ISSN 2348-3156 (Print)
International Journal of Social Science and Humanities Research ISSN 2348-3164 (online)
Vol. 6, Issue 3, pp: (277-284), Month: July - September 2018, Available at: www.researchpublish.com

Determinant of Patronage of Rental Residential and Office Apartments among Bankers in Ekiti State (A comparative analysis)

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Abstract: **The study determined the significant difference between factors on the patronage of residential and office apartment by bankers in Ekiti state. The study adopted a survey research design with well structured 5-Linkert research instrument. The population for the study was 546 employees of the 16 bank branches in Ado-Ekiti metropolis out of which 230 respondents were chosen using stratified random techniques with each bank representing a stratum. Data collected were analyzed using simple percentage statistics such as descriptive and inferential statistics while ANOVA was used to analyze the data. The result showed that location and rental value were positive and significantly determined patronage of residential and office apartment by bankers (β =4.464, $p < 0.05$). It was also revealed that physical infrastructure and security were significant but negatively related (β = -1.723, $p < 0.05$). However, the results showed that intrinsic factors ($P < 0.05$) had better significant values than extrinsic factors ($P > 0.05$). It also revealed that explanatory variables of intrinsic factors had more capacity to predict better patronage of residential and office apartment than extrinsic factors. The study concluded that patronage of residential and office apartment was a function of facility type, cost of maintenance, location, and class of residence. Also, banks considered the location of the central business district area before deciding on the choice of an office apartment.**

Keywords: **patronage, office, residential, apartments, comparison.**

1. INTRODUCTION

It is imperative for a rational producer of goods and services to think of factors capable of attracting would-be customers, not only for the purpose of immediate patronage but to ensure a repeat purchase by making available goods and services that will satisfy the needs of customers. That consumers behave rationally while attempting to make a choice is enough to justify the need for adequate attention to all factors capable of attracting customers to initiate a purchase decision. All over the world, renting offers a more affordable way for many people to gain access to accommodation in terms of housing or office space (Opoku & Abdul-Muhmin, 2010). The need for scaling up housing supply has become an urgent focus of policy debates, with the need to expand the role of private markets, as Nigerian and most governments of the world depend solely on private markets in supplying houses (Keivani & Werna, 2001). The fact that Opoku & Abdul-Muhmin (2010) saw the need for more provision of rented apartments and office space, considering the rate at which more people rent houses than own them in developed cities of the world is enough to guarantee a study into the need to determine factors capable of attracting customers' patronage of rental apartments and office space In some cases, the type of houses people live in is an indication of their level of poverty or wealth; whereas retailing is also a critical part for the development of an economy that is facing unemployment, having somewhere to display one's goods is as important as the house one live in. Worthy of mention among the categories of people that seem to attach importance to where they

leave are bankers. The corporate nature of their job and the need to live up to expectation by societal ranking might necessitate their choice of domicile within the city. One other peculiarity of an average banker is the fact that the profession enjoys a very high level of mobility, thus, making it difficult for them to determine when they can be transferred from one city to another and as such, owning a house at every station they are posted to seems practically impossible. With this, they are part of readymade markets for people who are into real estate business. So many factors have been examined in previous research works as capable of impacting consumers' choice of rented apartments (residential or official). In general terms, these factors have been divided into two broad groups namely: extrinsic (location, physical infrastructure, perceived security of the neighborhood and class of residents) and intrinsic factors (interior facilities cost of maintenance and apartment type) (Okewole & Aribigbola, 2006). The implication of these factors is that investors in real estate should endeavor to pay adequate attention to each of these variables according to their degree of relevance in determining customers' patronage. It is against this background that this study carried out an assessment of factors determining patronage of residential and office apartments across banks in Ekiti state, Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Clarification:

2.1.1 Location:

McCluskey, Deddis, Lamont & Borst (2000) measured the effect of location on residential house prices using the Ordinance Survey of Northern Ireland data and concluded that location and structural characteristics are the key determinants of residential property values. Kauko (2003) lists asset of attributes that have been commonly used in property valuation research including accessibility factors, neighborhood level factors, specific negative externalities, public services, taxes and density factors.

