 1997; Bender et al., 2000). Other studies in which the AHP was used include: application to housing mobility counseling in Pittsburgh metropolis (Johnson, 2001), and analysis of housing preferences in the Helsinki metropolitan area (Kauko, 2004); in ordering of alternatives is based on multiple criteria that follow four major steps (Saaty, 1980; 1990; 1991; and 2004); and Kryvobokov (2007) in estimating the weights of location attributes in Donetsk, Ukraine.

From these literatures, risks in real estate investments, various criteria for recruitments and ejection of tenants, and existing selection decision-making technique have been identified. In relation to Nigeria, some of the tenants’ selection criteria identified are applicable. The Analytical Hierarchy Process technique, though useful, appears too cumbersome and time-consuming to meet the needs of estate surveyors in taking decision as quickly as possible. Thus, there is a need for simpler decision-making process enunciated in this paper.

3.0 The Study Area
Lagos metropolis is located at 6°34′60″N, 3°19′59″E along the West African coast, and forms larger component part of the Lagos conurbation. The choice of the study area was based on many factors. First, Lagos metropolis is a socially heterogeneous city with tenants from different states of Nigeria. Second, judging from what is applicable in Nigeria, the property market in Lagos metropolis is probably the most complex in terms of sophistication of the
stakeholder – landlord, tenants, estate surveyors, and government by intervention through the Lagos State Rent Edict of 1997.

In addition, Lagos metropolis is the nerve-centre of Nigeria representing the melting pot of various ethnic groups that make up the Federation, and of economic activities with high net-worth manufacturing, commercial entities, high grade residential precincts, highly productive industrial concerns that have congregated to offer various forms of employments to the inhabitants of the city. Based on complex activities and degree of urbanization exemplified by Lagos metropolis in terms of various types of tenants and demand for properties, deductions made in respect of the study area are applicable to other cities and communities in Nigeria.

The study has become imperative judging from cases of failed tenancies and many litigations involving landlord and defaulting tenants in the Nigeria. The application of the findings in this research will assist in solving many of the landlord-tenants matters and decongest the courts of unending litigations. The study is equally important as it might eventually be used as guide for selection of tenants in Nigeria, and will contribute to knowledge by laying foundation for further research.

4.0 Materials and Methods

A sample of estate surveyors in Lagos was taken and interview conducted to determine factors they consider in selecting tenants. There are about 325 registered firms of Estate Surveyors and Valuers operating in Lagos metropolis, a sample of 169 was randomly selected based on Bartlett et al (2001) model.

From survey of literature, it can be deduced that criteria for selecting tenants vary from across the world, and no single set of criteria may be imposed. However, survey of estate surveyors in the study area showed the common criteria are rent as percentage of income, number of years to be paid in advance, occupation and types of employer, marital
status, tribe, job prospects, marital status, physical appearance, religion, sex, and number of children. To obtain comprehensive data on selection criteria, the respondents were requested to list their criteria for selecting tenants. Out of 169 questionnaires administered, 120 were returned and found useful for analysis. The respondents stated and ranked ten of the criteria identified in literature and found relevant to them. The criteria were considered and symbols assigned to them for ease of analysis; the symbols and respondents’ ranking of the criteria are shown in Table 1.

Table 1: Elements Considered in Selection of Tenants by Estate Surveyors

<table>
<thead>
<tr>
<th>S/N</th>
<th>Criteria</th>
<th>Description</th>
<th>Symbol</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Income</td>
<td>The source(s) of income of the prospective tenant is stable and will not stop in foreseeable future; the lower the percentage on rent the better.</td>
<td>IC</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Advance rent</td>
<td>Ability to pay more than one year’s rent in advance</td>
<td>AR</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Occupation/Employer</td>
<td>The prospective tenant’s occupation is recognized, and of good reputation. The prospective tenant’s employer is good and reputable</td>
<td>OC/OM</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Job Prospects</td>
<td>Ability to change jobs for better, or on-the-job prospects for promotion and increase in income</td>
<td>JP</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>Marital Status</td>
<td>The prospective tenant has one wife only so as to avoid incessant family quarrel in the premises. It is expected that one wife will probably indicate a responsible tenant.</td>
<td>MSm</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>Tribe</td>
<td>Some landlords have preference for a particular tribe</td>
<td>TR</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td>Physical Appearance</td>
<td>The physical appearance of the prospective tenant, clean haircuts, dressing, et cetera</td>
<td>PA</td>
<td>7</td>
</tr>
<tr>
<td>8</td>
<td>Religion</td>
<td>Some landlords have preference for religious denomination of prospective tenants</td>
<td>RE</td>
<td>8</td>
</tr>
<tr>
<td>9</td>
<td>Sex</td>
<td>Some landlords prefer either male or female</td>
<td>SX</td>
<td>9</td>
</tr>
<tr>
<td>10</td>
<td>No. of Children</td>
<td>Number of children, the fewer the number of children the better</td>
<td>NC</td>
<td>10</td>
</tr>
</tbody>
</table>

Table 1 contains key elements which cover criteria that estate surveyors consider in selection of tenants. In practice, it is hardly possible to find a single tenant possessing all the criteria; the estate surveyor will therefore make choice of tenant based on what is available. Consequently, importance weights are objectively assigned to the criteria and the elements are then compared. From the Table, the respondents generally consider income as the most
important consideration in selecting tenants, followed by tenants’ ability to pay advance rent, and employers/occupation rank next. The least of the criteria are number of children, sex, and religion.

