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BY

ONWUMERE, VICTOR ONYEMA

M.Sc

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JANUARY, 2009

TITLE PAGE

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MANAGEMENT: A CASE STUDY OF ONITSHA
PROPERTY MARKET**

BY

**ONWUMERE, VICTOR ONYEMA
PG/M.Sc/03/37450**

BEING

**A DISSERTATION SUBMITTED TO DEPARTMENT OF
ESTATE MANAGEMENT UNIVERSITY OF NIGERIA
ENUGU CAMPUS**

**IN PARTIAL FULFILMENT OF THE REQUIREMENTS
FOR THE AWARD OF A MASTER OF SCIENCE
IN ESTATE MANAGEMENT,
UNIVERSITY OF NIGERIA**

SUPERVISOR: PROF. J.U. OGBUEFI

JANUARY, 2009

APPROVAL

This project has been read and approved by the undersigned as meeting the requirements of the Post Graduate Board, Faculty of Environmental Studies, University of Nigeria, Enugu Campus.

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DEAN OF FACULTY

DEAN, SCHOOL OF POSTGRADUATE STUDIES

CERTIFICATION

I hereby certify that this dissertation is my own original work and was not lifted from any source. All errors, whether of omission or commission, are entirely my responsibility.

ONWUMERE, VICTOR ONYEMA
STUDENT

DEDICATION

To the Almighty God
with whom all things are possible.

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My career in Estate Management which culminated in the production of this dissertation was accomplished through the Grace, Mercy and care of God Almighty.

My profound gratitude and appreciation go to my project supervisor, Prof. J.U. Ogbuefi who guided me with sound academic advice which resulted to the successful completion of this work. I remain very grateful to all my Lecturers especially, Rev. (Barr.) I.W. Ozigbo, the Acting Head of Department of Estate Management, Prof. J.A. Umeh, Dr. G.O. Udo, K.E.O Iloabuchi, Chief B.U. Ifediora, R.I. Egbenta, M. Adesanmi and others who have kindled in me the interest in this profession.

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ABSTRACT

The real property market constitutes an integral part of the general business economy. The two sectors are so closely related that trends in the business economy may come from or result in changes in the real property market. This work is an attempt to gain an insight into the nature and conditions of the property market under the prevailing economic changes in Nigeria. The resulting problems which have contributed greatly to making real property management a difficult task are highlighted in this work. Hence, the purpose of this study was to critically analyze the effects of economic variations on real property management using Onitsha property market as a case study. The study was able to discover the major causes of economic problems in Nigeria and possible solutions were proffered. Estate Surveyors and Valuers were advised on how to deal with some of the effects of economic variation on Real Property Management. The study also sought to enlighten the public on the importance of the roles of Estate Surveyors and Valuers in the real estate sector of the economy. Recommendations were made to Estate Surveyors towards improving Real Property Management practice in Nigeria. Data on which analysis are based were mainly from administration of questionnaires, oral interviews, personal observations and collection of relevant information from textbooks, journals and papers. The population of the study was fifty (50) practicing Estate Surveyors in Onitsha. Out of these Estate Surveyors, forty (40) of them were drawn through stratified random sampling technique. Forty (40) questionnaires were administered; out of which thirty-eight (38) were used for the analyses. Chi-square (χ^2) test statistics was used to test the hypothesis of the study, which states that there is significant negative effect of Economic Variations on Real Property Management in Onitsha. The result of the study revealed that economic variations in Nigeria have adverse effects on real property management in Onitsha. The test statistics showed that at 0.05 level of significance (χ^2 cal.=44.2500, χ^2 tab.=5.991), there was a significant negative effect of economic changes on real property management in Onitsha. The study revealed that the major cause of economic variations in Nigeria was over-dependence on Petroleum and its allied products at the expense of Agriculture and other sectors of the economy. Inadequate planning of various government recovery policies worsened the situation in the market. These policies had adverse effects on per capita income of the people. There was no co-ordination in pricing system, therefore, the prices of goods and services increased discriminately. The deregulation of interest rate made borrowing for investment purposes very costly. Incessant political, social and religious hostilities disrupted Nigerian economy. Sometimes, problems in the global economy caused economic changes in Nigeria. The study identified the effects of these economic problems on Real Property Management as tedious rent revisions, under estimation of maintenance costs, higher incidence of rent defaults, stagnant rents, delayed maintenance, unrealistic forecasting etc. To stabilize Nigerian economy, more attention should be given to Agriculture and other sectors. The government should come up with measures to solve incessant political, ethnic and religious crises which discouraged foreign investors. The principles of checks and balances should be fully implemented among the three arms of government to check the problem of mismanagement of public funds by those in leadership positions. Estate Surveyors and Valuers operating in a variable economy should analyze and recognize trends in the market to enable them manage economic fluctuations and crises.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF STUDY

The Nigerian civil war which took place between 1967 and 1970, disorganized all sectors of the economy. According to Okongwu (1986, p.11) if we exclude the civil war experience, cyclical swings in oil receipts exerted marked influence from 1974. The petroleum sector exhibited an increasing and dominant influence as regards contributions to government revenue, rising from 1% in 1960 to over 80% as of now. At the same time, partly because of the vagaries of oil, we have now forcefully rediscovered what we had really known all along: that this excessive reliance on crude petroleum exports, this essential replacement of the previous composite vector of “traditional” primary exports with the single, though more lucrative, crude oil vector, does not provide secure foundations for prosecuting deliberate development policy.

Much reliance placed on petroleum and its allied products was the main cause of our economic problems. Moreover, the gains from oil boom were not wisely utilized owing to lack of foresight. At a point in time, our economy became import and consumption oriented. So, when the oil glut hit, we were caught napping. The oil glut is a situation in the oil market where the oil supply substantially exceeds its demand. We became a debtor nation; fell from boom to recession and from grace to grass. The mismanagement of our foreign reserves and public funds and excessive government recurrent expenditure also contributed to our economic problems.

Government economic recovery policies in the short time worsened the situation in the market. Such policies include the Austerity Measure of 1982; Economic Emergency Programme of 1985; the Structural Adjustment Programme of 1986;

Second Tier Foreign Exchange Market; increase in Local Fuel Price to get more revenue for the government, Banning of some imported goods without giving a reasonable period of time to adjust, etc. These policies resulted to serious variations in every sector of the economy.

The study considered the effects of these changes on real property management with a special focus on the Onitsha property market.

1.2 RESEARCH QUESTIONS

The researcher intends to examine the following questions:

1. What is the origin of economic problems in Onitsha as they affect real property management?
2. What are the major causes of economic changes in Onitsha?
3. Is there any relationship between the real estate economy and the general business economy?
4. What are the effects of economic changes on real property management in Onitsha?
5. Is there specialist in real property management?
6. What are the major functions and roles of this specialist?
7. What measures are to be taken by Estate Surveyors operating in a variable economy to achieve positive results?
8. What procedures should be followed in real property management practice?

1.3 PURPOSE OF STUDY

Nigerian economy has been unstable since her independence in 1960 due to some factors. Instability in the economy has been provoking some changes in every sector. It is the purpose of this study to critically analyze the effects of economic changes on real property management with focus on Onitsha property market.

It is also the intention of the study to guide Estate Surveyors operating in a variable economy on the possible ways to cope with the situation to achieve positive results.

1.4 OBJECTIVES OF STUDY

The specific objectives of this research are:

1. To investigate the major cause of economic problems in Onitsha as they affect property market;
2. To suggest possible ways to revamp Onitsha real property market;
3. To establish the relationship between the real estate economy and the general business economy;
4. To ascertain the effects of economic variations on real property management in Onitsha;
5. To encourage Estate Surveyors to always analyze the real property market to enable them manage economic fluctuations and crises;
6. To emphasize the need for employing professional Estate Surveyors in both private and public sectors to offer advise and render property management services in order to make the life of the real property to last longer especially, at this time of economic problems.

1.5 HYPOTHESIS FORMULATION

For the purpose of verification and possible confirmation, this hypothesis is formulated and postulated as follows:

HO: Economic Variations do not have impact on real property management.

HI: Economic Variations have impact on real property management.

1.6 RELEVANCE OF STUDY

Having identified the major causes of economic problems in the study area, recommendations were made to boom the economy.

The study shall encourage the Estate Surveyors and Valuers in the study area to be conversant with the market to enable them manage the effects of economic changes on real property management.

The study shall also enlighten the public to appreciate and patronize the professional services of Estate Surveyors and Valuers which are not very well known.

1.7 SCOPE OF STUDY

The study traced the origin of the economic problems in Nigeria and suggested possible solutions. The policies of the government to revamp the economy led to economic changes. The effects of these economic variations on real property management especially, in Onitsha property market, are vividly emphasized. The relationship between the real estate economy and the general business economy was critically examined. The work reviewed the functions and responsibilities of a property manager; and also, the real property management procedures were demonstrated practically.

1.8 LIMITATIONS OF STUDY

Some factors militated against the success of this work, though the researcher endeavoured to accommodate them. Thus, some of the constraints inherent in the course of carrying out the research include, among others, the peculiar nature of real property market. It is not like commercial markets where one can easily come

face to face with both the buyers and sellers to get information he wants. In real property market, information are not easily circulated among Estate Surveyors. Vital information required by the researcher from some respondent Estate Surveyors were not collected due to pressure of work and other commitments facing them during the time the researcher required those information.

CHAPTER TWO

REVIEW OF THE RELATED LITERATURE

2.1 ECONOMIC VARIATIONS

Variation means varying or being variant. It is a thing that differs from other things or from a standard (Hornby 1989, p. 1412). There are four common different types of economic variations namely: seasonal variations, cyclical fluctuations, long-term movements and random changes. According to Kyle (1983, p. 15) changes that recur at regular intervals at least once a year are called seasonal variations. Such changes arise from both nature and custom. In the northern United States, for example, construction virtually stops during the winter months and this seasonal change affects both the government and the real estate economy.

Historically, economists have concentrated on cyclical fluctuations in the general economy. Business cycles are usually defined as wavelike movements of increasing and decreasing economic prosperity. A cycle consists of four phases: expansion, recession, contraction and revival (Kyle 1983, p. 16).

Long-term movements of the general economy, usually measured over 50 years or more, reflect the overall direction the economy is taking. For example, the steady increase in goods and services produced per capita in the U.S is a long-term movement upward. Such movements are believed to result from population growth and shifts, technological breakthroughs, the rate of savings and investment, and utilization of natural resources. Political, bureaucratic and contingency factors also influence a nation's growth rate. The growth pattern in specific industries is usually quite different from the national long-term growth pattern (Kyle 1983, p. 17).

Random changes are non-periodic fluctuations of the economy that may be caused by legislative and judicial decisions or by strikes, revolutions, wars, fires, storms, floods and other catastrophes. These changes, impossible to predict or analyze, may affect one or more sectors of the aggregate economy. They may affect all industries in an area or one industry nationwide. Real estate activity, especially, construction, is very vulnerable to labour strikes, political changes and natural disasters. One example of a random change with regard to real estate is a national labour strike which would halt construction activity. Another is a zoning ordinance change allowing undeveloped land to be used for industrial purposes, which would stimulate construction activity in that locality. The only way to survive random fluctuations of the economy is to be alert to them and adaptable enough to cope with events as they occur (Kyle 1983, p. 18).

2.2 REAL PROPERTY

The Oxford Advanced Learner's Dictionary, the fourth edition (1989, p. 1044) expresses the term real property as: immovable property, consisting of land, buildings, etc.

Real property includes land as well as buildings and other material improvement on it and legal right relating to these assets. There are many types of real properties. Each type is also made up of separate sub-categories. Real property can be classified according to their ownership, use and physical form. These classifications are Commercial, Residential, Industrial, Agricultural, Recreational, Building Land, Mineral Properties, etc.

There are two broad divisions of property. The first is Real Property also called Realty. This refers to land whether developed or undeveloped. This was the main known form of property over the ages. There are however, other forms of property more abundant in supply because men through their conscious effort can

increase their quantity e.g. clothes, motor cars, books, television sets, etc (Osime 1989, p.74).

Osime (1989, p.74) also emphasized on the peculiar features of real property; he stated that the area of land in any particular locality or country is fixed or limited. Another peculiar feature of land is that it is immovable. For this reason, there are special procedures for its acquisition, tenure and disposition.

While real property is immobile in nature, the other forms of properties mentioned above which are known as personal properties can be freely moved from one place to another.