Location is among the main determinants of residential property value. It has been realized that location could either be tangible or intangible in nature. Tangible location factors include accessibility, planning restrictions, transportation closeness to central business districts, building codes, subdivision regulations, environmental protection laws, household preference, demand, supply, population increase, closeness to the place of work, community facilities, utilities and

services, components or elements that form part of a building structure, zoning regulation, waste dumpsites, and the likes (Aliyu, 2012).

2.1.2 Physical Characteristics:

Lawal (1997) sees housing or residential properties in 3 dimensions viz-private, institutional and public. Non-government agencies and individuals initiate private housing development for investment or occupation. Institutional housing is meant to serve the collateral interests of institutions (e.g. the military, university) whose goals are the provisions of facilities without reference to profit. Public housing is government supported housing programmes created by a wide variety of legislative, administrative, and financial mechanisms as a means of providing decent, safe and sanitary housing at an affordable cost (Lawal, 1997).

2.1.3 Infrastructural Facilities:

In other words, infrastructure is the large-scale public services or systems, services, and facilities of a country or region that are necessary for economic activity, including power and water supplies, public transportation, telecommunications, roads, and school. Urban infrastructure covers a wide range of services and facilities, such as water, road, waste disposal, drainage, communication, primary health services, schools, and housing. Where urban infrastructure is adequately provided and efficiently managed, productive and profitable land uses are usually attracted towards such area. The uses of these infrastructural facilities compete less with productive uses through better rent offers. This competition for locations with good urban infrastructure usually results in an increase in land and housing values, either sales or rentals (Harvey, 1993).

2.1.4. Rental Value:

During the last decade, many office markets experienced unexpected volatility in rental rates resulting in large financial losses (Wheaton, Torto & Evans, 1997). Research on office rent determinants can fall under the categories of either

macroeconomic or microeconomic issues. Macroeconomic-related articles generally focus either on models of the office sector or spatial issues that impact office rents, while microeconomic-related articles generally focus on property characteristic or rental occupancy issues that impact office rents. According to Boon & Higgins (2007), rental value is a key parameter for measuring real property performance. It is also a major cost for tenants and an important source of income for the landlord. Key property market participants such as investors and developers often use rental value as an indicator to appraise the viability of their real estate development and investment schemes.

2.2 Empirical Review:

Ivy & Ernest (2013), in a study on factors determining residential rental prices, studied the high demand for residential apartments, landlords take undue advantage of tenants and increase rent without adhering to rent regulations. A high proportion of the population in Ghana rents rather than own homes because many cannot afford to own. There is a frequent movement of workers from one city to another, especially to urban areas, resulting in increases in demand and price of rented accommodation. This study explores the impact of location and apartment characteristics on rental prices, using a survey of the Accra Metropolitan Area. Data from three contrasting locations in Accra was analyzed and the results show that location, number of bedrooms, availability of amenities and facilities, and sharing of facilities are significant in determining residential rental prices. The type of apartment people live in and the kinds of facilities they share with others have implications for health and the environment and require policy response with efforts to improve housing regulations in Ghana

Igbinosa (2011), in a study on the determinants of residential property value in Nigeria – a neural network approach, investigated, by means of artificial intelligent system, the influence of residential real estate property characteristics on property values (prices) in Nigeria, using two major cities (Benin and Lagos) as examples. It revealed a high positive linear correlation between property characteristics and the property market values; an indication that these characteristics reasonably predict property market values. The study demonstrated that although several property characteristics can be identified with residential real estate properties, only a few important ones have a significant impact on the market values of such properties.

The study identified nine (9) property characteristics that have a relatively strong impact on market values (prices) and to that extent influence the sales and purchase decisions of sellers and buyers in Nigeria. The results of the study should enable Real Estate Professionals to make fair estimates of the market values of residential real estate properties given the features/characteristics of such housing units. This would aid rapid valuation, help to improve housing quality and make a possible mass evaluation of properties. The study recommended to real estate practitioners and other professionals, amongst others, to use the knowledge of significant property features/characteristics for more efficient valuation, improved quality of their sales/purchase decisions and proper management of residential housing units.

