

# Analysis of Impact of Property Management on Commercial Property Values in Awka, Anambra State, Nigeria.

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## ABSTRACT

This research focused on analyzing the impact of property management on commercial property values in Awka, Anambra state Nigeria. The sample frame consists of 35 Registered Estate Surveyors and Valuers, 32 Landlords and 107 tenants in Awka, Anambra State Nigeria. Data were collected through the administration of a questionnaire. A total of 174 questionnaires were distributed to the respondents, out of which 161 were retrieved. Data obtained were analyzed using table, percentage and mean. Respondents were required to scale the impact factors base on five points likert scale. From the analysis, property management contributes to improving commercial property value, Property management improve the state of maintenance of commercial property and property management improve the conditions of commercial property environment etc. ranked 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> respectively. The results of the analysis indicate that property management contributes to raising the quality of commercial property and maintaining its state and market value. The findings of the study further revealed that property management have significant impact on commercial property values. The study recommends that property owners should employed the services of property managers (Estate Surveyors and Valuers) in the management of their property to keep their property in highest market value.

**Keywords:** Impact, Property Management, Commercial Property, Value.

## I. INTRODUCTION

Property management is the process of keeping a property in a good state of health, devoid of decay and in other to enhance the value of the

property, yielding optimum returns on investment (Oyedele, 2013). Property management is necessary in private properties to keep the property in a tenable condition and good state of health. Internal parts of properties as well as the external parts require proper maintenance to keep their qualities intact and enhance their values. Without property management, decay will set in and property will depreciate in value. Poorly managed properties are characterized by worn-down milieus and physically torn properties. They are conspicuous to the naked eyes and attract lower values. Sound property management is also necessary to maintain the value of the property, keep the parts intact and to ensure steady mortgage repayment. Moreover, the only choice for property managers in this era of globalism and information technology is to be up-to-date. "Tenants are now increasingly aware of and concerned about the level of service they receive" (Baharum, 2009). Property management also entails looking for tenants, rent collection, property maintenance to make sure that the milieu of properties are intact, dealing with tenants' complaints, paying necessary bills (both statutory and commercial), ensuring value for money, watching over their belongings etc. Property Management means the physical, administrative or financial maintenance and management of real property, or the supervision of such activities for a fee, commission or other compensation or valuable consideration, pursuant to a property management agreement (Nevada State Real Estate Division, 2008). It is the process of managing property that is available for lease by maintaining and handling all the day-to-day activities that are centered around the piece of real estate.

In real estate, commercial property is property used to make commercial profits, including shops, malls, office buildings and industrial parks. Commercial Property is divided into several types of offices, shops and industrial property. There are different categories with their own purpose. Offices used for the conduct of business, the provision of professional services or other administrative and government activities. Shops are either a shopping complex or a retail outlet for consumption purposes. Industrial property is used for the production process (Ball, Lizieri, & MacGregor, 2012). Commercial property management entails the application of specialized skill to care for the investment, sometimes of an individual, household or corporate body in buildings with the aim of securing highest return (Oladokun and Ojo, 2011). Commercial property value is developing an opinion on the value of the property in market value. Ge and Du (2007) stated that property value is an essential aspect of property markets worldwide and determined by a variety of factors and the determination of those factors is a significant part of property valuation.

The absence of property management negatively affects the physical condition of the commercial property due to poor maintenance. Therefore, it is important that the commercial properties are maintained in a sound condition to provide the greatest possible economic return. Effective property management is the only antidote necessary to generate maximum returns on property investment especially at this period of global economic crunch. The only way to ensure regular income is through proper management of property. This study therefore analyzed the impact of property management on commercial property values in Awka, Anambra State Nigeria.

## II. LITERATURE REVIEW

### 2.1 Factors Affecting Commercial Property Values

Various studies have examined factors affecting property values and have identified the following, age, location, size, neighbourhood characteristics, economic activity, population, transport etc. (Joslin, 2005) and Kauko, (2003). Kamali, Hojjat, and Rajabi, (2008) group the variables determining property values into; environmental variables, neighbourhood variables, accessibility (location) variables and property variables. Nicholls, (2002) further classified factors affecting property values as follow:

a) Structural attributes e.g. numbers of bedrooms, bathrooms, fireplaces, garages, square footage of house, lot size, age of structure, existence of pool

b) Neighbourhood attributes e.g., socio-economic characteristics of neighbouring residents, quality of neighbouring structures, ownership/rental, ethnic composition

c) Community attributes e.g. school and tax districts

d) Locational attributes e.g. proximity and accessibility to various amenities including waste sites, powerlines, highways, shopping centers, churches, schools, cultural opportunities, airport, public transportation

e) Environmental attributes e.g. view from property, noise levels, pollution levels, storm water

f) Time-related attributes e.g. month and year of sale, number of days on market.

Commercial properties are subject to certain factors that may affect their value or reduce them in the real estate market. Factors influencing commercial property values include:

#### i. Economic Situation/Condition

The economy is one of the main factors contributing to the determination of the price of commercial property. The economic conditions of an area will have an effect on peoples' ability to sell or buy an investment property. The increase in demand will eventually result in higher property prices and thereby increases the value. On the other hand, if unemployment increases and wages drop, less people will be able to afford a commercial property.

