

Effects of Conversion of Residential Properties to Commercial Properties on Property Values in Damaturu

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Abstract

This study identifies the effect of conversion of residential properties to commercial properties on property values in Damaturu. This was achieved by identifying reasons for conversion of residential properties, the types of residential properties converted and determining the effects of conversion of residential properties to commercial properties on property values. Data for the study was obtained through structured questionnaire and data the data was analyzed using Statistical Package for the Social Sciences (SPSS) application software. The target population include staff of Yobe State Ministries of Land and Housing, professional estate surveyors and Valuers, landlords and tenants within the study area. The study revealed that conversion of residential property to commercial property increases the value of properties. The study recommends better monitoring of development by Town Planning Unit, provision of more housing by the government and the Estate Surveyors and Valuer should enlighten the landlords and tenants in Damaturu on the need to engage Estate Surveyors and Valuers for real estate transactions.

Keywords: Conversion, Residential Property, Commercial Property, Values.

I. Introduction

The designation of Damaturu as Yobe State capital on 27th August 1991, brought about influx of people to the state capital. These include the workers from the old Borno State of Yobe State origin, contractors, Business men and people seeking to make livelihood in the state. The influx of people leads to competitions for residential, commercial and other spaces. This also led to competitions between various uses and subsequently resulted to conversion of spaces offering less return to spaces capable of offering higher returns. This conversion no doubt brought about various consequences to the uses, users and the administration of the affected properties. Conversion of residential properties to commercial properties is one of the greatest challenges faced by most states in Nigeria today. This conversion has the tendency to reduce the quantity of residential spaces available to the inhabitant of the state capital not to talk of the increasing inflow of people for economic opportunity and others from the suburb of the town seeking safety from insurgency.

Therefore, this study identifies the effect of conversion of residential properties to commercial properties on property values in Damaturu. Findings of this study will serve as yardstick for land development, control and aiding property developer/redeveloper on the type of accommodation to provide. It will provide a guide for future planning of land use in Damaturu.

II. Literature Review

Conversion

Conversion is the change from one form of use of property into another use. This conversion is most pronounced in the Central Business District (CBD) and areas close to markets. These developments occur in many big cities where majority of residential properties located close to major roads are converted to commercial properties, while some are demolished and redeveloped to serve as commercial buildings (Un-Habitat, 2003; Ojikpong, Agbor & Emri, 2016).

Most properties located along major roads were converted to commercial uses, such as offices and shops. The reasons for conversion include security, investment potentials, accessibility, agglomeration of business activities, infrastructural facilities (Adegunle, Fateye & Agbato, 2016). This was aided by the nearness to other facilities and being within the Central Business District (CBD) (Jinadu, 2005).

Impact of Building Use Conversion

Jinadu (2005) and Ojikpong et al (2016) observed that gradual taking over of existing residential properties by commercial uses has several negative implications for the housing stock in the city. One of the major areas of negative impact is the reduction in the number of room's accommodation in the city. This often lead to migration of low income earners especially the new households; due to space inadequacy (Dung-gwon & Mamman, 2005). Agukoronye and Nwankwo (2002) observed that conversion has forced low-income earners to relocate and set-up squatter's settlements inside or outside the urban areas.

Jinadu, (2005) also observed that the demolition and replacement of residential buildings results in gradual destruction of the city's cultural heritage. This was also corroborated by Dung-gwon & Mamman, (2005); which opined that the conversion of residential buildings to commercial uses has seriously aggravated the housing shortage, resulting in overcrowding, high rent, slum and squatter settlements.

Jinadu (2005) also observed that the rate of housing conversion differs significantly with the rate of housing provision and development. Thus, according to him this is an indication that as the rate of housing conversion is increasing, the rate of availability of residential housing decreases, thereby concluding that housing conversion has adversely affected the rate of housing development.

Agukoronye and Nwankwo (2002) and Ojikpong et al (2016) observe that housing conversion is obviously economic. Despite reducing the housing stock, it also gives property owners more money by renting their houses as offices at an exorbitant rate, therefore, increasing property owner's appetite for housing conversion. Adegunle et al (2016) opine that pattern of property use change has positive implication on rental value of the affected properties.

According to Olayinka (2012), the primary reason for housing conversion is not only due to poverty or the quest to improve one's daily income but also due to demand for commercial property as against residential property. Jinadu (2005) and Olayinka (2012) observe that conversion of residential building to commercial

comes with high crime rate, high population, traffic congestion, poor road, poor drainage and epileptic power supply.