2.3 REAL PROPERTY MANAGEMENT

Estate/Property Management is defined as: the direction and supervision of an interest in landed property with the aim of securing the optimum return; this return need not always be financial, but may be in terms of social benefit, status, prestige, political power or some other goal or group of goals (Thorncroft 1965, p. 3).

In this definition, “Management” embraces both direction or the overall control of policy. Supervision here entails implementation of the policy. The meaning given to “Estate” is also wide and includes any interest in landed property giving rise to a measure of control.

According to Sangosanya (1983, p.40) real property management is essentially concerned with: the decision to develop, maintain, improve or replace buildings in their setting in order to satisfy or provide physical framework for satisfying human needs. It is therefore concerned with investment decision and economic use of resources. There are five stages in such a process:

- (1) the vision of the idea;
- (2) the analysis of the present position and the resources that are available or could be made available;
- (3) the decision to (develop, maintain, improve or replace), and the preparation of the plan of operation;
- (4) the creation of the bridge from plan to reality, whether it is the bridge of tenure or where an adequate form of ownership already exists, the provision of inspiration, advice or financial help;
- (5) the execution of the work.

2.4 REAL PROPERTY MARKET

The term market has different meanings and as such has become relative to the field of operation, sphere of life and/or context within which it is used. According to Ring and Dasso (1979, p. 39) a market may be defined as:

1. A meeting of people (buyers and sellers) who wish to exchange goods and money;
2. A public place (as in a town) or a large building where a market is held;
3. The region in which any commodity can be sold;
4. The course of commercial activity by which the exchange of commodities within a market area is affected;
5. A body of goods.

However, as applied to real property, the fourth definition suits our purpose. Hence the term market in the context of real property market could be defined as: a course of commercial activity by which the exchange of commodities within a market area is affected (Ring and Dasso 1979, p. 39).

Although a market is usually thought of as a locality, it is rather the interplay of all comprising factors, which will affect the transaction if the subject property is offered for sale. It is not only the sum of the transactions of buying and selling

and renting real property but would also include: all the factors and forces of demand and supply which influence market prices and which affect the rate or intensity of market activity; thus the market is not a particular place (Ratcliff 1961, p. 227).

It is the interplay of such factors which seek primarily to determine demand, supply, rentability and development that function to produce a real property market.

A property may be purchased either for owner's occupation or for investment purposes. Likewise, the real property market could be a rental market involving transfer of real property ownership.

Real property market operations are classified according to the type of property traded. The kinds of real property market recognized as specialized fields of operation include:

- (1) Residential;
- (2) Commercial;
- (3) Industrial;
- (4) Agricultural;
- (5) Special Properties, etc.

2.5 REAL PROPERTY MARKET ANALYSIS

A neighborhood that has a diversified yet well-integrated business sector is in better economic condition than an area that depends on a single major industry for its support. If that company moves, the economic framework of the area would probably collapse. The property manager can draw upon several sources of statistical information for help in assessing the economic health of a neighborhood. Brokers, appraisers and local newspapers are fruitful sources, as is the local chamber of commerce, which should be able to supply data on the

number and type of businesses in the area, the volume of their activity, and the general trend of growth in the past. Neighborhood financial institutions are another important barometer of the area economy. The volume of mortgage loans outstanding reflects the overall confidence in the real estate market. If banks will not make loans for which property in the area serves as collateral, it is a fairly safe assumption that the value of real estate in the neighborhood is declining.

The property manager must also try to assess the potential for growth within the community. Provided there are no natural or artificial boundaries or local zoning restrictions, the opportunity for growth will depend upon the amount of existing competition in the neighborhood and on the availability of loans for construction or expansion. An inverse relationship exists between mortgage interest rates and business activity: as interest rates climb, business growth drops. The manager of commercial or industrial property can secure this and other meaningful information from the local chamber of commerce and banking institutions.

Rental rates currently being charged in the neighborhood are another sound indicator of the present economic strength of the real estate market. When space is in short supply, rents are high. The consumer price index published by the Bureau of Labor Statistics displays trends in rental schedules in 20 sample cities. Housing classifieds placed in local newspapers over the past couple of years will yield information on a particular neighborhood. The best and most reliable information, of course, is obtained by the property manager through telephone calls to local businesspersons and a thorough shopping of the competition (Kyle 1983, pp. 22-23).

2.6 SUPPLY AND DEMAND ANALYSIS

The occupancy rate for a particular type of property reflects the relationship between supply and demand for that type of space at its current rental level. As

occupancy and vacancy rates are continually fluctuating, so too are supply and demand.

A high occupancy rate indicates a shortage of space and the possibility of rental increase. A low rate, as evidenced by many “for rent” signs posted in the area, will result in tenant demands for lower rents, decorating or tenant alteration allowances, and other concessions on the part of the landlord, such as free rent or gifts of appliances.

The oversupply of space which results in low occupancy rates can be either technical or economic in nature. Technical oversupply occurs when there are more units available than potential tenants, while economic oversupply reflects the fact that the space available is priced beyond the purchasing power of the potential tenants.

Statistics on vacancy rates can be obtained from the U.S Census Bureau, from current regional housing reports published by the Department of Commerce or from local owner-manager associations. The Building Owners and Managers Association publishes local occupancy surveys that are useful to commercial property managers. Local utility companies are another fruitful source of information concerning occupancy levels. The number of inoperative meters corresponds roughly to the amount of vacant space. Useful information on vacancy rates can be collected from the office of the National Population Commission in Nigeria.

To find out whether occupancy levels for a given type of property are rising or falling, and how rapidly, the property manager must survey comparable properties. The amount of similar existing space and vacancy levels in the neighborhood must be inventoried according to building type, age, size, location, features and rental schedule. New construction must also be noted. The second step in analyzing occupancy trends is matching the local tenant population to the

available space. Of interest here are the number and density of potential tenants, their ability and willingness to lease, and the stability and trend of their financial resources or income.

Information about the tenant population (whether individual, as with residential properties, or corporate, as with office space) can be obtained through government agencies, local chambers of commerce, and other outlets. The manager must then project the growth rate of the market based on past economic trends and current conditions.

Social and Cultural Aspects: The final checkpoint in the manager's survey of a neighborhood is more relevant to residential property managers than to managers of commercial or industrial real estate. Nonetheless, any amenities that make the neighborhood attractive to potential residents will indirectly benefit business and industry by providing a local pool of potential consumers and employees. When touring the neighborhood, the manager should note the number and location of parks, playgrounds, theaters, restaurants, schools, colleges, churches, and any other social or cultural organizations that will be attractive to potential tenants (Kyle 1983, pp. 23-24).

2.7 EVALUATION OF THE MARKET DATA

Once the regional and neighborhood market surveys are complete, the manager must analyze the information concerning transportation facilities, economic conditions, type and amount of similar space, rental schedules, and population composition. When reviewing this data, the manager must keep in mind the special features of his or her particular type of property and the needs of the potential tenants.

Industrial property managers should pay attention to opportunities for expansion, transportation facilities, special utility services, the availability of raw materials,

and the potential work force in the area. In most locales, the chamber of commerce will have this information available. Traffic counts and patterns, the location of competitors, public transportation facilities, parking space, and the median income of the population are deciding factors for the manager of commercial property. Residential property managers will be most concerned with the size of family units, the median income level, population trends, current employment rates and the area's social and cultural facilities.

By reconciling the data gathered from market surveys with the specific features of a particular property and the current rental rates in the area, the manager can arrive at the optimum price for a standard unit of that type within the market area. From this figure the base expected income for the property can be calculated. Regional and neighborhood analysis are only as reliable as the judgments behind them. It takes a professional property manager who is knowledgeable about real estate economic cycles to assess their impact on future trends in his or her own market area, and thus be able to take advantage of this knowledge (Kyle 1983, p. 24).

CHAPTER THREE

RESEARCH METHODOLOGY AND THE STUDY AREA

3.1 RESEARCH METHOD USED

The kind of study being conducted` to a great extent determines the kind of research method to adopt. Due to the nature of research embarked upon, survey research method was used in collecting the required data. Questionnaire was designed and distributed to practicing Estate Surveyors and Valuers in Onitsha, the study area. Chi-square (X^2) test statistics was used to test the hypothesis of the study. This technique will make it possible to explain how a dependent variable varies as its determinants, the independent variable varies.

3.2 THE RESEARCH POPULATION

Population data collected have approximately been presented in statistical table. To estimate the population of Onitsha for 2008 using the 2006 population census figures, the formula: $pn = p(1+r)^n$ has been used. The formula can be explained as:

pn is the projected population;

n is the number of years of projection;

r is the rate of population growth

p is the base population.

According to the 1991 population distribution in Local Government Area by sex and number of households, Onitsha was divided into South and North with a projected population growth of 2.25% yearly. The 2006 population census distribution figures in Onitsha are shown below:

Table 3.1

2006 POPULATION CENSUS DISTRIBUTION IN ONITSHA:

L.G.A	MALE	FEMALE	TOTAL
Onitsha North	63,304`	61,638	124,942
Onitsha South	72,204	64,458	136,662
Total	135,508	126,096	261,604

Source: National Population Commission Office, Awka, January, 2008.

According to 2006 population census, the total number of people in Onitsha was 261,604. From personal observation of the researcher, the total number of people in Onitsha is more than the number approved by National Population commission. This shows that the census was not properly conducted in Onitsha. The 2008 figure can be calculated thus:

$pn = p(1+r)^n$ where:

pn = Projected 2008 population;

p = the base population ie, 261,604;

r = rate of population growth ie, 2.25%;

n = the number of years of projection ie, 2 years.

$$pn = 261,604(1+2.25\%)^2$$

$$pn = 261,604(1+0.225)^2$$

$$pn = 261,604(1.0225)^2$$

$$pn = 261,604(1.0455063)$$

$$pn = 273,508 \text{ people}$$

There is increase in population from 261,604 to 273,508 between 2006 and 2008. This shows about 4.6% increase in population of Onitsha residents. It equally indicates that there is relative increase in demand for properties for residential purposes.

3.3 SOURCES OF DATA

The materials used in this study were collected from both primary and secondary sources. The primary data were sourced through the administration of questionnaires on practicing Estate Surveyors and Valuers in Onitsha, oral interviews and personal observations. Secondary data were collected through related published and unpublished literatures, statistical books, estate journals, seminar papers and textbooks.

3.4 DATA COLLECTION PROCEDURES

Different data collecting procedures were used in this study. This is to enable the researcher collect all the necessary information that can lend credibility to the study. One of the major data collecting procedures used was the administration of questionnaire. The questions were simply designed to get the relevant facts needed for the study. The population of the study was fifty (50) practicing Estate Surveyors in Onitsha. Out of these Estate Surveyors, forty (40) of them were drawn. Forty (40) questionnaires were administered; out of which thirty-eight (38) were used for the analyses.

The researcher took time to collect important related information from personal observations, textbooks, journals, papers and the internet.

3.5 THE STUDY AREA

Landed property values have been rising throughout the country, but more pronounced in the urban and commercial centres such as Onitsha. Onitsha, the rich commercial nerve center of Anambra State, is in many ways a unique town. The town located on the fringes of the River Niger is basically a business centre with a population of well over one million people. It is divided into two Local

Government Areas namely Onitsha-North with the headquarters at the Inland Town, Onitsha South with the headquarters at Fegge and some parts carved into the Ogbaru Local Government Area with the headquarters at Atani.

In recent times however, these divisions have helped to make Onitsha more business-oriented, for every segment works effortlessly to out do the other, especially in the area of revenue generation and infrastructural development. Significantly, therefore, Onitsha has grown to be one of the largest commercial cities hosting the biggest market in West Africa. Renowned as the “Taiwan of Africa,” Onitsha is the gateway to the eastern States of Nigeria.

3.6 LAND USE PATTERN

1. RESIDENTIAL AREA

Four types of housing areas can be distinguished: the traditional villages, Hausa Quarters, Township Housing and Government properties. Housing qualities and condition vary considerably in these areas. Housing conditions range from traditional mud and wattle housing in the high density area to the single family housing in the low density area.

In addition to the existing residential areas, new layouts covering vast areas of land are planned and developed by the government and private developers.

2. COMMERCIAL AREAS

Commercial activities are mostly concentrated around the markets. In Onitsha, there are major market facilities namely: the Main Market, the Relief Market and the Bridge Head Market. The Main Market is located near the River Niger. It is surrounded on three sides by shopping streets and adjacent to New Market Road

where we have concentration of Banks. The land value in this zone is very high. The Bridge Head Market specializes in timber products, building materials and drugs. The Relief Market, approximately three kilometers south of the Main Market, relieves pressures on the Main Market and provides services to the adjacent residential areas.