#### ii. Location of Property/Accessibility

Location is one of the most important factors that affect commercial property value. Location is generally accepted as the single biggest factors influencing market appraisal. Similar types of commercial properties in different areas command significantly different values and prices. Buyers may pay more for similar property in a more desirable area. It may be that accessibility to transport links or good schools affects desirability.

#### iii. Availability of Infrastructural Facilities/Social Amenities

Infrastructural facilities and social amenities are one of the factors that will affect the value of commercial property. Dan Nduti & Ms Wambugu (2017) stated that although the social amenities are unobserved characteristics that could influence the value of the commercial property, the characteristics would be related to the geographical location of the residential property in the vicinity. As a result, the value of commercial property will increase as social amenities are provided in a good condition that people can easily access and get. In addition, people will go to commercial properties in the vicinity that provide

health and care facilities, educational institutions, good road, constant water and electricity supply and so on. Transportation and infrastructure, such as the railway station, is also one of the factors affecting the value of commercial property.

**iv. Property Age and Condition**

Age is one of the factors that influence the value of commercial property. The age factor had a negative relationship with the value of commercial property. When the age of commercial property increases, the value of the property will decrease. Age such as an older property with historical connections or a newer with up-to-date fittings, will also affect commercial property value. Usually, the newer the property, the more buyers would be willing to pay for it since it does not require any major renovation or repairs. When the condition of commercial property is in a good condition and well maintained, the value will improve.

**v. Scarcity**

Scarcity is one of the factors that influences the value of commercial property. When the commercial properties are scarce or short in supply and the demand increases; this will affect the value of commercial property. If demand increases and supply is fixed or scarce, the price of the commercial property will rise as more people try to buy.

## 2.2 Review of Related literatures

Olayinka, Funsho and Ayotunde carried out a study on examination of the factors affecting residential property values in Magodo Neighbourhood, Lagos State. This study assesses the veracity of this proposition in Magodo neighbourhood property market and the impact of other factors such as locational, structural and neighbourhood characteristics. A total of 232 questionnaires were distributed to two study groups, the estate surveyors and valuers and Magodo residents. Response were presented and analyzed with tables, percentages and relative importance index. The study found amongst other things that travel distance and cost does not affect residential property value as others factors do. The study recommended that property investors should consider those attributes that significantly affect property values while government should endeavour to harness development potentials in the study area.

Omar and Waleed (2019) examined the impact of property management on the value of residential product in Saudi Arabia. The study uses field questionnaire and distributed to a sample of the study community consisting of 125 real estate

management institutions and real estate office in Riyadh. The study indicate that property management contributes to raising the quality of the residential product and maintaining its market value. The study further stated that residential product managed by the property management system loses 10% of its value after 5 years. On the other hand, the product that managed by the owner loses more than 50% of its real value after 5 years. The paper proposes to strengthen cooperation between governmental and private institutions to establish a Real Estate Data Center (REDC) for the classification of residential properties subject to the criteria of management, quality and economic cost.

Ernest and Ebiwari(2019) investigates the impact of property maintenance on property rental values in Port Harcourt: A case study of D/line Housing. The population of the study consists of 119 firms of estate surveyors and valuers practicing in Rivers State and 230 tenants occupying blocks of 2 and 3 bedroom flats in the study area. The study used purposive sampling techniques with sample size of 238 respondent. Data obtained were analyzed using percentage, mean, and chart. The finding showed that preventive maintenance practices are adopted in property maintenance to enhance its value. The study further revealed that lack of sufficient funds is the most prevalent factor that affects property maintenance. The study recommends that preventive maintenance practices should be adopted by property managers to ensure adequate preservation of the building and its elements to enhance its values. Some percentage of rent should be set aside annually to prevent lack of sufficient fund to carryout maintenance.

Odediranetal, (2012) conducted a study on maintenance of residential buildings; users practice in Nigeria. The study examines maintenance practice among users of residential properties in Nigeria. In assessing how often maintenance practice is being undertaken by occupiers, it shows that users maintained their properties daily by undertaking regular sweeping and mopping of the floor. The researcher further stated that economic factor prevents users from carrying out effective maintenance on buildings. The researcher therefore recommends that individual should embrace maintenance as a practice and government should engineer action towards more advocacy, policy and awareness on the maintenance as a practice for national sustainability.

Ankeli et al; (2015) focus on housing condition and residential property rental values in Ede, Nigeria. Two sets of questionnaire were distributed to tenants/ landlords of rented residential properties and estate surveyors and

valuers. A total of 300 questionnaires were administered on the respondent using systematic Random sampling techniques. The data collected were further analyzed with the aid of both descriptive and inferential analytical techniques. The researcher stated that properties with better conditions in terms of infrastructures and physical soundness command higher rental values that investment in residential property development will in the next three years continue to enjoy and maintain an upward growth rate. In the recommendation it was suggested that there is need for property owner / developers and users to be educated on the need for the provision of basic infrastructure and sustainable maintenance culture. He further recommended that government should make policies aimed at defining environmental housing quality standard and provide supervisory agency that will be responsible for the monitoring and implementation of housing standards.