The increasing level of traffic associated with change of use has resulted to problems which the government must use scarce resources to solve (un-Habitant, 2003). Although conversion of residential properties to commercial uses has come with various issues and attendant problems, it is no doubt a sign of economic adjustment that seeks to allocate land to its highest and best use.

III. Research Methodology

The study is a survey in which data are sought from primary source through the structured questionnaire. The target population consists of Estate Surveyors and Valuers in Yobe State Ministry of Land and Mineral Resources, Ministry of Housing, professionals in private practice; landlords, tenants around the CBD and local agents within the study area. This study used convenience sampling techniques. Teddlie and Yu (2007) stated that convenience sampling involves drawing samples that are both easily accessible and willing to participate in a study.

Convenience sampling (also known as grab sampling or opportunity sampling) is a type of non-probability sampling that involves the sample being drawn from that part of the population that is close to hand, in which case, respondents that are assessable and willing to respond were issued the questionnaire. This gave a sample frame of 300. Therefore, using Yamane 1969 formula,

$$S = \frac{N}{1+N(e)^2} \text{ (Yamane's formula), Where } N = 300 \text{ sample frame, } e = 10\%$$

$$S = \frac{300}{1+300(0.1)^2}, = \frac{300}{1+300(0.01)} = \frac{300}{4} = 75. \text{ (sample size)}$$

The obtained data were analysed using Mean Item Score with the aid of SPSS, ranked on a Likert scale of 1 to 5, and presented in table. The decision rule used for the Mean Item Score in this study is given below:

Mean item score is being ranked from 0.00 to 5.00 and they all have their decision rule. The mean item score and the decision rule are summarized in the table below.

Table 1: Decision Rule for Mean Item Score

SCALE	MIS	Decision/Remark
5	4.50 to 5.00	Very Important
4	3.50 to 4.49	Important
3	2.50 to 3.49	Less Important
2	1.50 to 2.49	Least Important
1	0.00 to 1.49	Not Important

Source: Morenikeji (2006)

IV. Results and Discussions

Table 2: Response Rate of Respondents to Questionnaires

Questionnaires Sent	Questionnaires Received	Response Percentage
75	66	88.0%

Source: Field Survey (2019)

From table 1 the designed questionnaire (75) number were distributed within Damaturu metropolis, 66 questionnaires were returned showing an effective response rate of 88.0%.

Table 2: Nature of Practice of Respondents

Nature of practice	No of respondent	Percentage
Private practice	24	36.4%
Government	19	28.8%
All the above	19	28.8%
None	4	6.1%
Total	66	100%

Source: Field Survey (2019)

Table 2: shows that 36.4% of the respondents practice as consultants, 28.8% work in government while another 28.8% practice as consultants and also work with the government, 6.1% of the respondents are neither. Therefore, 93.9% of the respondents all together work into private practice or work in different spheres of government or do both.

Table 3: Years of Work Experience in Practice

Years of practice	No of respondent	Percentage
0-5yrs	26	39.4%
6-10yrs	19	28.8%
11-15yrs	12	18.2%
16yrs Above	9	13.6%
Total	66	100%

Source: Survey (2019)

Table 3: shows work experience of respondents. 39.4% of the respondents have 1-5 years work experience, 28.8% of the respondents have 6-10 years work experience, and 18.2% have 11-15yrs work experience while 13.6% have work experience of more than 16 years. This implies that most of the respondent have enough experience in the industry and will be able to provide relevant information to the subject matter.

Table 4: Reasons for conversion of residential properties to commercial

S/N	REASONS	1	2	3	4	5	MIS	Rank	Decision rule
1	Avenue for maximizing rents for property owners	0	0	5	15	46	4.62	1st	very important
2	To facilitate commercial activities in the area	0	5	16	27	20	4.52	2nd	very important
3	Location of property	0	3	4	23	36	4.39	3rd	important
4	Government bodies/regulation authorities	0	5	6	19	36	4.29	4th	important
5	Demand for commercial properties	0	0	14	20	32	4.27	5th	important

Source: Field Survey (2019)

Table 4 shows the order of ranking of the various reasons for conversion of residential properties to commercial properties. Avenue for maximizing rent for property owners is the highest ranked reason with a mean item score of 4.62. To facilitate commercial activities in the area is second with 4.52. Location of property is third with 4.39. Government bodies/regulation authorities have MIS of 4.29 ranked 4th, demands for commercial properties with 4.27 ranked 5th.