3. INDUSTRIAL AREAS

Industrial development in Onitsha is growing fast. We have Life Brewery Company Limited, Coca-Cola Plant, Dozzy Industries Limited, Limca Plant and so on. Concrete block moulding, saw milling, painting, bakery and motor vehicle repairers' workshops are additional small scale industrial activities that are found in the city.

3.7 CLASSIFICATION OF RESIDENTIAL AREAS IN ONITSHA

A residential area is an area where the dominant use is mainly residential with other services provided.

The residential areas in Onitsha are classified into three major areas:

- (a) The low density areas
- (b) The medium density areas
- (c) The high density areas

The density of an area can be measured by:

- (a) Volumetric density
- (b) Population density

(A) VOLUMETRIC DENSITY

There are two types of volumetric densities:

- (i) **Physical coverage:** This represents the area covered by the ground floor of a building within the plot on which it is built. This is ascertained by adding all the set-backs namely front, side and rear set-backs. The area is called free space in town planning parlance.
- (ii) **Total Floor Area:** In this type of volumetric density the total floor area of the building is measured against the total area of the plot.

(B) POPULATION DENSITY

Population density is preferred because there is always the necessity to provide adequately for the correct number of people residing in a particular area during planning for building and construction scheme. The various means of expressing residential density and their relative merits can be described briefly. It can be measured in terms of dwelling, habitable rooms, persons or bed-spaces per hectare. The purpose of surveying prevailing densities is to ascertain the degree of comfort that exists throughout the community, pinpoint the areas of need, relate the size of the population and provision of services and permit the monitoring of a plan performance. This means that the higher the number of people existing in a particular area, the higher the density of the area. The population density assists in providing an idea of how amenities and services in a particular area are shared among the inhabitants.

3.8 THE CHARACTERISTICS OF LOW, MEDIUM AND HIGH DENSITY AREA

(a) LOW DENSITY AREA

The dwelling units per hectare of this area is usually low. The plot sizes are large and in most cases the dimension are about 100 by 100 or even 200 by 200 meters. Properties within such area are in good repair conditions and include mainly storey houses, detached bungalows, duplexes and a few scattered building in form

of flats. G.R.A, Trans-Nkisi Layout and Housing Estate are classified as low density areas. A low density area is well provided with amenities such as telephone services, pipe borne water, electricity, good roads and well laid out.

(b) MEDIUM DENSITY AREAS

A medium density area can be described as an area having not more than 360 persons per hectare measured solely on the basis of residential land within layouts or 200 persons per hectare measured against the total land areas of new developments. A medium density area is more populated than the low density area. Its characteristics include blocks of flats, shops and supermarkets scattered within the neighbourhood and single family units with high volumetric ratio. The height of buildings are usually restricted to 2 floors or at most 3 floors.

Amenities like electricity, telephone services, street light, roads, etc are present in this area but not as predominant as in a low density area. Where one flat may have one toilet in medium density area, three to four may be provided for a family house in a low density area. Good examples of medium density areas in Onitsha are Inland Town and Omagba Phases 1 and II.

(c) HIGH DENSITY AREA

High density area in Onitsha are associated with specific phenomena such as lack of adequate housing, higher land coverage, smaller lot and dwelling unit areas, high occupancy rates, rooms and shanties as opposed to house. Better access to the urban system is usually gained through higher densities. The incidence of diseases is much higher than expected when adequate water and sanitation facilities are not provided.

Migration is a major reason causing high densities. The migrants are people from the rural areas to urban areas in search of jobs. Others migrate for adventure, to escape from political, religious and racial conflicts. The offer of lucrative jobs abroad attracts technicians, engineers, teachers and administrators from other countries who believe that a developing country offers greater prospects for economic improvement than their homeland. In Nigeria presently, migrants for such reasons are beginning to realize that the country's economy is no longer vibrant as it used to be. Migrants within the country from rural to urban areas are not easily employed. Therefore, they tend to accumulate in areas which offer low rents. These areas are highly occupied as a result, despite the fact that they offer the lowest qualities of amenities and comfort. Tenement buildings abound in these areas with about six families sharing common low quality amenities such as a single tap and one water cistern.

There is a general neglect for management and maintenance works. Very few qualified Estate Surveyors are employed in these areas. At this time of economic depression of our nation, landlords would prefer to maintain their properties themselves or through caretakers. Areas classified as high density are Odoakpu, Otu, Woliwo, and Fegge areas.

3.9 THE PARTICIPANTS IN REAL ESTATE MANAGEMENT IN ONITSHA

The different participants in real estate management in Onitsha are listed and treated singly. They are:

- (a) Qualified Estate Surveyors
- (b) Administrators
- (c) Quacks
- (d) Individual
- (e) Caretakers

(a) **QUALIFIED ESTATE SURVEYORS**

Estate Management may be defined as: The direction and supervision of an interest in landed property with aim of securing the optimum return; this return need not be financial, but may be in term of social benefits, status, prestige, political power or some other goal or group of goals (Thorncroft, 1965, p. 3).

The emphases are on “direction and supervision” which ultimately secures for the investor “optimum return.”

The man who directs and supervises is the Estate Surveyor specializing in property management – a man who has graduated through years of rigorous training and practical experience in Estate Management (Udo-Akagha, 1981, p. 10).

The importance of Estate Surveyors are not widely appreciated in Onitsha mainly due to lack of adequate enlightenment about the capabilities of Estate Managers. Some of the enlightened members of the society and the rest of the public neglect or misunderstand the functions of Estate Surveyors and discourage landlords from allowing Estate Surveyors to manage their properties for them. The Nigerian institution of Estate Surveyors and Valuers directory should help to enlighten the public by using methods like: television programmes, radio discussions and newspaper articles. These methods shall help to convey the message down to the grass root.

Estate Surveyor as a professional in property management may be employed by the client to take care of collection of rents, rates, insurance, electricity bills, repairs and other management functions. Such a client may be a lawyer, a doctor, an engineer, a business man, etc. He employs the Estate Surveyor because he does not have time to take care of such activities. The Estate Surveyor may be

employed by a tenant to take care of such matters as repairs to broken pipes and to help him understand the term of a lease granted to him by the landlord.

Some people think that management of an estate involves only a day to day maintenance arising from tenants complaints hence, everybody claim to be capable of performing estate management functions. Estate management goes beyond what people think it is, hence, a professional Estate Surveyor makes sure that he obtains optimum return from the various properties in his care. He tries to render his service at a reasonable cost.

Before any Estate Surveyor undertakes the management of any estate, a lot of factors are taken into consideration. They includes the following:

1. Legal
2. Physical
3. Economic
4. Political

1. LEGAL

An Estate Surveyor will not undertake any management function if the property violets any planning law, building ordinance and other law concerning the property. Details of both state and federal laws are studied to discover how they affect the quality and extent of management control and functions. He also checks if the land on which the building stands is covered by a certificate of occupancy and that the building plan has been approved by the relevant authorities.

2. PHYSICAL

The next concern of the Estate Surveyor is the size, shape, standard and state of repairs of the property including other factors that may affect management functions.

3. ECONOMIC

The Estate Surveyor's next priority is to study the property market to see if the property can be sold easily in case of unforeseen circumstances. The economic condition of the country should also be taken into consideration. In this present state of our economy, the Estate Surveyor tries as much as possible to educate the potential investors on the importance of utilizing lowest cost. He also checks the possibility of changing the property from one use to another to be able to attract potential tenants at anytime.

4. POLITICAL

The management surveyor analyzes the governmental structures in the Management of public estates. He ensures that he advises his client against constructing a residential property on an area marked out for commercial or industrial use only.

(b) ADMINISTRATORS

They are concerned with the effective utilization of resources in the attainment of desired goals. Real Estate Administrations thus are concerned with location factors, market and political trends, government regulation and legal framework.

An Administrator may be required if a man dies in testate. The will entrusts all his properties on a trustee on behalf of his beneficiaries. The Administrator's job here is to share the proceeds of the properties or the properties themselves as directed by the will. A lawyer, engineer, an architect or a professional Estate Surveyor and Valuer may be an Administrator.

(c) **QUACKS**

These are unskilled practitioners in the field of estate management who engage in management function.

They are not guided by the ethics and standard of the estate management profession, so they can do anything to make money. This is why most landlords employ them especially in this time of economic depression. Quacks merely collect rents disregarding other important management functions.

(d) **INDIVIDUALS (LANDLORDS)**

An estimated figure of about 10% are residential properties managed by the landlord themselves. Management functions by individuals are undertaken because of ignorance and illiteracy. These individuals believe that the Estate Surveyor's functions only end in rent collections and maintenance. Landlords often consider the fees charged by Estate Surveyors as a waste especially, at this time of economic depression.

Since the economy of Nigeria is no longer viable, this has resulted in the reduction of house construction thereby causing a shortage of available accommodation. A lot of individuals seize this opportunity to provide house of low quality knowing that people will rush to occupy these properties. In cases like this, the landlord does not see the need for an Estate Surveyor since tenants do not complain and he collects rent regularly. The owner-managed properties are often ill managed and seen in the less developed part of the town; without adequate access road. The rents of some of these properties are low that might provide no room for maintenance and repairs.

(f) **CARETAKERS**

The caretakers have limited powers and instructions but primarily, their duty is to collect rent on behalf of the landlord and sometimes carry out emergency repairs; they are also expected to resolve tenant quarrels.

In terms of fees, caretakers are allowed rent subsidies by the landlords. This could come in different forms; for instance, the caretaker may occupy one flat in case of a block of flats or a room in case of tenement buildings. In some cases, they pay half of the rent passing in the accommodation they occupy; although in some other cases, they do not pay.

3.10 THE REAL ESTATE FRAMEWORK OF ONITSHA

Man's use of land and real estate resources takes place within a three-fold framework. This framework involves the impact that physical and biological factors, economic considerations and institutional arrangement have on private and public decisions relative to land use. Together, these three set of factors set the limits as to what individuals, groups and government can accomplish with any given level of technology in their development utilization and conservation of land resources (Barlowe 1978, p. 5).

In the remaining part of this chapter, the framework within which real estate development in Onitsha takes place will be explained.

3.11 THE PHYSICAL FRAME WORK

(a) **TOPOGRAPH AND GEOLOGY**

Onitsha has a flat terrain: though in the east, small rolling hills run north to south. Geological studies show that Onitsha is an area of tertiary deposits of coastal plain sands. Soils developed on this formation are generally on high load bearing capacity, which is good for real estate development. The major problem to physical development in the area is that of drainage. Because of its flat nature, natural drainage in the area is very inefficient. Hence, for any major development, artificial drainage system must be adequately provided for.

(b) **CLIMATE**

Onitsha is in the south equatorial climate region of Nigeria. Its average annual rainfall is about 244cm. Mean annual temperature ranges from 23°C to 37°C. Daily temperature range is relatively low – averaging 9°C. Relative humidity is always in the region of 65% to 85%. Onitsha is predominantly influenced, almost throughout the year by the moisture-laden south-west-trade winds, except, of course, in the dry months of December and January when the harmattan reigns supreme.

(c) **VEGETATION**

Onitsha falls within the high forest belt of Niger. However, under man's influence, the physical landscape of the area has been so defaced that the natural vegetation has completely disappeared. In the unbuilt surrounding areas, the vegetative cover is mainly light ticket with trees better classed as shrubs than as anything that should be expected of a rain-forest zone. While the light tickets make clearing for development less costly, the absence of the thick original vegetation exposes everything to the scorching sun; making adequate landscaping very necessary in large estates development. The cost implication of this is not in doubt.

(d) **THE HOUSING AREAS**

In terms of hectarage allocation, housing is the most important land use in Onitsha urban. Of the total 6,450 hectares of the planned town area, 2,110 hectares (or 38% of the total area) are allocated to housing alone. Of this total ear-marked for housing, existing residential areas cover about 1,450 hectares. An estimate of about 660 hectares remaining are yet to be committed to either private or government layout. The present main housing areas can be classified into formal and informal housing sectors.

The informal sector is made up mainly of the traditional areas of Inland town, Odoakpu and Otu. These are areas in which real estate developments have largely taken place without adherence to formal physical development process. Because in these areas, there were little or no adequate planning and control, road and building alignment are in most cases disorderly. While some buildings were developed in clusters, others were linearly arranged.

The informal housing areas are estimated to have gross residential densities of 350-500 persons per hectare. These areas have problems of over-crowding, congestion, poor environmental outlook and inadequate supply of essential social and infrastructure amenities.