Gallimore, Michael, Carter, Mathew & Paul (1996) in modeling the influence of location on value studied the value of private properties in the Stafford area from information typically available about the properties physical characteristics and location. They discussed the factors influencing property values, including the complicating effect of location, and attempt to build a predictive model using the statistical technique of multiple regression analysis based on physical characteristics only and ignoring the effect of location. They also further refinements to the prediction produced by incorporating an additional location effect modeled by means of surface-fitting techniques within a geographical information system. The results, many of which are presented graphically, are shown to be a significant improvement on the location blind model. They offered suggested directions for further research and development of the techniques.

Barrett (2000), conducted a study on office rent determinants during market decline and recovery, empirically examined office rent determinants in distinct periods of a market cycle. The study used a dataset of office properties located in a large metropolitan area and spanning a six-year period. During this period, office rents experienced a significant decline and recovery. A time-varying parameter rent index identified three distinct periods of the cycle: decline, trough, and recovery. Tests of structural change concluded that market participants value the determinants of office rents differently during the periods. A micro examination of each rent determinant over the periods of the market cycle provided a greater understanding of how rents vary over time and the factors that influence them.

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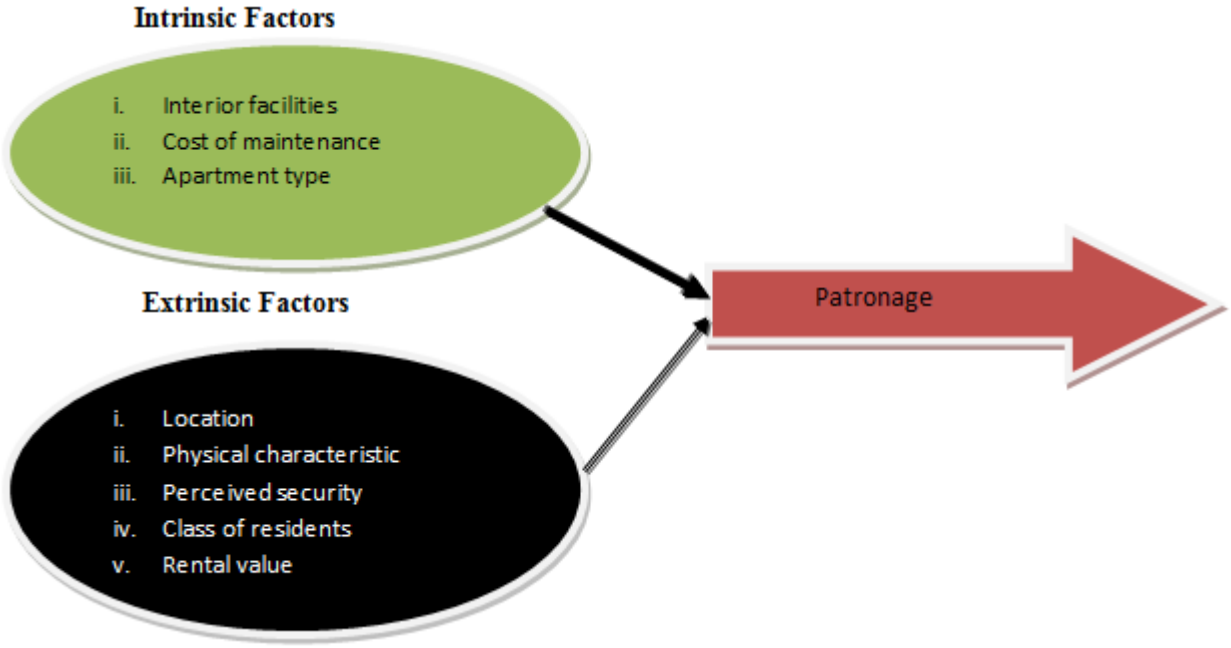
2.3 Conceptual Framework:



Source: Adapted from Okewole and Aribigbola (2006)

3. METHODOLOGY

3.1 Research Design:

The study adopted a descriptive survey design which will describe the effect of intrinsic and extrinsic factors on the patronage of residential and office apartment among bank employees. It is descriptive because it enables the researcher to collect firsthand information from respondents. This study will rely majorly on primary data in order to gather fresh data from the sampled respondent. A structured 5 - Likert scaled research instrument adapted from the work of Julius (2010) served as the instrument of data collection

3.1.1 Population, Sample Size, and Sampling Technique:

The population for this study was 546 employees of the bank branches in Ado-Ekiti Metropolis out of which 230 respondents were chosen via a stratified random sampling technique.

