Determinants of Demand for Rental Accommodation in Ibadan: A Case Study of Ibadan North West Local Government

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Abstract

This study investigates the determinants of demand for rental accommodation in Ibadan (a case study of Ibadan North West Local Government). The study employs survey methodology where questionnaire is used to generate data. Simple random sampling technique is employed to choose the sample used. A total of 200 respondents provided the information used in the study. Regression analysis is used to analyse the data. The results shows that among the variables considered, price of accommodation, income level of occupant, occupation of occupant, education of occupant, marital status of occupant and closeness to work place of occupant are all significant determinants of demand for rental accommodation while, facilities of accommodation, location of accommodation, household size of the occupant, and religion of occupant are all insignificantly related with demand for rental accommodation. The result shows that providers of rental accommodation should be more sensitive to the fact that income of occupant plays important role in the decision of demand for rental accommodation than the price of accommodation in Ibadan.

Key words: Determinants; Demand for rental accommodation; Ibadan

INTRODUCTION

Housing is one of the fundamental requirements for man's survival as it is generally categorized as one of the three basic needs of man. After food and clothing, housing becomes important for man's wellbeing. Beyond the physical edifice, housing encompasses all it takes to guarantee good living. On the surface, Housing extends to determining the social standard of its occupant as well as that of the neighbourhood. According to Eni and Danson (2014), housing portrays the economic status of a country as it is specifically identified as man's relief and prosperity. It impacts the prosperity, capability, social conduct, satisfaction and general welfare of people (Aluko & Amidu, 2006). In a statement by Nubi, (2008), housing to some social circle, denotes protection while to others, it means more as it is one of the best pointers of a man's lifestyle and his or her place in the overall population.

Housing demand in Nigeria has witnessed unmatched increase due to various reasons such as population increase, urbanization, values and taste, and resource increase among others. These reasons have made the desire for housing to know no limits, making the gap between housing demand and supply gets wider. Fundamentally, population grows rapidly, faster than housing infrastructure. This resulted in intensive use of the existing facilities, thus, speed up deterioration. In addition, according to Sani and Gbadegesin (2015), limited housing infrastructure and poor housing delivery in Nigeria have been attributed to lack of instruments and structures for land parcel, financing, contract foundation and system.

As mentioned by Eni and Danson (2014), the housing market is an arrangement of organizations and procedure for linking housing supply and demand; that is, buyers and sellers, renters and landlords, builders and consumers, suitable for exchanging houses and housing services. Basically, housing providers and consumers in Nigeria

can be categorized into two namely the private and public sector. The private sector comprises of private organizations and individuals, and the public sector is the business of the government. These sectors provide and demand housing facilities separately for different reasons across profit, need, self-esteem and social responsibility, among others. Also, in a more recent arrangement, the two sectors come together in a public-private partnership (PPP) to provide housing facilities in Nigeria both at the state and federal government level.

The demand for housing has been increasing over time. Okupe (2002) recorded it that while only 7% of Nigerians lived in urban concentrations in the 1930s and 10% in 1950s, by 1970, 1980 and 1990; urban concentrations have increased to 20%, 27% and 35%, respectively. At present, statistics show that over 40% of Nigerians live in urban area. Population increase and urbanization has made housing complicated, bringing about congestion, lacking dwelling places a condition of which 60% of Nigerians can be said to be destitute individuals (CBN, 2014).

Several studies have empirically investigated the determinants of housing demand in the literature using different techniques such as descriptive analysis (e.g. Amenyah & Fletcher, 2013; Eni & Danson, 2014), Chi-square (e.g. Gbadegesin & Oletubo, 2013) and regression (e.g. Adebayo & Oladapo, 2014; Aluko, 2011) among others. Empirically, Quigley (1976) incorporated spatial dimension and choice of housing into his model to investigate his objectives. Also, Arunsi (2006) identified four effective factors such as household formation, acquisition of second homes, vacancies, and other factors associated with the supply of housing that determines housing demand to include. Femi and Khan (2014) explained housing demand to mean the willingness and ability of consumer to pay for a housing facility depending on the consumer's incomes, house type, location preferences and local prices. However, studies such as Alison (2004), have tried to differentiate between effective housing demand and desire housing demand. Where effective housing demand means willingness to buy a house backed with the ability to pay for it; desire housing demand only refers to the willingness to buy a house without necessarily having the ability to pay for it. For the purpose of this study, the demand here refers to effective demand.

This study aims at investigating the determinants of rental accommodation in Ibadan (A case study of Ibadan North West Local Government). Ibadan is the capital of Oyo state and the largest city in Nigeria. This study will assist housing provider by revealing what to consider when planning for rental accommodation. To investigate the objectives of the study and to ensure robust analysis, survey respondents were occupants of different forms of accommodations across single room apartment, two-rooms self-contain, two bedrooms flat, three bedrooms flat,

and duplex. Among the several determinants examined, the price of rent, income, occupation, education, marital status, and proximity are key determinants of rental accommodation in Ibadan.