The formal housing areas include Omagba Phases 1 and II, G.R.A; Trans Nkisi and Housing Estate. These are areas where there have been conscious efforts at planning and control of land use. In these areas, single plots abound and they are usually developed independent of one another. These areas are basically low and medium density areas with very high building standards. Their gross residential densities are planned to be 50 persons per hectare.

3.12 INSTITUTIONAL FRAMEWORK

Institutional framework is concerned with the role man's cultural environment and the forces of social and collective action play in influencing his behaviours as an individuals and a member of his family, his various groups and his communities (Barlowe 1978, p.5).

Originally, land in Igboland was held to be sacred and was not a subject of pure market transactions. But the advent of the Europeans in our scene which brought about the "Monetization" of the economy necessitated changes in the social set up and in the collective system of belief, particularly, with regard to real estate holding. Hence, land and improvement on it can today undergo any form of market transaction, subject only to modern laws contained in our constitution, town and country planning laws, the land use decree and the rent edicts. This applies more so in the urban areas. Other rules to which developments in Onitsha must conform are those contained in the urban and Regional Planning Act of 1992 and the various residential layout schemes in Onitsha.

(a) THE LAND USE DECREE NO. 6 OF 1978

The decree vests all land comprised in the territory of each state in the Military Governor (now civilian Governor) of that state and such land should be held in trust and administered for the use and common benefit of all Nigerians (sections 1).

As from the commencement of the Decree (Act), all land in urban areas shall be under the control and management of the military governors of each state (sec. 2).

He is to be assisted in this function by the land use and Allocation Committee. The Military Governor of Anambra state in exercise of the power conferred on

him by section 3 of the Decree, designed seven urban areas which included Onitsha. This declaration was done on the 23rd January, 1979.

Statutory Right of Occupancy and Customary Right of Occupancy are granted to the owners of land in urban and rural areas respectively. Such a grant is subject to the payment by the person having the grant of annual ground rents and can be revoked by the Governor at any time for:

- a. Overriding public interest; or
- b. A breach of and/or non-compliance with the provisions of the decree certificate of occupancy.

Sections 34(5) and (6) stipulates that on the commencement of the decree, no person shall be allowed to hold more than 0.5 hectares of undeveloped land in any urban area. Where a person or group of persons holds/hold undeveloped land in excess of the said 0.5 hectares, he or they shall forfeit the excess to the Military Governor. The Decree made no provision as to the payment of compensation for the said forfeiture.

Under the Decree, the holders of a statutory right of occupancy has the sole right to and absolute possession of all the improvements on the land; and he may subject to the prior consent of the Military Governor, transfer, assign, or mortgage any improvement on the land which have been affected pursuant to the terms and conditions of the Certificate of Occupancy relating to the land (sec. 15(b)).

It is not lawful for a holder of a right of occupancy granted by the Military Governor to alienate his right of occupancy or any part thereof by assignment, mortgage, transfer of possession, sub-lease or otherwise however, without the consent of the Military Governor first had and obtained (sec. 22)

A careful developer should find out the scheme within which his development falls and should study same to ensure strict compliance with it.

(b) INSTITUTIONS CONCERNED WITH HOUSING IN ONITSHA

The Town Planning Authority is one of the institutions associated with housing in Onitsha area. It has three divisions and these are:

- (i) Survey Division – This is responsible for the production of maps and carrying out of surveys on state lands;
- (ii) The Lands Division processes and issue certificate of occupancy in collaboration with the land use and Allocation Committee;
- (iii) The urban planning Divisions coordinates planning activities throughout the state, in addition to the production of layouts plane

3.13 THE ECONOMIC FRAMEWORK

Onitsha has estimated population figure of over 300,000 persons and an estimated 500 persons per kilometer. There is little or nothing the public sector can do to significantly increase housing supply in Onitsha. Hence, expectation to do this is on the private sector. But since the present economic situation is a big blow on the developers, the maintenance service rendered by the Estate Surveyors which helps to keep the already built houses functional cannot be over emphasized.

The effective demand for housing depends very heavily on the income potentials of those who need the houses.

(a) LAND COSTS

The demand for building lands in Onitsha exceeds its supply. The state land allocation is cheaper, but access to it is very difficult and rigorous. Hence, developers are forced to purchase undeveloped land from the open market.

(b) DEVELOPMENT COST

A Quantity Surveyor interviewed in the course of this work was of the opinion that in Onitsha urban area, the cost per square meter of the superficial floor area of erecting a bungalow is in the region of ₦25,000 to ₦33,000 and for blocks of flats of three floors and above, the rate ranges from ₦45,000 to ₦52,000 per square meter of the superficial floor area. These rates do not include the cost of acquiring land.

(c) SOURCES AND STRUCTURE OF HOUSING FINANCE IN ONITSHA

In addition to personal savings and loans from friends and relations, developers in Onitsha also depend on housing finance from the following institutional sources:

- a. The Federal Mortgage Bank of Nigeria, now – the Federal Mortgage Finance Ltd.
- b. Insurance Companies and workers' Provident Funds;
- c. The Commercial Banks;
- d. The World Bank Urban Development Assisted Project;
- e. Staff/Teachers' Housing Schemes.

The last source is virtually not operational. The second to the last is mainly for the low income earners. Hence, it is only the first three sources that the large scale developers can feel their pulse. Some Banks and other finance institutions require collateral in form of landed property as a security for the loan.

(d) INTEREST RATE

For the Commercial Banks, amortization period for loan granted for estate development hardly exceeds 8 years. For the Federal Mortgage Finance Limited, the amortization period for residential developments has been reduced from 25

years to 15 years. The interest rate has been very high because of the present economic problem. Some banks were even charging above 18%.

(e) TAX LOADING

Income from properties are taxed on the same basis with other incomes. Tax on property income in Anambra State is so low after statutory allowances are deducted. It does not significantly influence decisions in real estate development. Property rates are calculated at 10% per naira of the Net Annual Value of each assessed property. Development rates and betterment levies exist only in the statute books. Capital transfer tax is presently not being implemented strictly. On the whole, taxation has not yet become a decisive factor in private real estate development planning in the study area.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

4.1 ANALYSIS OF QUESTIONNAIRE RESPONSES

The objectives of this study were stated in chapter one. To be able to achieve these objectives, questionnaires (see Appendix 1) were constructed and administered to Practicing Estate Surveyors and Valuers in Onitsha. The questionnaire contains relevant questions such as whether economic variations exist in Nigerian economy or not; the causes of economic variations in Nigeria; the effects of economic variations on Real Property Management practice in Onitsha and the remedies to the effects of economic variations on Real Property Management.

For easy understanding of the research, the data collected during the field investigation are presented and analysed accordingly.

4.2 HYPOTHESIS TESTING

Chi-square statistics test was used in testing the hypothesis of the study. The Chi-square distribution may be defined as the sum of the squares of independent normally distributed variables with zero means and unit variance. If y_1, y_2, \dots, Y_n , are normally distributed variables with mean, μ and variance, σ^2 ; then these variables may be standardized by the transformation:

$$X_1 = \frac{y_1 - \mu}{\sigma}$$

The variable X_1 will also be normally distributed with a mean of zero and a

variable of one. The statistic χ^2 , which is the

$$\sum_{i=1}^n x_i^2 \text{ is the Chi-square distribution.}$$

Though Chi-square is a statistic, it is denoted by a Greek letter as it has no parameter.

The Chi-square distribution can be best applied to the solution of practical problems when expressed in the following form:

$$\chi^2 = \sum \frac{(f_o - f_e)^2}{f_e}$$

where:

f_o = an observed frequency;

f_e = an expected frequency.

In view of the research topic “A Critical Analysis of the Effects of Economic Variations on Real Property Management: A Case Study of Onitsha Property Market”, the acceptance or rejection of the null hypothesis is based on the result of the test using the responses to the questionnaires administered to practicing Estate Surveyors and Valuers. This can be seen in a number of sequentially ordered steps as demonstrated below:

1. **H₀**: Economic variations do not have effects on Real Property Management
2. **H₁**: Economic variations have effects on Real Property Management.
3. An α of 0.05 (one tail test) requires a χ^2 value of 5.991 (column in the Chi-square table headed 0.05 with two degree of freedom).
4. **Criterion:** Accept H_0 (reject H_1) if $\chi^2 < 5.991$

or Reject H_0 (accept H_1) if $X^2 > 5.991$

$$\text{Where } X^2 = \sum \frac{(f_0 - f_e)^2}{f_e}$$

5. Using the following data, Chi-square is computed in the table 4.1 below:

Table 4.1

Response	F_o	F_e	$(F_o - F_e)$	$(F_o - F_e)^2$	$(F_o - F_e)^2 / F_e$
Yes	32	12.67	19.33	373.65	29.49
No	3	12.67	-9.67	93.51	7.38
Indifferent	3	12.67	-9.67	93.51	7.38
Total	38	38.00	-0.01		44.25

6. **Decision:** Since the computed X^2 value is greater than the critical value $\{ (X^2(44.2500) > x^2(5.991)) \}$, we accept the yes hypothesis (H_1) and then conclude that “Economic Variations have adverse Effects on Real Property Management in Onitsha.”

4.3 RELATIONSHIP BETWEEN THE ECONOMY AND REAL PROPERTY MARKET

The real property market constitutes a major integral part of the general business economy. The two sectors are so closely related that trends in the business economy may come from or result in changes in the real property market. They have a direct relationship. Let RPM and GBE represent the real property market and the general business economy respectively. Then, the equation connecting the two quantities is:

$$\underline{\text{RPM}} = K$$

$$\text{GBE} \quad \text{Or } \text{RPM} = K(\text{GBE})$$

This means the ratio of RPM to GBE is always constant. The relationship may also be written, $\text{RPM} \propto \text{GBE}$, which reads RPM is proportional to GBE. The graph of RPM plotted against GBE is a straight line through the origin. It is obvious that if RPM is doubled, GBE must also be doubled. If GBE is halved, RPM must be halved and so on. The relationship is further illustrated graphically.

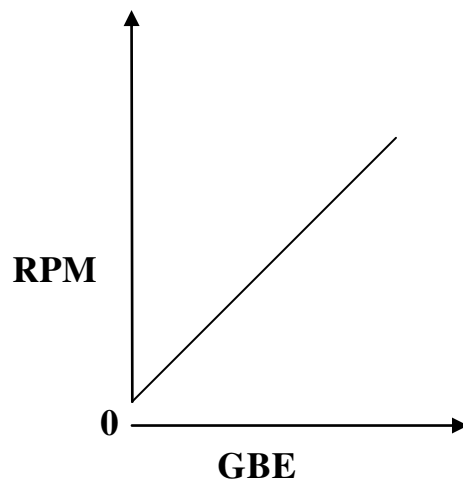


Figure 4.1: The graphical illustration of the relationship between Real Property Market (RPM) and General Business Economy (GBE).

4.4 ILLUSTRATION OF ECONOMIC VARIATIONS WITH THE RENTAL MARKET

Construction cycles in residential, commercial and industrial properties are important to the property manager because they influence supply and demand for various kinds of rental accommodation. During the expansion phase (see fig. 4.4) of the building industries, the rental market is generally good and vacancy rates are low. Construction activities increase at this phase. The country is working at near full-employment level; wages and consumer purchasing power climb to their

highest point. The demand for goods and space (accommodation) increase. Prices increase due to greater demand and the purchasing value of the naira decreases. Credit is equally eased and more money becomes available for purchasing. At the same time, the increased profits earned by developers attract new capital for the continued expansion of construction activities to meet space demand.

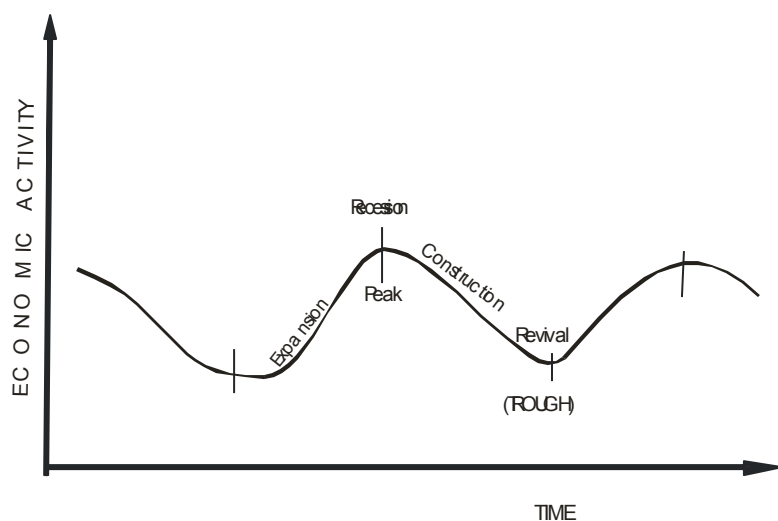


FIGURE 4.4: THE CONSTRUCTION CYCLE

As the cycle peaks, the supply of let-able accommodation equals and exceeds the demand. At this point, rent begins to fall and vacancy rates increase. During the contraction phase, the rental market is poor and vacancy rates are high. The property owners begin to compete for tenants. The result is a drastic reduction in rents.