In an attempt to achieve the appropriate sample for the study, Yamane (1967) model was adopted. The sample size for the study was 230 with a 0.05 margin error.

3.1.2 Method of Data Analysis:

ANOVA was adopted. This analytical technique becomes applicable while determining whether the coefficients of two linear regressions on different data sets are equal. In all, 95% significance level was employed.

3.1.3 Model specification:

Relying on the theory of consumer choice and behavior cum the objective of this study, relationships between the variables under examination can be expressed as:

$PCIP = f(Ext, Inst,)$ 1.1

Where:

PCIP = Perceived Customer Intention to Patronize

Ext = Extrinsic Variables

Inst = Intrinsic Variables

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Equation (1.1) depicts the expected relationship between customer patronage and the intrinsic and xtrinsic variables capable of impacting on their choice of rented apartments.

However, modeling possible variation that could arise as a result of differences in factors determining customers' patronage of residential and office apartments, equation (1.2) expresses the possible relationship between the extrinsic and intrinsic variables therein.

$$PTr\frac{\Delta Extr\,\mathrm{Re}\,s}{\Delta IntrOff}\geq 1, PTr\frac{\Delta Intr\,\mathrm{Re}\,s}{\Delta ExtrOff}\geq 1 \qquad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 1.2$$

Where:

$\Delta Extr\,\mathrm{Re}\,s$	=	Change in the extrinsic factors of residential apartments
$\Delta ExtrOff$	=	Change in the extrinsic factors of office apartments
$\Delta Intr\,\mathrm{Re}\,s$	=	Change in the intrinsic factors of residential apartments
$\Delta IntrOff$	=	Change in the intrinsic factors of office apartments

4. RESULTS

To determine the difference between factors determining patronage of residential and office apartments by bankers in Ekiti State

A one-way analysis of variance (ANOVA) was conducted to determine if there is a significant difference between factors determining patronage of residential and office apartments by bankers in Ekiti State. This suggests that the management of the bank decided on an office apartment while bank employees decided on residential. The one-way ANOVA of location and patronage of residential apartment and office apartment between the groups revealed that both showed statistically significant main effect [$f(3, 87) = 15.397$, $p < .05$] and [$f(3, 179) = 31.746$, $p < .05$] indicating that not all five groups of location resulted in the same patronage of residential apartment and office apartment. The measure of association, $x^2 = .102$ indicating that appropriately 10% of the variation in location is attributable to differences between the consumer intention to patronize rent apartment while the one-way ANOVA of Physical Infrastructure and patronage of residential and office apartment between the groups revealed that a statistically significant main effect [$f(3, 87)= 11.380$, $p > .01$] and [$f(3, 179) = 37645$, $p < .05$] indicating that not all two groups of physical infrastructure use, resulted in the same patronage of residential notwithstanding the difference in the result of F-stat. This implies that the availability of regular electricity supply, good road network, and water facility affects the choice of rent apartment of both banks' management and bank employees. These findings are in line with Israel (2014) who recommended that the government should provide more infrastructure in rural areas to harness development and ginger property values; urban neighborhoods to be landscape, with site and service schemes provided; allocate budgetary provisions adequately for the maintenance of the infrastructure; and private individual beneficiaries in the various communities where these facilities are provided to maintain sufficient security to avoid theft and vandalization, so as to continue to improve values of properties in such domains.

The one-way ANOVA of security and patronage of residential apartment and office apartment between the groups revealed both were statistically significant main effect [$f(3, 87) = 10.200$, $p <.05$] and [$f(3, 179) = 30,605$, $p <.05$] indicating that not all five groups of location resulted in the same patronage of residential apartment. This means that closeness to police post/office, neighborhood watch and security guards of other banks affects bank choice of office apartment and a residential apartment.