5.0 Analysis and Discussion

In analyzing the data, the criteria in Table 1 were assigned points from 10 for the highest in the rank to 1 (the least) as shown in Table 2

**Table 2: Details of Criteria, Ranking and Point Scores**

<table>
<thead>
<tr>
<th>S/N</th>
<th>Criteria</th>
<th>Description</th>
<th>Symbo</th>
<th>Rankin</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Income</td>
<td>The source(s) of income of the prospective tenant is stable and will not stop in foreseeable future</td>
<td>IC</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>Advance rent</td>
<td>Ability to pay more than one year’s rent in advance</td>
<td>AR</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>3</td>
<td>Occupation/Employer</td>
<td>The prospective tenant’s occupation is recognized, and of good reputation. The prospective tenant’s employer is good and reputable</td>
<td>OC/O M</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>Job Prospects</td>
<td>Ability to change jobs for better, or on-the-job prospects for promotion and increase in income</td>
<td>JP</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>5</td>
<td>Marital Status</td>
<td>The prospective tenant has one wife only so as to avoid incessant family quarrel in the premises. It is expected that one wife will indicate a responsible tenant.</td>
<td>MS_m</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>6</td>
<td>Tribe</td>
<td>Some landlords have preference for a particular tribe</td>
<td>TR</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>Physical Appearance</td>
<td>The physical appearance of the prospective tenant, clean haircuts, dressing, <em>et cetera</em></td>
<td>PA</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>8</td>
<td>Religion</td>
<td>Some landlords have preference for religious denomination of prospective tenants</td>
<td>RE</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>9</td>
<td>Sex</td>
<td>Some landlords prefer either male or female</td>
<td>SX</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>10</td>
<td>Number of Children</td>
<td>Number of children, the fewer the number of children the better</td>
<td>NC</td>
<td>10</td>
<td>1</td>
</tr>
</tbody>
</table>

**Maximum points obtainable**

55

For instance, in selecting one of three hypothetical prospective tenants named B, R, and G (with details below) for one vacant unit of accommodation, descriptions of the measures considered are stated in Table 3.
Table 3: Analysis of Criteria Score-Points for Hypothetical Tenants

<table>
<thead>
<tr>
<th>S/N</th>
<th>Criteria</th>
<th>Details of the Hypothetical Tenants</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>B</td>
<td>R</td>
</tr>
<tr>
<td>1</td>
<td>Income</td>
<td>Rent is 35% of annual income</td>
<td>Rent is 40% of annual income</td>
</tr>
<tr>
<td>2</td>
<td>Advance rent</td>
<td>2 years</td>
<td>2years</td>
</tr>
<tr>
<td>3</td>
<td>Occupation/Employer</td>
<td>Private company (single-proprietor owned)</td>
<td>Corporation</td>
</tr>
<tr>
<td>4</td>
<td>Job Prospects</td>
<td>Recent development showed effects of global economic recession</td>
<td>Security of work is high</td>
</tr>
<tr>
<td>5</td>
<td>Marital Status</td>
<td>Married</td>
<td>Separated/Single parent</td>
</tr>
<tr>
<td>6</td>
<td>Tribe</td>
<td>Yoruba</td>
<td>Ibo</td>
</tr>
<tr>
<td>7</td>
<td>Physical Appearance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Religion</td>
<td>Muslim</td>
<td>Christianity</td>
</tr>
<tr>
<td>9</td>
<td>Sex</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>10</td>
<td>Number of Children</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