When the cycle reaches the trough stage, the demand for space once again equals its supply. At a time, the demand begins to surpass the supply of available space causing rental rates as well as construction activities to increase.

A special feature of the real estate rental market is its tendency to undergo a severe and prolonged contraction phase. When the supply of a manufactured product exceeds the demand for it, the manufacturer is able to cut back on output in order to balance supply and demand. However, during contraction of the real property rental market, property owners cannot reduce the amount of leasable

space in their buildings. Let-able accommodation that was constructed to meet business and consumers' needs at the peak of the cycle remains. Vacancy rates increase as the downward trend becomes more severe. Since a minimum rental rate must be charged to cover operating expenses on the property, rental rates generally do not drop below a certain point. Some property owners may decide to take their unlet space off the market rather than losing reasonable money. Some developers who are unable to subsidize the property, will sell at distressed prices and mortgages will repossess others.

4.5 WHO IS A PROPERTY MANAGER?

A property manager is a man or woman who has acquired the necessary skills and is involved in leading a team of functionaries engaged in directing and supervising real property with the purpose of securing the ultimate objective of the owners.

A professionally trained property manager in this context is an Estate Surveyor and Valuer where an Estate Surveyor and Valuer is a person who has been registered by the Estate Surveyors and Valuers Registration Board of Nigeria. Property managers can be classified into two main groups: Internal and External property managers. Internal property managers are those who are employed directly by property or estate owners who may be private business organization such as Banks, Insurance companies, trading and manufacturing concerns, or by Federal, State or Local Government including Government parastatals such as NEPA, NPA, NNPC, etc. External property managers consists of firms and Individual Estate Surveyors and Valuers in private practice who are retained by property owners to provide a complete or partial range of property management services. He represents the client and acts as a mediator between the tenants and landlord.

4.6 FUNCTIONS OF A PROPERTY MANAGER

In a normal Management Contract Agreement, the range of services required to be provided by a property manager can be classified into the following:

1. Determination of rental value, collection of rent, keeping and rendering of accounts for rent collected.
2. Keeping of property register and records which will provide necessary data on the property, including location, details of ownership, details of tenants, long range diary of events, details of rent reviews, etc. The records should be kept in such a manner that the events could be picked up and acted upon in good time.
3. Dealing with the selection of tenants, negotiating and agreeing terms and ensuring that tenancies/leases/sub-leases are appropriately documented and where consents are required, ensuring that such consents are obtained.
4. Ensuring that the covenants either in a head-lease, in a certificate of occupancy or other forms of conveyance are observed and performed, including payment of ground rents and development charges.
5. Dealing with tenement, general and water rates, ensuring collection from those liable to pay and that payments are made promptly to the relevant authorities.
6. Advising on adequate insurance for the property, reviewing the sum insured at required intervals and ensuring that premium is paid regularly.
7. Where services are provided such as in blocks of flats or in other multiple occupation property, ensuring that such services are run to the satisfaction of both owners and tenants. This will also involve the determination and collection of service charges. In this connection, it is advisable to remember that service items such as lifts, generators, pumps, etc, will usually require replacement at some time

in the future. Therefore, a provision for this should be included in the service charge account.

8. **Selection and supervision of staff for the property:-** This will consist mainly of porters, lift operators, cleaners, electrical and mechanical technicians who are engaged directly and exclusively for a particular property. Sometimes the services of such staff are contracted to specialize organizations; in such cases the property manager will invariably negotiate, agree on terms and enter into service contracts.
9. **Day to day maintenance:-** Having established records of the property portfolio the Estate Surveyor has to control, supervise and organize the property on a daily basis for preservation and profitability. Day to day maintenance involves:-
 - (a) **Repairs:-** He ensures that competent Contractors are used where no in-house maintenance unit exists. He would ensure that repairs are done with economy in mind and that the best materials are employed. For example, if good paint is used the job will not need to be carried out often. In multi-occupied properties service charge will be collected to carry out such minor repair that would normally be tenants' responsibility. If a defect is observed and is not immediately tackled it would lead to more expensive repairs or even complete collapse of the property and heavy loss. Repairs are therefore to be carried out promptly.
 - (b) **Cleaning and Gardening:** Thorough daily cleaning ensures that the property is kept in good condition and gardening enhances the aesthetics and value as well as reducing the health risk for occupants.
 - (c) **Security:-** In these days where the average worker's take home pay can hardly feed him, it is not surprising that incidence of stealing is on the increase. Major targets include fire extinguishers, hose-reels and their nozzles, compressors, indeed anything moveable. Even unmovable items

like electrical fittings are targets. Adequate security is therefore important and the Estate Surveyor has the role of ensuring that he recruits suitable personnel or a good security company.

- (d) Pest Eradication:- Apart from the nuisance and health risk aspects, pests cause deterioration of buildings. Cockroaches eat the wood. So do rats and other insects. Eradication therefore ensures the preservation of the building for longevity and profit. The Estate Surveyor had the role of ensuring quarterly eradication and rodent control.
- (e) Regular Service of Equipment:- Where major equipment are installed, maintenance contracts must be entered into with the Lift Company, Generator Company, Air-conditioning Company, etc, to ensure that these are maintained regularly and overhauled when due. A long term maintenance programme will usually be prepared by the Estate Surveyor.
- (f) Fire Protection:- The Estate Surveyor ensures that fire fighting equipment are adequate. These include hydrants, hose-reels, alarms, smoke detectors, extinguishers, etc. It is normal to have the Federal Fire Service certify the adequacy of measures.
- (g) Rating:- The Estate Surveyor is best placed to understand the criteria used in valuing the premises for rates and will be quick to appreciate the need to object or not to ensure rates, ground rents and other charges are paid promptly.
- (h) Control of Tenants:- The Estate Surveyor makes regulations for proper use of the premises, will attend tenants association meetings – where management problems are discussed and peculiar problems thrashed out, will enforce regulations and ensure compliance with the provisions of the leases.

- 10. Valuation Studies:-** The Estate Surveyor handles these vital aspects of Property and Estate Management. The property has to be valued and revalued as the need arises. Valuation could be for the purpose of sale, Company accounts, insurance, mortgage, etc. Knowing the value of what you have, manage, control is an important aspect of management.
- 11. Redevelopment Opportunities:-** In managing an Estate, the Surveyor is well equipped to advise on the seizing of any opportunity to redevelop existing or part of an existing portfolio. Examples of such redevelopment are in Ikoyi where the UAC seized the opportunity of increasing income to redevelop its old colonial houses. Vast redevelopment opportunities do exist in Central Lagos but perhaps the capital intensive nature of such ventures has kept many corporate bodies back.
- 12. Change of Use:-**The Estate Surveyor is always aware of the opportunities that exist in change of user. New Market Road, Iwaka Road and Old Market Road are areas in Onitsha where change of user is common. The Estate Surveyor will of course be aware of the legality or otherwise of such change. The new Banks are currently turning erstwhile residential houses into banking premises in some major commercial towns in Nigeria. Obviously, property owners, including corporate bodies are making more money by this; they collect higher rents with many years in advance since these banks value their security of tenure. The Estate Surveyor is ideally qualified by virtue of his training to read the market, and advise what user is more in demand.
- 13. Refurbishment:-** The Estate Surveyor can offer his professional advice to refurbish a property instead of complete redevelopment. It is another avenue for increased income or for beneficial occupation. It is cheaper and takes less time. Many properties have been refurbished over the last few years to provide better quality accommodation fairly cheaper. An example is the Kingsway building in Lagos which has changed from a Departmental Store to an American type mall. It

is obvious that the UAC makes more money this way than selling household goods.

14. **Sale:-** The Estate Surveyor is well placed to advise on the sale of whole or part of the property portfolio and the price to sell at. It could become necessary to sell part of a portfolio to finance redevelopment or refurbishment of other portfolio. The Estate Surveyor also handles the sale to completion.
15. **Purchase:-** This is another management function and includes advise on the price to pay on the acquisition of new property ;and handling the actual transaction and seeing it to completion.
16. **Mortgages:-** The Estate Surveyor is again very equipped to supervise this especially, in corporate bodies like commercial and Merchant Banks, Building Societies, Mortgage Banks, etc.
17. **Liasing with Solicitors in Drawing up Leases and Amendments to Leases:-**

The Estate Surveyor is well versed in the Law of Real Property. By his training and experience, he is in a good position to appreciate a legal document dealing with property and will point out to the Solicitor exactly what the client wants. Although he is not a Lawyer but by his real property experience, he knows the pitfalls and co-operation between him and the Solicitor. In the preparation of legal documents, the Estate Surveyor should supply details of agreements to the Solicitors who would first of all prepare appropriate legal document in draft form. The draft is sent to the Estate Surveyor for vetting before it is engrossed for execution by both parties. Usually, both parties are given the opportunity to comment on the draft prior to engrossment.
18. **Construction:-** There is great necessity for the Estate Surveyor to be involved in new construction. He is relevant at all stages. Some of the areas of particular importance are:-

- (a) Assembling the site including ensuring there are no encumbrances, litigation, etc.
- (b) Project Management: By the Estate Surveyor's training, he is well equipped to manage the construction to completion. He acts as a Project Co-ordinator.
- (c) Advice on Materials and equipment:- This is an area where the experience of the Estate Surveyor is very important. An experienced Estate Surveyor versed in property management is in a position to advice on:
 - i. Lifts: The Estate Surveyor is able to decide which companies are to be patronized. However reputable a lift is, it is the maintenance that matters. A Corporate body does not want to import a jet-age brand of lift and install in their modern office block only to find that the contractor is never found when he is needed, that he is not really equipped to maintain and has no manpower. Of course, by this time, it will be too late. Once you have installed the lift you are virtually married to the company that installed it. So, it is important to choose a lift supplied by a capable lift company.
 - ii Generators:- To a lesser degree, the same goes for generators as for lifts. But there is greater flexibility as far as generators are concerned. There are many generator service companies around and you can always fire one and employ another. Some of these generator service companies can install a large generator for a corporate body and from the onset, it would be problems galore. The Estate Surveyor with his experience will ensure that appropriate company is selected and always contacted when need be.
 - iii. Air-Conditioning: Central air-conditioning systems are used in some corporate bodies. The Estate Surveyor, by experience, would advise which packaged split or wall-units would stand the test of time.
 - iv. P.H.C.N: The Estate Surveyor will ensure that each floor is separately metered. This saves future problems especially, where part of the space is to be leased out.

- v. Maintenance Staff Offices:- This is often omitted with the result that very expensive space is later allocated for this. The Estate Surveyor makes sure that maintenance office spaces are provided for the Engineers, Technicians, Cleaners, etc.

All the services stated above may or may not be required by a client/owner of the property at the same time.

4.7 PRACTICAL DEMONSTRATION OF REAL PROPERTY MANAGEMENT PROCEDURES

The following steps are taken in real property management:

1. The client must give instruction to the property manager. The instruction may be oral or written. Written instruction is preferable.
2. The property manager must collect a signed Revocable Power of Attorney from his client. This is an authority to act on behalf of his client.
3. Tenancy Agreement containing both the Landlord and the tenant obligations must be signed by both parties.
4. The position of each tenant in the subject property shall be indicated in a chart for easy identification.
5. Where the subject property is already occupied by tenants, their rental positions should be noted.
6. The property manager shall collect from the Landlord the details of already existing management problems.

7. New file should be opened for the subject property to contain the above details.
8. Specific account and receipt books should be opened for the property.
9. The property manager should see himself as a mediator between the Landlord and the tenants
10. If the tenant defaults in paying his rent, he shall be served rent demand notice. If he fails to pay contrary to the nature of the tenancy agreement he signed, he shall be served notice to quit. A yearly tenant is served six months' notice while a month notice is served a monthly tenant. It is important to note that a property manager should not be partial to any of the parties (the Landlord or the tenant). This is because each of the parties has his right, which should be respected. After the expiration of the six months' or the one month's notice to quit as the case may be, a seven days notice to quit (owner's intention to take up possession) should be given to the tenant. After the expiration of the seven days notice, a court summon can be instituted against the tenant.
11. It is very important to hold meetings with the tenants occasionally to tackle some problems.