Table 5: Types of residential properties converted to commercial use

S/N	TYPES	1	2	3	4	5	MIS	Rank
1	Single room apartments	0	0	1	25	40	4.59	1st
2	Room and Parlor	0	2	5	12	47	4.58	2nd
3	Two bedroom flat	0	2	4	17	43	4.53	3rd
4	Three bedroom flat	0	2	5	16	43	4.52	4th
5	Duplex	0	1	5	26	34	4.41	5th

Source: Field Survey (2019)

Table 5, shows that single rooms (4.59) are mostly converted, this is followed by Room and palour (4.5), two bedroom flat (4.53), three bedroom flat (4.52) and Duplex (4.41).

Table 6: Problems associated with housing conversion

S/N	PROBLEMS	1	2	3	4	5	MIS	Rank
1	Major cause of residential housing shortage (reduces housing stock)	0	0	5	12	49	4.67	1st
2	Decrease in new development of commercial buildings	0	0	6	15	45	4.59	2nd
3	Dislocation and displacement of households	0	2	3	16	45	4.58	3rd
4	Property obsolescence	0	3	2	17	44	4.55	4th

Source: Field Survey (2019)

Table 6, shows Property conversion is a major cause of residential housing shortage (reduces housing stock) ranked 1st with MIS 4.67. Decrease in new development of commercial buildings ranked 2nd with MIS 4.59. Dislocation and displacement of households ranked 3rd with MIS 4.58, while property obsolescence with MIS 4.55 ranked 5th.

Table 7: Impact of conversion of residential property to commercial property

S/N	IMPACT	1	2	3	4	5	MIS	Rank
1	Increase in property values	0	0	5	12	49	4.67	1st
2	Increase in commercial activities in that area.	0	0	6	15	45	4.59	2nd
3	Creates a place for entrepreneurship and job creation	0	2	3	16	45	4.58	3rd
4	Enhance better use of spaces	0	3	2	17	44	4.55	4th

V. Discussion of Results

Reasons for conversion of residential properties to commercial use

The result shows that residential properties are converted to commercial use to maximize rents for property owners. The need to facilitate commercial activities in the area also results to conversion of residential properties to commercial use. Government policies/regulation may also bring about conversion of residential properties to commercial use. High demand for commercial properties such as shops, storage facilities, depot and store has also resulted to conversion to commercial use.

Types of residential properties converted to commercial

The result shows that residential properties converted to commercial use include: single room apartments, room and parlour, two bedrooms flat, three bedrooms flat and duplex.

Problems associated with housing conversion

Findings show that conversion of residential properties to commercial uses often result to shortage in residential accommodation. Conversion also discourages provision of new commercial properties as the converted properties tend to fill space of new building. It is also believed that conversion leads to obsolescence in building, as the old property converted tends to be obsolete earlier compared to new buildings.

Effects of conversion of residential property to commercial property

Findings have shown that conversion of residential properties to commercial uses increases the value of properties. This has encouraged some landlords to convert their residential properties to commercial uses. Also conversion of residential properties to commercial uses brings about increase in commercial activities in the area. This results to creation of place for job creation and entrepreneurship. Finally, appreciation in the value of a property shows that the space is put to a more befitting use which is the highest and best use of the space.

VI. Conclusion and Recommendations

Damaturu, the capital of Yobe state has witnessed rapid increase in population as a result of influx of people such as civil servants from the old Borno State, contractors, artisan, business personnel and others in need of livelihood. This call for more business spaces and therefore calls for conversion of residential buildings close to the CBD into commercial uses. This is no doubt with attendant problems but it has brought about the highest and best use of the converted residential spaces. This resulted in increase in value of the converted residential accommodation and other attendant benefits.

Having looked at the various problems plaguing the study area due to property conversion, the study therefore recommend thus:

1. Town planning authorities should ensure that landlords obtain permission before converting their properties to commercial irrespective of the fact that conversion brings about development of the town in general.
2. There is need for the town planners to re-zone a particular area for commercial uses such as Abasha Street and to avoid a high volume of traffic.
3. There is need for provision of adequate housing unit, in which quality and quantity should be considered.
4. There is need to enlighten the landlords and tenants in Damaturu on effective properties management and the need to engage Estate Surveyors and Valuers in real estate transactions.

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