The one-way ANOVA of interior facility and patronage of residential apartment and office apartment between the groups revealed that both have significant main effect [$f(3, 87) = 11.380$, $p <.05$] and [$f(3, 179) = 32,591$, $p <.05$] indicating that not all five groups of location resulted in the same patronage of residential apartment and office apartment. Although, they were both significant but differ in the value recorded for F-stat. The one-way ANOVA of cost of maintenance and patronage of residential apartment between the groups revealed that a statistically significant main effect [$f(3, 87) = 11.380$, $p <.05$] and [$f(3, 179) = 31,629$, $p <.05$] indicating that not all five groups of location resulted in the same patronage of residential apartment and office apartment. This implies that cost of repairing plumbing, electricity bill, painting and cleaning inner room affect the bank's choice office apartment and a residential apartment.

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The one-way ANOVA of facility type and patronage of residential apartment between the groups revealed that both statistically have significant main effect [$f(3, 87) = 18.006$, $p < .05$] and [$f(3, 179) = 42{,}613$, $p < .05$] indicating that not all five groups of location resulted in the same patronage of residential apartment and office apartment. This implies that the number of rooms and the size of the building will determine the cost of repairing plumbing; electricity bill, painting and cleaning inner room affect the bank's choice office apartment and a residential apartment. From the results, it was revealed that both management and employees of the bank were more interested in the facility type and location of both office apartment and a residential apartment.

Table 1: ANOVA Results of factors determining patronage of residential apartments by banks' management/staff

ANOVA

		Sum of Squares	Df	Mean Square	F	Sig.
Location	Between Groups	10.983	3	3.661	15.397	.000
	Within Groups	20.687	87	.238		
	Total	31.670	90			
Physical Infrastructure	Between Groups	11.867	3	3.956	11.380	.000
	Within Groups	30.243	87	.348		
	Total	42.110	90			
Security	Between Groups	8.761	3	2.920	10.200	.000
	Within Groups	24.909	87	.286		
	Total	33.670	90			
Class of Residence	Between Groups	11.538	3	3.846	12.228	.000
	Within Groups	27.363	87	.315		
	Total	38.901	90			
Interior Facility	Between Groups	11.867	3	3.956	11.380	.000
	Within Groups	30.243	87	.348		
	Total	42.110	90			
Cost of Maintenance	Between Groups	11.867	3	3.956	11.380	.000
	Within Groups	30.243	87	.348		
	Total	42.110	90			
Facility Type	Between Groups	9.900	3	3.300	18.006	.000
	Within Groups	15.946	87	.183		
	Total	25.846	90			

Table 2: ANOVA Results of factors determining patronage of office apartments by bank employees

ANOVA

		Sum of Squares	Df	Mean Square	F	Sig.
Location	Between Groups	48.873	3	16.291	31.746	.000
	Within Groups	91.859	179	.513		
	Total	140.732	182			
Physical Infrastructure	Between Groups	57.537	3	19.179	37.645	.000
	Within Groups	91.195	179	.509		
	Total	148.732	182			
Security	Between Groups	48.813	3	16.271	30.605	.000
	Within Groups	95.165	179	.532		
	Total	143.978	182			

Class of Residence	Between Groups	42.418	3	14.139	32.591	.000
	Within Groups	77.658	179	.434		
	Total	120.077	182			
Interior Facility	Between Groups	49.127	3	16.376	31.629	.000
	Within Groups	92.676	179	.518		
	Total	141.803	182			
Cost of Maintenance	Between Groups	57.185	3	19.062	37.218	.000
	Within Groups	91.678	179	.512		
	Total	148.863	182			
Facility Type	Between Groups	37.520	3	12.507	43.613	.000
	Within Groups	51.332	179	.287		
	Total	88.852	182			

5. CONCLUSIONS AND RECOMMENDATION

The study concluded that there was no significant difference between factors determining patronage residential apartment and office apartment. The one-way ANOVA further revealed that facility type and location showed a strong relationship towards patronage of residential apartment and office apartment. Both extrinsic and intrinsic factors are all significant and positive related to patronage. This implies that cost of repairing plumbing, electricity bill, painting and cleaning inner room affect the bank's choice office apartment and a residential apartment. From the results, it was also revealed that both management and employees of the bank were more interested in the facility type and location of both office apartment and a residential apartment. Bank employees consider the location of the central business district before deciding on the choice of office apartment. The study further recommended that investors should make sure that all apartments are well equipped and good location is of paramount importance to bank employees and developers should ensure there is the provision of security–enhancing infrastructure such burglary proof and fence.

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