4.8 FORMAT FOR THE PREPARATION OF THE STATEMENT OF ACCOUNT FOR THE LANDLORDS

RENTAL POSITION AS AT 30TH NOVEMBER, 2007:

Table 4.2

S/ NO.	NAME OF TENANT	MONTHLY RENT OF TENANTS	AMOUNT PAID BY TENANTS	MONTHS COVERED BY PAYMENT	MONTHS IN ARREARS	REMARKS
1	John Eze	N3,000.00	N36,000.00	Jan-Dec. '07	Nil	
2	Victor Mba	N4,000.00	N48,000.00	Jan-Dec. '07	Nil	
3.	Tony Agu	N2,000.00	<u>N22,000.00</u>	Jan-Nov. '07	Dec. '07	
		Total=	N106,000.00			

Total Amount collected = N106,000.00

Less Management fee @ 10% = N10,600.00

Amount due to the Landlord = N95,400.00

The total amount of ninety five thousand, four hundred naira (N95,400.00) due to the Landlord is received by me:

SIGNATURE OF THE LANDLORD: _____

NAME OF THE LANDLORD: _____

DATE: _____

NOTE: That the duplicate of the statement of account of any accounting period should be kept properly in the property's file for reference purposes.

4.9 GENERAL OVERVIEW OF CONTEMPORARY NIGERIAN ECONOMY

The petroleum-based economy of Nigeria, long hobbled by political instability, corruption and poor macroeconomic management, is undergoing substantial economic reform under the new civilian administration. Nigeria's former military rulers failed to diversify the economy. The economy has overdependence on the capital-intensive oil sector, which provides 20% of GDP, 95% of foreign exchange earnings, and about 65% of government revenues. The largely subsistence agricultural sector has not kept up with rapid population growth, and Nigeria, once a large exporter of food, now must import food. In 2006, Nigeria successfully convinced the Paris Club to let it buy back the bulk of its debts owed to the Paris Club for a cash payment of roughly \$12 billion (USD).

Nigeria's economy is struggling to leverage the country's vast wealth in fossil fuels in order to displace the crushing poverty that affects about 57 percent of its population. Economists refer to the coexistence of vast natural resources wealth and extreme personal poverty in developing countries like Nigeria as the "resource curse". Nigeria's exports of oil and natural gas – at a time of peak prices – have enabled the country to post merchandise trade and current account surpluses in recent years. Reportedly, 80 percent of Nigeria's energy revenues flow to the government, 16 percent cover operational costs, and the remaining 4 percent go to investors. However, the World Bank has estimated that as a result of corruption 80 percent of energy revenues benefit only 1 percent of the population. During 2005 Nigeria achieved a milestone agreement with the Paris Club of lending nations to eliminate all of its bilateral external debt. Under the agreement, the lenders will forgive most of the debt and Nigeria will pay off the remainder with a portion of its energy revenues. Outside of the energy sector, Nigeria's economy is highly inefficient. Moreover, human capital is underdeveloped – Nigeria ranked 151 out of 177 countries in the United Nations Development Index in 2004 and non-energy-related infrastructure is inadequate.

During 2003-7 Nigeria is attempting to implement an economic reform program called the National Economic Empowerment Development Strategy (NEEDS). The purpose of NEEDS is to raise the country's standard of living through a variety of reforms, including macroeconomic stability, deregulation, liberalization, privatization, transparency and accountability. NEEDS addresses basic deficiencies, such as the lack of freshwater for household use and irrigation, unreliable power supplies, decaying infrastructure, impediments to private enterprise and corruption. The government hopes that NEEDS will create 7 million new jobs, diversify the economy, boost non-energy exports, increase industrial capacity utilization, and improve agricultural productivity. A related initiative on the state level is the State Economic Empowerment Development Strategy (SEEDS).

A longer-term economic development program is the United Nations (UN)-sponsored National Millennium Goals for Nigeria. Under the program, which covers the years from 2000 to 2015, Nigeria is committed to achieve a wide range of ambitious objectives involving poverty reduction, education, gender equality, health, the environment and international development cooperation. In an update released in 2004, the UN found that Nigeria was making progress toward achieving several goals but was falling short on others. Specifically, Nigeria had advanced efforts to provide universal primary education, protect the environment and develop a global development partnership. However, the country lagged behind on the goals of eliminating extreme poverty and hunger, reducing child and maternal mortality and combating diseases such as human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS) and malaria.

A prerequisite for achieving many of these worthwhile objectives is curtailing endemic corruption, which stymies development and taints Nigeria's business environment. President Olusegun Obasanjo's campaign against corruption, which includes the arrest of officials accused of misdeeds and recovering stolen funds, has won praise from the World Bank. In September 2005, Nigeria, with the

assistance of the World Bank, began to recover US\$458 million of illicit funds that had been deposited in Swiss banks by the late military dictator Sani Abacha, who ruled Nigeria from 1993 to 1998. However, while broad-based progress has been slow, these efforts have begun to become evident in international surveys of corruption. In fact, Nigeria's ranking has consistently improved since 2001 ranking 147 out of 180 countries in Transparency International's 2007 Corruption Perceptions Index and placed 108 out of 175 countries in the World Bank's 2006 Ease of Doing Business Index.

MACRO-ECONOMIC TREND

This is a chart of trend of gross domestic product of Nigeria at market prices estimated by the International Monetary Fund with figures in millions of Nigerian Naira.

Table 4.3

Year	Gross Domestic Product	US Dollar Exchange	Inflation Index (2000=100)
1980	50,849	0.78 Naira	1.30
1985	98,619	2.83 Naira	3.20
1990	286,374	8.94 Naira	8.10
1995	1,928,642	54.36 Naira	56
2000	4,676,394	102.24 Naira	100
2005	14,894,454	131.01 Naira	207
2006	18,222,800	125.50 Naira	
2007	19,589,510*	118.50 Naira	

For purchasing power parity comparisons, the US Dollar is exchanged at 75.75 Nigerian Naira only. Current GDP per capita of Nigeria expanded 132% in the sixties reaching a peak growth of 283% in the seventies. But this proved unsustainable and it consequently shrank by 66% in the eighties. In the nineties,

diversification initiatives finally took effect and decadal growth was restored to 10%.

Due to inflation, per capita GDP today remains lower than in 1960 when Nigeria declared independence. About 57 percent of the population lives on less than US\$1 per day. In 2005 the GDP was composed of the following sectors: agriculture, 26.8 percent; industry, 48.8 percent; and services, 24.4 percent. In 2005, Nigeria's inflation rate was estimated to be 15.6 percent. Nigeria's goal under the National Economic Empowerment Development Strategy (NEEDS) program is to reduce inflation to the single digits.

In 2005 Nigeria's central government had expenditures of US\$13.54 billion but revenues of only US\$12.86 billion, resulting in a budget of 5 percent. Nigerian tax authorities face the challenge of widespread tax evasion, which is motivated by complaints about corruption and the poor quality of services.

AGRICULTURE

Nigeria ranks fifty-fifth worldwide and first in Africa in farm output. Agriculture has suffered from years of mismanagement, inconsistent and poorly conceived government policies, and the lack of basic infrastructure. Still, the sector accounts for over 26.8% of GDP and two-thirds of employment. Nigeria is no longer a major exporter of cocoa, groundnuts (peanuts), rubber and palm oil. Cocoa production, mostly from obsolete varieties and overage trees, is stagnant at around 180,000 tons annually; 25 years ago it was 300,000 tons. An even more dramatic decline in groundnut and palm oil production also has taken place. Once the biggest poultry producer in Africa, corporate poultry output has also slashed from 40 million birds annually to about 18 million. Import constraints limit the availability of many agricultural and food processing inputs for poultry and other sectors. Fisheries are poorly managed. Most critical for the country's future, Nigeria's land tenure system does not encourage long-term investment in

technology or modern production methods and does not inspire the availability of rural credit.

Agricultural products include cassava (tapioca), corn, cocoa, millet, palm oil, peanuts, rice, rubber, sorghum and yams. In 2003 livestock production, in order of metric tonnage, featured eggs, milk, beef and veal, poultry and pork, respectively. In the same year, the total fishing catch was 505.8 metric tons. Roundwood removals totaled slightly less than 70 million cubic meters and sawnwood production was estimated at 2 million cubic meters. The agricultural sector suffers from extremely low productivity, reflecting reliance on antiquated methods. Although overall agricultural production rose by 28 percent during the 1990s, per capita output rose by only 8.5 percent during the same decade. Agriculture has failed to keep pace with Nigeria's rapid population growth, so that the country, which once exported food, now relies on imports to sustain itself.

Industry

Nigeria ranks 44th worldwide and third in Africa in factory output. Nigeria's proven oil reserves are estimated to be 35 billion barrels; natural gas reserves are well over 100 trillion ft³ (2,800 km³). Nigeria is a member of the Organization of Petroleum Exporting Countries (OPEC) and in mid-2001 its crude oil production was averaging around 2.2 million barrels (350,000 m³) per day. The types of crude oil exported by Nigeria are Bonny Light oil, Forcados crude oil, Qua Ibo crude oil and Brass River crude oil. Poor corporate relations with indigenous communities, vandalism of oil infrastructure, severe ecological damage and personal security problems throughout the Niger Delta oil-producing region continue to plague Nigeria's oil sector. Efforts are underway to reverse these troubles. In the absence of government programs, the major multinational oil companies have launched their own community development programs. A new entity, the Niger Delta Development Commission (NDDC), has been created to help catalyze economic and social development in the region. Although it has yet

to launch its programs, hopes are high that the NDDC can reverse the impoverishment of local communities. The U.S. remains Nigeria's largest customer for crude oil, accounting for 40% of the country's total oil exports; Nigeria provides about 10% of overall U.S oil imports and ranks as the fifth largest source for U.S imported oil.

The United States is Nigeria's largest trading partner after the United Kingdom. Although the trade balance overwhelmingly favours Nigeria, thanks to oil exports, a large portion of U.S. exports to Nigeria is believed to enter the country outside of the Nigerian Government's official statistics, due to importers seeking to avoid Nigeria's excessive tariffs. To counter smuggling and under-invoicing by importers, in May 2001, the Nigerian Government instituted a 100% inspection regime for all imports, and enforcement has been sustained. On the whole, Nigerian high tariffs and non-tariff barriers are gradually being reduced, but much progress remains to be made. The government also has been encouraging the expansion of foreign investment, although the country's investment climate remains daunting to all but the most determined. The stock of U.S. investment is nearly \$7 billion, mostly in the energy sector. Exxon Mobil and Chevron are the two largest U.S corporate players in offshore oil and gas production. Significant exports of liquefied natural gas started in late 1999 and are slated to expand as Nigeria seeks to eliminate gas flaring by 2008.

Oil dependency, and the allure it generated of great wealth through government contracts, spawned other economic distortions. The country's high propensity to import means roughly 80% of government expenditures is recycled into foreign exchange. Cheap consumer imports, resulting from a chronically overvalued Naira, coupled with excessively high domestic production costs due in part to erratic electricity and fuel supply, have pushed down industrial capacity utilization to less than 30%. Many more Nigerian factories would have closed except for relatively low labour costs (10%-15%). Domestic manufacturers, especially pharmaceuticals and textiles, have lost their ability to compete in

traditional regional markets; however, there are signs that some manufacturers have begun to address their competitiveness.

Nigeria's official foreign debt is about \$28.5 billion, about 75% of which is owed to Paris Club countries. A large chunk of this debt is interest and payment arrears. In August 2000 the International Monetary Fund (IMF) and Nigeria signed a one-year Stand-by Arrangement (SBA), leading to a debt rescheduling agreement in December between Nigeria and its Paris Club creditors. By August 2001, despite continued dialogue with the IMF, Nigeria had been unable to implement many of the SBA conditions. The IMF consented to extend its SBA by a few months and seek out revised targets and conditions for a new agreement. As of September 2001, only a few of Nigeria's creditor governments had signed bilateral rescheduling agreements. Another obstacle to debt restructuring involves World Bank classification. Any long-term debt relief will require strong and sustained economic reforms over a number of years.