In determining the best of the hypothetical prospective tenants, the points earned by each criterion are calculated. For each of the criteria, the points for ranking in Table 2 were shared in consonance with landlord’s preference and terms in Table 3. Taking income as a criterion, total of ranking points of 10 will be shared according to percentage of the rent over income stated on the acquaintance form and verified accordingly. The guiding rule is “the lower the better” In this case, prospective tenant G spending 30% of income on rent will score: 3 (being the highest of the three; followed by B = 2; and R = 1) x 0.3 x 10 = 9 points. Prospective tenant B will score: 2 x 0.35 x 10 = 7 points; while, Prospective tenant R will have: 1 x 0.4 x 10 = 4 points. However, the ranking point for income criterion is 10, so B = 3, R = 2, and G = 4.5
In respect of advance rent payment, all the prospective tenants can afford two years in advance demanded, so 9 points are shared equally; thus, each has 3 points. The employers of the prospective tenants are also rated bearing in mind security of employment. For instance, Corporation is rated most secured than Banks and Privately-owned Company, and Banks are better than Privately-owned companies. The points are therefore weighted with 3 points for corporation, 2 for bank and 1 for private companies. The calculation is as follows: for prospective tenant B, 8 (total points for criterion) x 1/6 (1 represents point for least rated of three types of employers, 6 being total of position in the rating of employer type) = 1.33 points. For R, the calculation is: 8 x 3/6 = 4, while calculation for G is: 8 x 2/6 = 2.67 points.

In respect of job prospects, two components were identified which are level of salaries and security of employment. Where salary is perceived as to be generally low, 0.5 point; where it is fair, 1.5 points; and where it is high, 2 points were assigned to make total of 4 points for salary. The continuity of job is assigned based on the perceived security of employment. For high salary but lay-off of staff, 1 point; where salary is fair and there is security of jobs, 1.5 points; and 0.5 point for low salary that is also affected by global economic downturn to make up 3 points with total for job prospects being 7 points.

With regards to marital status, two of the three prospective tenants are married and since landlord has preference for a married tenant, 6 points available are shared equally between the two tenants while the single/divorced will be assigned 0 point. Similarly, 5 points are shared equally amongst the three prospective tenants since landlord is indifferent to tribe. This is also applicable to physical appearance to which 4 points are assigned, the 4 points are shared equally since landlord is indifferent to appearances of the prospective tenants.

However, since landlord wants a Christian, the two prospective tenants R and G will share 3 points equally while B that is a Muslim will have 0 point. Similarly, since landlord
wants male tenants, the two male tenants will share 2 points assigned to sex equally, while the female will have 0 point. With number of children being the least of all the criterion with 1 point which is shared amongst the prospective tenants in relation to the number of their children. Tenant with one child will score higher than one having two children; and tenants having two children will receive higher point than tenant with three.

Table 4: Final Points Scored by Hypothetical Prospective Tenants

<table>
<thead>
<tr>
<th>S/N</th>
<th>Criteria</th>
<th>Tenants/Scores</th>
<th>Total points obtainable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Income</td>
<td>3.50 2.00 4.50</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>Advance rent</td>
<td>3.00 3.00 3.00</td>
<td>9</td>
</tr>
<tr>
<td>3</td>
<td>Occupation/Employer</td>
<td>1.33 4.00 2.67</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>Job Prospects</td>
<td>1.50 3.00 2.50</td>
<td>7</td>
</tr>
<tr>
<td>5</td>
<td>Marital Status</td>
<td>3.00 0.00 3.00</td>
<td>6</td>
</tr>
<tr>
<td>6</td>
<td>Tribe</td>
<td>1.666 1.666 1.666</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>Physical Appearance</td>
<td>1.333 1.333 1.333</td>
<td>4</td>
</tr>
<tr>
<td>8</td>
<td>Religion</td>
<td>0.00 1.50 1.50</td>
<td>3</td>
</tr>
<tr>
<td>9</td>
<td>Sex</td>
<td>1.00 0.00 1.00</td>
<td>2</td>
</tr>
<tr>
<td>10</td>
<td>Number of Children</td>
<td>0.50 0.33 0.17</td>
<td>1</td>
</tr>
<tr>
<td>Total Scores</td>
<td>16.83 16.83 21.34</td>
<td>55.00</td>
<td></td>
</tr>
<tr>
<td>% of Total obtainable (55)</td>
<td>30.60 30.60 38.80</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

From Table 4, the hypothetical prospective tenant G having 21.34 points with 38.80% is the best of the tenants, and either R or B having equal points (30.60%) may be considered after G. All things being equal, it is expected that prospective tenant G will be considered for the unit of accommodation. However, since G has less than 50% or whatever target mark that is set, the estate surveyors may extend the recruitment so as to obtain a prospective tenant that may meet the set target score.

6.0 Conclusion

The challenge posed by default in rent payment in Lagos metropolis and the need to recruit reliable tenants were discussed with the aim of harnessing the benefits of investing in real estate. The study revealed a number of criteria that estate surveyors used in selecting tenants in the study area. It must be emphasised that property management can be a profitable and successful facet of real estate operations if adequate care is taken in selecting the tenants. In
order to succeed in managing properties, a decision process must be followed so that reliable tenants are put into occupation of property to enable investors harness adequate and remunerative returns from his investment. The tenant selection process enunciated in this study will assist in this regard. Of course, if tenants are properly selected there will be less friction and disputes arising. The judiciary will also share in the benefits as there will be a reduction in the number of cases, thereby assisting the Governments in decongesting the courts.

References