Haw, et al (2019) examined factors affecting commercial property value. The study revealed that economic factors, transport, land use, quality design requirements, energy efficiency, etc. have an impact on the price of commercial property. The paper noted that in order to do these, market changes will have an impact on the value of commercial properties and require further action to overcome and accommodate them.

This study therefore identified and examined the following impact factors below:

- i. Property management contributes to improving commercial property value
- ii. Property management improve the state of maintenance of commercial property
- iii. Property management helps tenants meet their needs with landlords

- iv. Property management improve the conditions of commercial environment
- v. Property management contributes to maintaining commercial property prices
- vi. Property management acts as a neutral broker between landlords and tenants
- vii. Property management contributes to the preservation of the rights of property owners
- viii. Property management affects real estate marketing effectively.

### III. RESEARCH METHODOLOGY

The research method adopted is survey research in which questionnaires were developed and administered to the study subject. The target population for the study is 35 Registered Estate Surveyors and Valuers in Awka, (obtained from Anambra State Secretariat of the Nigeria Institution of Estate Surveyors and Valuers, 2021), 32 Landlords and 107 tenants in Awka, Anambra State, Nigeria. A total of 174 questionnaires were distributed to the respondents, out of which 161 were properly completed, retrieved and used for the analysis. Data collected for the study was presented and analyzed through the use of table, percentage and mean. With the use of Likert scale, respondent's opinion on the impact of property management on commercial property value in Awka, Anambra State Nigeria was obtained and they were asked to score the impact factors associated with property management, according to the degree of response: Strongly agree with 5 points, Agree with 4 points, Indifferent with 3 points, and Disagree with 2 points and Strongly disagree with 1 point.

**Table 1: Population Distribution**

Study Subject	Population
Estate Surveyors and Valuers	35
Landlords	32
Tenants	107
Total	174

### IV. RESULT AND DISCUSSION

#### Demographical Profile of the Respondents

**Table 2: Gender**

Gender	Frequency	Percentage (%)
Male	99	61
Female	62	39

Total	161	100
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From Table 2, it shows that 61 percent of the respondents are male while 39 percent are female.

**Table 3: Academic qualification**

Academic qualification	Frequency	Percentage (%)
FSLC	15	9
SSCE/WASC	50	31
HND/BSC	82	51
Masters/PhD	14	9
Total	161	100

From Table 3, it shows that 9percent of the respondents are with first school leaving certificate (FSLC), 31 percent are with SSCE/WASC, 51 percent haveHND/BSC while 9 percent of the respondent have Masters/PhD.

**Table 4: Occupation**

Occupation	Frequency	Percentage (%)
Civil servant	31	19
Trading	60	37
Self employed	58	36
Others	12	8
Total	161	100

From Table 4, it shows that 19 percent of the respondents are Civil servant, 37 percent are trading, and 36 percent are self-employed while 8 percent of the respondents are others.

**Table 5: Responses and Ranking of the Impact ofProperty Management on Commercial Property Values**

S/N	Impacts Factors	Scales and Number of Respondents					Mean Score	Ranking
		5	4	3	2	1		
1.	Property management contributes to improving commercial property value	97	39	19	6	-	4.41	1
2.	Property management improve the state of maintenance of commercial property	95	40	19	7	-	4.39	2
3.	Property management improve the conditions of commercial	92	42	20	7	-	4.36	3

	property environment							
4.	Property management helps tenants meet their needs with landlords	87	43	21	9	1	4.28	4
5	Property management contributes to maintaining commercial property prices	84	45	21	10	1	4.25	5
6	Property management acts as a neutral broker between landlords and tenants	77	47	22	11	4	4.13	6
7	Property management contributes to the preservation of the rights of property owners	79	45	20	12	3	4.11	7
8	Property management affects real estate marketing effectively.	66	50	26	13	6	3.98	8

**Rank:** (Strongly agree -5, Agree -4, indifferant-3, Disagree -2, strongly disagree -1)

The table 5 above showed the identified impact factors and they were analysed using mean. From the analysis, property management contributes to improving commercial property value rank 1<sup>st</sup>, property management improve the state of maintenance of commercial property rank 2<sup>nd</sup>, property management improve the conditions of commercial property environment rank 3<sup>rd</sup> etc. It was observed that the majority of the respondents agreed of the identified impact factors. This implies that property management have significant impact on commercial property values in the study area.

## V. CONCLUSION AND RECOMMENDATION

Property management contributes to improving property quality, marketing methods, contract systems, rights of owners and tenants. A good manager will always put his or her property in a good state and tenantable condition and will inspect the property regularly according to the

provision of the lease agreement so that it is not abused by the occupiers and the property remains in good state of maintenance. The study recommends that property owners should employed the services of property manager (Estate Surveyors and Valuers) in the management of their property to keep their property in marketable value. The study also recommends that Propertymanagers should take cognizance of impact factors that significantly affect commercial property value in the study area as this would help and encourage them in the course of management.

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