In the light of highly expansionary public sector fiscal policies during 2001, the government has sought ways to head off higher inflation, leading to the implementation of stronger monetary policies by the Central Bank of Nigeria (CBN) and underspending of budgeted amounts. As a result of the CBN's efforts, the official exchange rate for the Naira has stabilized at about 112 Naira to the dollar. The combination of CBN's efforts to prop up the value of the Naira and excess liquidity resulting from government spending led the currency to be discounted by around 20% on the parallel (nonofficial) market. A key condition of the Stand-by Arrangement has been closure of the gap between the official and parallel market exchange rates. The Inter Bank Foreign Exchange Market (IFEM) is closely tied to the official rate. Under IFEM, banks, oil companies and the CBN can buy or sell their foreign exchange at government influenced rates. Much of the informal economy, however, can only access foreign exchange through the parallel market. Companies can hold domiciliary accounts in private banks and account holders have unfettered use of the funds.

Expanded government spending also has led to upward pressure on consumer prices. Inflation which had fallen to 0% in April 2000 reached 14.5% by the end of the year and 18.7% in August 2001. In 2000 high world oil prices resulted in government revenue of over \$16 billion, about double the 1999 level. State and local governmental bodies demand access to this “windfall” revenue, creating a tug-of-war between the federal government, which seeks to control spending, and state governments desirous of augmented budgets preventing the government from making provision for periods of lower oil prices.

SERVICES

Nigeria ranks 63rd worldwide and fifth in Africa in services’ output. Low power and telecom density has crippled the growth of this sector. Since undergoing severe distress in the mid-1990s, Nigeria’s banking sector has witnessed significant growth over the last few years as new banks enter the financial market. Harsh monetary policies implemented by the Central Bank of Nigeria to absorb excess Naira liquidity in the economy has made life more difficult for banks, some of who engage in currency arbitrage (round-tripping) activities that generally fall outside legal banking mechanisms. Private sector-led economic growth remains stymied by the high cost of doing business in Nigeria, including the need to duplicate essential infrastructure, the threat of crime and associated need for security counter measures, the lack of effective due process and nontransparent economic decision making, especially in government contracting. While corrupt practices are endemic, they are generally less flagrant than during military rule, and there are signs of improvement. Meanwhile, since 1999 the Nigerian Stock Exchange has enjoyed strong performance, although equity as a means to foster corporate growth remains underutilized by Nigeria’s private sector.

TRANSPORT

Nigeria's publicly owned transportation infrastructure is a major constraint to economic development. Principal ports are at Lagos (Apapa and Tin Can Island), PortHarcourt and Calabar. Docking fees for freighters are among the highest in the world. Of the 80,500 kilometers (50,000 mi.) of roads, more than 15,000 kilometers (10,000 mi.) are officially paved, but many remain in poor shape. Extensive road repairs and new construction activities are gradually being implemented as state governments, in particular, spend their portions of enhanced government revenue allocations. The government implementation of 100% destination inspection of all goods entering Nigeria has resulted in long delays in clearing goods for importers and created new sources of corruption, since the ports lack adequate facilities to carry out the inspection. Four of Nigeria's airports – Lagos, Kano, PortHarcourt and Abuja – currently receive international flights. Government-owned Nigeria Airways ceased operation in December 2002. Virgin Nigeria Airways started operations in 2005 as a replacement and serves domestic and international routes. There are several domestic private Nigerian carriers, and air service among Nigeria's cities is generally dependable. The maintenance culture of Nigeria's domestic airlines is not up to U.S. standards.

LABOUR FORCE

In 2005 Nigeria had a labour force of 57.2 million. In 2003 the unemployment rate was 01.8 percent overall; urban unemployment of 12.3 percent exceeded rural unemployment of 7.4 percent. According to the latest available information from 1999, labour force employment by sector was as follows: 70% agriculture, 20% in services, and 10% in industry. Labour unions which have undergone periods of militancy and quiescence reemerged as a force in 1998 when they regained independence from the government. Since 1999 the Nigerian Labour Congress (NLC), a union umbrella organization, has called six general strikes to protest domestic fuel price increases. However, in March 2005 the government

introduced legislation ending the NLC's monopoly over union organizing. In December 2005, the NLC was lobbying for an increase in the minimum wage for federal workers. The existing minimum wage, which was introduced six years earlier but has not been adjusted since, has been whittled away by inflation to only US\$42.80 per month.

GRADUAL REFORM

The Obasanjo government supports "private-sector" led, "market oriented" economic growth and has begun extensive economic reform efforts. Although the government's anti-corruption campaign has so far been disappointing, progress in injecting transparency and accountability into economic decision making is notable. The dual exchange rate mechanism formally abolished in the 1999 budget remains in place in actuality. During 2000 the government's privatization program has showed signs of life and real promise with successful turnover to the private sector of state-owned banks, fuel distribution companies and cement plants. However, the privatization process has slowed somewhat as the government confronts key parastatals such as the state telephone company NITEL and Nigerian Airways. The successful auction of GSM telecommunications licenses in January 2001 has encouraged investment in this vital sector.

Although the government has been stymied so far in its desire to deregulate downstream petroleum prices, state refineries, almost paralyzed in 2000, are producing at much higher capacities; by August 2001 gasoline lines disappeared throughout much of the country. The government still intends to pursue deregulation despite significant internal opposition, particularly from the Nigeria Labour Congress. To meet market demand the government incurs large losses importing gasoline to sell at subsidized prices.

INVESTMENT

Although Nigeria must grapple with its decaying infrastructure and a poor regulatory environment, the country possesses many positive attributes for carefully targeted investment and will expand as both a regional and international market player. Profitable niche markets outside the energy sector, like specialized telecommunication providers, have developed under the government's reform program. There is a growing Nigerian consensus that foreign investment is essential to realizing Nigeria's vast but squandered potential. European investments are increasing, especially since Belgian consultancy companies such as Genco are exploring the Nigerian market.

Companies interested in long-term investment and joint ventures, especially those that use locally available raw materials, will find opportunities in the large national market. However, to improve prospects for success, potential investors must educate themselves extensively on local conditions and business practices, establish a local presence, and choose their partners carefully. The Nigerian government is keenly aware that sustaining democratic principles, enhancing security for life and property and rebuilding and maintaining infrastructure are necessary for the country to attract foreign investment. The stock market capitalization of listed companies in Nigeria was valued at \$67.756 million in November 05 2007 by the Nigerian Stock Exchange.

FOREIGN ECONOMIC RELATIONS

Nigeria's foreign economic relations revolve around its role in supplying the world economy with oil and natural gas, even as the country seeks to diversify its exports, harmonize tariffs in line with a potential customs union sought by the Economic Community of West African State (ECOWAS), and encourage inflows of foreign portfolio and direct investment. In October 2005, Nigeria implemented the ECOWAS Common External Tariff, which reduced the number of tariff bands. Prior to this revision, tariffs constituted Nigeria's second largest source of

revenue after oil exports. In 2005 Nigeria achieved a major breakthrough when it reached an agreement with the Paris Club to eliminate its bilateral debt through a combination of write-downs and buybacks. Nigeria joined the Organization of the Petroleum Exporting Countries in July 1971 and the World Trade Organization in January 1995.

Source: Economy of Nigeria Wikipedia, the free encyclopedia, 2008.

4.10 CAUSES OF ECONOMIC VARIATIONS IN NIGERIA

The oil boom of the 1970s led Nigeria to neglect its strong agricultural and light manufacturing bases in favour of an unhealthy dependence on crude oil. In 2000 oil and gas exports accounted for more than 98% of export earnings and about 85% of Federal government revenue. New oil wealth, the concurrent decline of other economic sectors, and a lurch toward a statist economic model fueled massive migration to the cities and led to increasingly widespread poverty, especially in rural areas. A collapse of basic infrastructure and social services since the early 1980s accompanied this trend. By 2000 Nigeria's per capita income had plunged to about one-quarter of its mid-1970s high, below the level at independence. Along with the endemic malaise of Nigeria's non-oil sectors, the economy continues to witness massive growth of "informal sector" economic activities, estimated by some to be as high as 75% of the total economy (*Economy of Nigeria – Wikipedia, the free encyclopedia, 2008*). We can observe that the major cause of economic variations in Nigeria is over-dependence on petroleum and its allied products.

Inadequate planning of various government recovery policies worsened the situation in the market. The government had applied policies such as Austerity Measures, Economic Emergency Programme, Structural Adjustment Programme, Deregulation, Privatization and Commercialization, Monetization, etc. These policies have adverse effects on per capita income of the people. There is no co-ordination in pricing system. The prices of goods and services increase

discriminately. Any person who is in constant touch with the market will testify that the supposedly commonest food items like Garri, Yam and Rice have for a protracted period maintained a very high price tag beyond the reach of an average Nigerian. Unfortunately, prices of such related common goods continue to skyrocket in months if not in days.

Scarcity of petroleum products are no longer a visiting omen, but has assumed a back-seat in our National archive, resulting to incessant and unchecked hike in transport fares and other related hazard. This situation becomes more disheartening when one calls back to mind the fact that such is happening in a country that supplies petroleum products to her neighbouring countries and continents.

The deregulation of interest rate made borrowing for investment purposes very costly. Central Bank's directives to the Commercial Banks to limit the amount of credit facilities have in a sense, put the construction industry on a tighter rope. Banks now increase their lending rate at random thereby making borrowing difficult for investors.

Incessant political, social and religious instability disrupt Nigeria economy. These crises include: religious disturbances in the North, Nigeria civil war, conflict in Niger-Delta, etc. Problems in the global economy sometimes cause economic changes in Nigeria. The current increase in the prices of some of the global commodities such as oil and rice has resulted to sharp increase in prices of goods and services in Nigeria.

Corruption and embezzlement of public funds by our leaders at all levels of government are contributing to our economic disorder. Funds meant to develop all the sectors of the economy always end up in private pockets.

4.11 PECULIARITIES OF PROPERTY MANAGEMENT IN THE STUDY AREA

Onitsha, the commercial nerve center of Eastern Nigeria has the single largest market in the West African sub-region. Its population is largely traders and the main economic activity of the city is buying and selling. From the researcher's investigation, the following peculiarities were noticed:

1. Monolithic Occupation

Over 80% of Onitsha tenants are traders and as such any government policy that affects buying and selling (such as the recent banning on some imported items) will grossly affect rent payment. There are increases in void period for commercial properties, high rate of rent default and litigations.

2. Low Rental Income

Onitsha properties are characterized with low rental income. In the last three years, a three bedroom flat on the average was let at N96,000.00 per annum; thus creating a paradoxical impression in the face of increasing demand for residential accommodation.

3. High Proliferation of Property Management Quacks

Due to the fact that over 50% of Onitsha landlords and tenants are unenlightened traders, they are therefore, ignorant of the dangers of untrained Property Managers. They see property management as rent collection only; forceful ejection of defaulting tenants, etc.

4. Few Activities of Government in Onitsha

Onitsha is one of the major cities in the East with few activities of either State or Federal government. This factor contributes to low income from hotel accommodation and prime properties especially in Onitsha G.R.A.

5. Absence of Night Life and Bad Road Network

These problems affect routine inspection and rent drive. People always want to be at home before 7 p.m because of criminal activities in the city. Rent defaulters who are usually seen in the evening hours are not properly followed up. Bad road networks also affect rent drive activities.

6. Poor Maintenance Culture

Most of the properties in Onitsha are not properly maintained due to majority of landlords are unenlightened on the need for them to maintain their properties in order to command the current rent passing in the neighbourhood where the property situates. This results to discriminate increase in rent.

4.12 A CRITICAL ANALYSIS OF THE EFFECTS OF ECONOMIC VARIATIONS ON REAL PROPERTY MANAGEMENT IN THE STUDY AREA

Nigeria's economy is so bad that every administration that comes up has its own programmes and policies to revamp the economy. These programmes and policies lead to variations in the general economy or to some sectors of the economy.

The government effort to revive the economy by banning the importation of some essential goods without long notice had adverse effect on traders who form over 80% of the tenants in Onitsha. The problem had resulted in high rate of rent default in properties occupied by the affected traders.

Rent revision during unstable economic period is always difficult. The Estate Surveyors make more frequent rent surveys to assist in negotiating new rents with existing or new tenants. They also make steady checks for inflation where long leases are granted by inserting suitable rent review clauses in the lease agreement.

During these periods, tenants complain of low sales, non-payment of salaries/wages; company workers, especially, building construction companies, complain of lack of funds as their principals have failed to pay up. There is always delay in the rent payment of such tenants. This problem of non-payment of rent on time complicates real property management practice.

A variable economy makes budgeting a difficult task for Estate Surveyors. A management surveyor cannot provide adequate maintenance services for all the properties without running into the problem of under-estimating the cost of the maintenance works because of the steady rise in the cost of materials.