The rest of this paper is structured as follows. Following the introduction, section two presents the methodology employed for the study, section three presents the research result and section four concludes.

1. METHODOLOGY

The objective of this study is to investigate the determinants of rental accommodation in Ibadan using regression analysis. The empirical investigation carried out is founded upon the theory of demand, thus, the following model is estimated.

$$DA = F(PA, IC, FA, LA, OO, HO, EO, MO, RO, CO,). \quad (1)$$

Equation (1) shows that demand for rental accommodation (DA) is a function of price of the accommodation (PA), income level of occupant (IC), Facilities of accommodation (FA), Location of Accommodation (LA), occupation of occupant (OO), household size of the occupant (HO), education of occupant (EO), marital status of occupant (MO), religion of occupant (RO), and closeness to work place of occupant (CO). Given the model in Equation (1), the estimated linear model for this study is presented below in Equation (2).

$$DA = a_0 + a_1PA + a_2IC + a_3FA + a_4LA + a_5OO + a_6HO + a_7EO + a_8MO + a_9RO + a_{10}CO + u. \quad (2)$$

The apriori expectations of the coefficients are as follows:

$a_1 < 0$; $a_2, a_3, a_5, a_6, a_8, a_9, a_{10} > 0$ and $a_6, a_9 > 0$ or < 0

The research is conducted among the people who demanded for rental accommodation in Ibadan North West Local Government. A self-structured questionnaire is used to gather data. Simple random sampling technique is employed to choose the sample used. A total of 200 respondents provided the information used in this study. The objective of the study is investigated using likert 5-item scale where 1 = strongly agree and 5 = strongly disagree.

2. RESEARCH RESULTS

The regression result as presented in Table 1 is adequate with reference to the F-statistics, R-squared and Durbin-Watson statistics. The coefficients in the result presented in Table 1 above explain the relationship between each of the explanatory variables and rental accommodation in Ibadan. The result shows that price of accommodation, income level of occupant, occupation of occupant, education of the occupant, marital status of occupant and

closeness to work place of occupants are all significant at 5% level. However, all the variables are consistent with the apriori expectations except the price of accommodation. Price of accommodation which is expected to have negative relationship with demand for rental accommodation has a positive relationship. This means that as the price of accommodation increases, people still went ahead of demand for rental accommodation for the period covered in this study. This is not totally strange as the rental accommodation is a necessity and there is no substitute for it. As a result, income effect will always override price effect on such good, making demand to increase as the price increase. This latter statement is also evidenced by the positive relationship between income and rental accommodation. Result also confirms that the better the occupants' occupation and education, in terms of status, the higher the demand for rental accommodation. Also, occupants' need determines the demand for rental accommodation. Consequently, married demand rental accommodation more than single. Finally, closer accommodation is to occupants' place of work, the more the demand.

Table 1
Regression Result for Rental Accommodation

Variables	Coefficients	*t*-statistics
Constant	0.0393	1.2875
PA	0.9759	29.8787***
IC	0.2090	2.0054**
FA	0.0568	0.8001
LA	0.0061	0.1467
OO	1.0102	2.0054***
HO	0.0106	0.2561
EO	1.0531	1.6196***
MO	1.0117	1.3392***
RO	-0.0283	-0.5239
CO	1.0915	2.6742***

Note: *, **, and *** denote significance at 10%, 5%, 1%, respectively. Dependent Variable is *DA*. *F*-stat: 1840.447; *R*-squared: 0.9952; Durbin-Watson: 2.1918.

Other variables such as facilities of accommodation, location of accommodation, household size of the occupant, and religion of occupant all have insignificant relationship with demand for rental accommodation. Although these variables look important and are consistent with apriori expectations, but findings reveal that the magnitude of their impacts on demand for rental accommodation are not different from zero. That is, occupants do not place much importance to the variables when placing demand.

CONCLUSION

This study investigated the determinants of demand for rental accommodation in Ibadan. The study was carried out in 2016. Among all the variables considered, price of accommodation, income level of occupant, occupation of occupant, education of occupant, marital status of occupant and closeness to work place of occupant have significant relationship with demand for rental accommodation while, facilities of accommodation, location of accommodation, household size of the occupant, and religion of occupant have insignificant relationships.

Based on the findings, it is important to note that Ibadan, especially areas that are similar to Ibadan North West Local Government has its peculiarities, thus, providers of rental accommodation should be more sensitive. Generally, income of occupants plays an important role in the demand for rental accommodation than the price of accommodation.

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