It is true that properties do appreciate in value but in a variable economy, properties, especially, if they remain unoccupied and ill-managed for a long duration, may depreciate quickly in value.

Some sites for big projects may not be put to their highest and best use due to lack of fund to finance them. High interest rate prevalent during unstable economic period may force a developer who cannot realize enough fund to construct a single floor shops on a good site for a high rise shopping complex thus, rejecting a vital advice from the Estate Surveyor.

There is problem of unrealistic forecasting during this period. Forecasting is essentially a future projection of events based on the analysis of collected and collated information. It involves delving into the past, examining the present and projecting the future (Ogbuefi 2002, p.58).

Forecasting is also a statement, quantitative or non-quantitative in nature, concerning possible state of events in the future. The statement itself derives from the application of certain techniques on a set of given data relevant to the event subject to forecasting. The data may be empirical or hypothetical. One of the greatest problems facing the cost-benefit techniques and indeed all viability appraisal technique is the forecasting of future costs and benefits. There are problems as to the types, forms or elements of costs and benefits which will likely flow from a project, scheme or decision. But the most difficult aspect of forecasting here concerns the magnitude and distribution of costs and benefits over time or during the life of a project or scheme (Umeh 1977, p.97). Forecasting is a very important tool to probe the past, present and future events; but where the economy is unstable there would be errors.

Other problems faced by property managers in the study area are: high rate of rent default, stagnant rent, slow growth rate of rents, outright default of rent, a greater incidence of bad debts, delayed maintenance, etc.

4.13 SUGGESTED MEASURES FOR BETTER PERFORMANCE

Adequate security measures should be taken by the government to check the activities of criminals in Onitsha. This shall enhance the operation of property managers during evening hours which is the right time to get the traders at home for routine inspection, rent payment drive for defaulters, distribution of notices, etc. Property managers in Onitsha should also make proper use of morning hours, say, by 6.30 am they should be out to visit their tenants.

The problems of monolithic occupation and low rental income can be solved by creation of enough federal and state government presence in Onitsha. Such presence include: establishment of Seaport, International Airport, Industries, Higher Institutions, etc.

The researcher also suggest that property managers in Onitsha should assist in educating the property owners on the need to maintain their properties. A well maintained property attracts responsible tenants. A property manager faces the risk of losing his first class tenants who pay their rent as and when due if his property portfolio is not well maintained.

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

The Central problem of our present national economic state is that oil and gas exploration and extraction continues to remain, after a quarter of a century of intensive, highly profitable experience, not a true sector of the Nigerian domestic economy but essentially an enclave activity within the territorial (geographical) bounds of Nigeria, an enclave but true sector of the industrial centers of the international economy (furnishing them with raw materials – oil for now and later also, if they wish, gas and investment profits for industrial growth), with no real link with the Nigerian domestic economy. Deprived of any real stabilizing links with the oil enclave, the economy is exposed to the full dynamics of the destabilizing effects of the investment in the enclave as well as to the vagaries of the international oil cycle. This central problem is deep and severe in its manifestations, adversely affecting every sector of the Nigerian economy, every aspect of the society including behaviour patterns (Okongwu 1986, p.429).

The chapter stated discoveries made in the study and some recommendations are given to revamp our dwindling economy. The implementation of these recommendations shall ease real property management practice in Nigeria.

5.1 SUMMARY OF FINDINGS

Some findings made by the researcher are as follows:

1. Nigerian economy depends more on oil for the bulk of its export than on any other product. Agriculture and other sectors are neglected. This was the origin of our economic problems.
2. The importation of fuel and other petroleum products which their raw materials are got in Nigeria is not in the best interest of the Nigerian economy.

3. Policy discontinuities arising from administrative changes has been contributing to economic variations in Nigeria.
4. Corruption and malpractice in the electoral process are dangerous canker to our economic development. Money and time spent on election tribunals and repetition of elections could have been used to develop other sectors of the economy.
5. Mismanagement of our resources by our leaders, ethnic and political crises are seriously contributing to complicating our economic problems.
6. There are features of economic variations in Nigerian economy.
7. The real property market has a direct relationship with the general business economy. A change in one sector affects the other.
8. Economic variations in Nigerian economy negatively affect the Real Property Management practice.
9. Foreign investors are yet to have enough confidence in our economy and security network.
10. Inadequate planning of various government recovery policies worsened the situation in the market. These policies had adverse effects on per capita income of the people.
11. There was no co-ordination in pricing system, therefore, the prices of goods and services increased discriminately.

12. The deregulation of interest rate made borrowing for investment purposes very costly.
13. Sometimes, problems in the global economy caused economic changes in Nigeria.
14. The study identified some effects of economic variations on Real Property Management as under estimation of maintenance costs, tedious rent revisions, higher incidence of rent defaults, stagnant rents, outright default of rent, delayed maintenance, unrealistic forecasting, etc.

5.2 RECOMMENDATIONS

In order to ensure that the above raised issues are tackled, the following recommendations are hereby proffered:

1. More attention should be given to the agricultural and other sectors of the economy. The money budgeted every year for Agriculture and enhancement of other sectors such as tourism, technology, etc, should be increased proportionately. This measure will make our Agricultural sector to be more productive which shall drastically reduce excessive expenditure on the importation of food every year.
2. Without political, ethnic and religious stability, there would be no economic development. The government should come up with measures to check incessant political, ethnic and religious crises which scare foreign investors.
3. The principles of checks and balances should be fully implemented among the three arms of government to check the problem of mismanagement of public funds by those in leadership positions.

4. The government should make our refineries functional and individuals should be allowed to build private refineries. This measure shall stop the importation of fuel and other petroleum products. The local prices of these products shall be reduced and our foreign reserve shall further be increased proportionally.
5. An unmaintained property portfolio causes management problems for the Property Manager. Nigerian Institution of Estate Surveyors and Valuers should be engaged on massive enlightenment programmes to educate property owners on the need to make provisions for maintenance services. The Institution should also sponsor a bill restricting the operation of quacks because most of the property owners in the study area cannot differentiate a professional Property Manager from a quack.
6. Any government policy affecting buying and selling should be handled carefully. Adequate notice should be given to enable the affected traders to change line of business. Management problems created by non-payment of rent by traders which form over 80% of tenants in the study area can be curtailed.
7. The government should take necessary measures to industrialize the nation to reduce mass unemployment which has now reached alarming proportions and involves all categories of labour – skilled and unskilled persons, university graduates and specialist individuals. Unemployment in the context includes also the disguised unemployment of the armies of street hawkers now so evident in our urban areas. It represents a distinct waste of human resources embodied in the individuals and their productivity potentials which the public policy cannot tolerate. Moreover, it promotes social instability which has a negative effect on our economy.
8. The “get-rich-quick” attitude of some various financial institutions and individuals should be checked by the government.

9. Advancing the technological development of the nation is very necessary. This will go a long way in improving the quantity and quality of the nation's total output.

5.3 CONCLUSION

The management roles of Estate Surveyors and Valuers sum up to issuing counsels during development stages to curtail unnecessary future management procedures coupled with assisting in management, maintenance and repairing functions; after leasing, to carryout routine inspection of the property to ensure its long life together with maximization of returns forthwith.

An Estate Surveyor cannot take the risk of managing a building which its income is less than its cost of maintenance. Generally speaking, the period of economic variations is very risk to real estate development and management. An effective method for risk reduction is for the developer to avail himself of the services of the Estate Surveyor and Valuer. The decision to develop should be based on the discovery of an investment opportunity which is confirmed as feasible and viable by a professionally executed study.

Subsequently, the construction phase should be managed to ensure that the project is built to specification, within budget and on schedule. This important role of the Estate Surveyor shall save the nation from the cases of current reoccurring building failures. If the property is to be sold, the objective of the sales agent will also be derived from the feasibility report in order to achieve targeted sales prices for projected number of units, and on schedule. Also, if the project is to be let at the letting stage and if the market study has been properly done, the projected occupancy levels must be realized at anticipated rentals on projected lease terms.

At the management stage, the objective of management will also be derived from the feasibility report. This will help to provide the level of property services within budgeted operating cost, keep tenants, realize expected net income, meet debt service obligations and pay equity interests.

It is most unfortunate that the crucial need for the professional Estate Surveyor to maintain properties of various kinds has not been fully appreciated by most people. It is generally observed that our development projects, particularly, government ones, cost much more than they are worth and I believe that one of the reasons for this is the absence of relevant professional advice on the relationship of the cost of these projects to their values. This is the kind of advice which the Estate Surveyors and Valuers are best placed to give. Government at times, put up residential properties that eventually cost at least double the capital that would have been utilized if appropriate advice had been got from qualified Estate Surveyors. To make it worse, when these buildings are finally put up, they are left to deteriorate due to lack of adequate management, maintenance and repair services. Such properties rapidly attain a high level of obsolescence.

By the nature of his profession, an Estate Surveyor and Valuer is closer to developers/investors and financial institutions than any other professional and he should, therefore, use this advantage to the interest of the society.

The expertise knowledge in the management of real properties possessed by the qualified Estate Surveyors and Valuers at this time of economic variation enable them to achieve a high level of management and maintenance quality in properties under their care, thereby achieving least costs and maximum returns. If they are sought for advice as to how to construct buildings with minimum costs using adequate building and construction materials, the burden of putting up new buildings will be lesser while people also enjoy good structural and sanitary environment.

During times of economic changes, a real estate manager operates in a risky business environment. This environment is risky precisely because of the greater market and economic uncertainty which characterizes it, the higher cost of developing and operating developed building and the greater requirement for

professional management of the development process. In order to reduce development and management risks in variable economic conditions, the only viable option open to the prudent real estate developer/owner is to entrust his affairs at inception stage to the Estate Surveyors and Valuer. This is so because the most potent instrument for risk reduction is the carefully executed feasibility and viability report, comprising the market and economic study of the project idea and an analysis of its investment potential.

In addition, the feasibility and viability report incorporating the Quantity Surveyor's cost estimates, is the only authentic working document which serves as reference material for all participants in the development process: the architect, the building contractor, the letting agent, the property manager, the quantity surveyor, the lender, the equity investors and the developer.

This research work has dealt with the physical, institutional and economic frameworks within real estate development in the study area takes place. This would help both the real estate developer and manager to know the features of the environment where they are operating.

Property managers who can analyse the real estate market and recognize trends will be prepared for economic fluctuations and crises. By anticipating changes in the market and adjusting rentals and other factors within their control, property managers can minimize the effect of contraction in the real estate cycle and keep their vacancy rates as low as possible. They should use their knowledge and judgement concerning market conditions when setting rental structures, allocating money for operating costs, renovating properties and making other financial plans. General knowledge of the market should be integrated with information about the market in the area where the Estate surveyor is operating.

Having identified the economic constraints of the country and some recommendations made accordingly, the researcher believes that their

implementation will ensure a brighter real property market for Estate Surveyors and Valuers.

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Appendix 1

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Nsukka.
April, 2006.

Dear Sir/Madam,

SURVEY QUESTIONNAIRE ON A CRITICAL ANALYSIS OF THE EFFECTS OF ECONOMIC VARIATIONS ON REAL PROPERTY MANAGEMENT: A CASE STUDY OF ONITSHA PROPERTY MARKET:

I am a postgraduate student of the above department and institution, researching on a critical analysis of the effects of Economic Variations on Real Property Management: A case study of Onitsha Property Market as part of the requirement for the award of M.Sc. Degree in Estate Management.

I shall be grateful if you assist me by answering the questions below. The exercise is purely academic and does not intend to expose the respondent in any form. All information supplied would be treated with utmost confidence.

Thanks for your candid co-operation.

Yours faithfully,

ONWUMERE, VICTOR O.

QUESTIONNAIRE FOR ESTATE SURVEYORS:

1. Are you involved in property management? Yes ☐ No ☐
Indifferent ☐

2 What is your involvement in the properties under your care?
(a) Letting only (b) Management only (c) Maintenance only (d)
Letting and Management (e) All of the above (Tick as appropriate).

Appendix 2

3. Have you been observing some variations in the economy since the end of Nigerian Civil war in 1970? Yes ☐ No ☐ Indifferent ☐

4. Do variations in the economy have some effects on Real Property Management?
Yes ☐ No ☐ Indifferent ☐

5. If your answer to the question above is yes, please state some of the effects of economic variations on Real Property Market in Onitsha.

6. State what you feel are the causes of economic variations/changes in Nigeria.

7. Suggest remedies to the effects of economic variations on Real Property Management in Onitsha. _____
