REAL ESTATE MARKET REGULATION AND PROPERTY VALUES IN LAGOS STATE, NIGERIA

Oni Ayotunde Olawande

Department of Estate Management, Covenant University, Ota, Ogun State, Nigeria

Oluwatayo Adedapo

Department of Architecture, Covenant University, Ota, Ogun State, Nigeria

DurodolaDaniel O.

Department of Estate Management, Covenant University, Ota, Ogun State, Nigeria

Abstract

Increasing demand for commercial and residential properties has caused increase in rental values while the Government has intervened through enactment of the Rent Control and Recovery of Residential Premises (RCRRP) Edict (1997). This paper examined the effects of the law on residential property values in the study area. In doing so, a process of inference to evaluate the law was adopted, in addition to multiple-samples comparison and analysis of variance of the controlled and open market rents. Furthermore, hypothetical design of three-bedroom flats was used to illustrate the valuation of residential properties under the RCRRP Edict. The study found that with alpha level set at 0.05, rent control has no statistically significant effect on rental values, P-value=0.0009. It recommended that Government should not regulate the real estate market but provide enabling environment for investors to provide low cost housing units that would in the long run reduce rental values.

Keywords: Intervention, property market, property tax, rent control, real estate, market regulation

Introduction

According to Tucker (1997), standard supply-and-demand theory shows that when the government fixes prices, a gap opens up between supply and demand. This is usually illustrated by two opposing curves, representing the "marginal propensity to sell" (supply) and the "marginal propensity to buy" (demand). Consumers, of course, are inclined to buy more as prices fall and less as prices rise; while sellers act in an opposite manner, offering more as prices rise and less as prices fall until a "market-clearing price" is reached. The market-clearing price is the point at which, given current economic circumstances, the desires of both groups are optimized.

Furthermore, prices do not automatically come to rest at some market-clearing level but a continuing discovery process occurs and buyer or seller may accept a price due to a number of factors, namely, parties may achieve a temporary monopoly due to geography or other circumstances; lack of information may cause either buyers or sellers to accept a price that is unfavorable to them; or the actions of buyers and sellers may push prices toward a market-clearing level where there is lack of government interference through rent control and other approaches that different governments across the world have adopted. This includes one or more of land use restriction, including zoning, density and residential social mix, rent control, and land use charge or property tax; and in the words of Carter (2001), "there are few issues in housing and public policy in general that generate more vitriolic debate than rent controls". This is because rental housing accounts for more than a third of most tenants' income and rent controls are a very sensitive issue for the renting public.

Rent control is the standard ceiling placed on the rate that a landlord can charge while allowing a landlord to set the rent freely when letting to a new tenant but subject to the tenant's right not to accept and preventing the landlord from raising the rent or ejecting the tenant (Basu and Emerson, 2003). Compared with other government-mandated price controls, it is the law placing maximum price on what landlords may charge tenants and usually set below that which would have otherwise prevailed (Block and Edgar Olsen, 1981); while it sometimes functions as price ceiling and a collection of laws regulating how much a landlord can raise or must reduce the rent, and limiting the reasons for eviction, working together with eviction protections so that the landlord does not get around a rent limit by evicting the tenant (Carlson, 2006).

The rent control is usually an intervention through measures put in place by government on the pretext of protecting the urban dwellers from being pushed off the open market in the course of securing accommodations by putting a ceiling on the maximum rent payable on all classes of residential properties. Such measures include legislation on rent control to check incessant and arbitrary increases brought about through the interplay of demand and supply of residential accommodation. Such demand often rises at geometric rate while supply rises at arithmetic rate thereby causing galloping increase in rent from year to year.

According to Oni et al (2007), prior to the advent of rent control in Lagos State, the Lagos urban poor and low income earners were at the mercy of shylock landlords who often resorted to taking court order through the back door without serving the tenants proper notices, called *jankara judgment (*in Lagos parlance), to force them out without due process of law. Many of the property owners increased rent on an annual basis and at high rates, demanding advance rent of up to two years, not minding the unsanitary conditions of such accommodation units. Consequently, in 1997 the then military administrator of Lagos State signed into law an edict, which is cited as the Rent Control and Recovery of Residential Premises Edict No. 6 of 1997 (also called Rent Edict) with effect from the 21st day of March 1997. The most striking provision of the edict is the involvement of Estate Surveyors and Valuers in determining the standard rent payable on residential accommodation in each of the zones into which Lagos State has been delineated and stipulated in relations to size of room, number of rooms, facilities provided, and locations.

The aim of this paper is therefore to examine the Lagos State Rent Control and Recovery of Residential Premises Edict No. 6 of 1997 as it relates to fixing of standard rent; while the objectives are to highlight the relevant provisions of the Edict, and discuss the statutory method of determining the standard rents while also determining if the rent control has effects on values of residential properties in Lagos State.

Literature Review

A number of studies have posited different arguments for and against the facets of interventions in the real estate market. For instance, Oni (2008), Oni (2010), and Oni and Ajayi (2011) in determining the effects of government intervention in property market through the imposition of property tax on sustainable housing delivery found that government intervention through the imposition of statutory formula for determining the amount payable by property owners as land use charge was inappropriate and that high tax and penalties would discourage investment in new housing and maintenance of existing stock. It recommended a review of the law and suggested an appropriate basis of fair and equitable tax to ensure sustainable housing delivery and the realization of the goal of Vision 20:2020, which was set to make Nigeria become one of the twenty most advanced countries by year 2020.

Other arguments against rent control posited that the policy which was meant to assist poorer residents, harms far more citizens than it helps as it benefits the better-off and limits the freedom of all citizens. It argues further that very few moderately priced rental units are actually available in rent-controlled cities with most advertised units priced well above the actual median rent whereas in cities without controls, moderately priced units are available. In many cities, controls drive out residents and businesses; as controls hold down rents for some units, costs for all other rental housing skyrockets; tenants in rent-controlled units fear moving to more desirable neighborhoods since the only units available for rent are very high-priced (Carter, 2001).

Keating, Teitz and Skaburskis (1998) assessed rent control from the perspectives of vacancy rate, shortages and hoarding, and the morality of the market. In terms of vacancy rate, it found thatrent control creates housing shortages with national vacancy rates being at or above 7% for almost 20 years; whereas cities in USA such as Dallas, Houston, and Phoenix where development was welcomed, have often had vacancy rates above 15%. In these areas, there usually is a surplus of housing rather than a shortage. Landlords commonly advertise "move-in specials," where rent is reduced for the first month or even where they pay moving expenses. In rent-controlled cities, on the other hand, vacancy rates have been uniformly below normal. New York City has not had a vacancy rate above 5% since World War II. Before giving up rent control, vacancy rate in Boston was below 4%. In rent-controlled San Francisco, the vacancy rate is generally around 2%, and in San Jose the rate is 1%, which is the lowest in the country. Comparable nonrent-controlled cities, such as Chicago, Philadelphia, San Diego, and Seattle have normal vacancy rates at or above 7%. It concluded that higher rates of homelessness are a manifestation of rent control; with individuals having difficulty in finding new apartment in rent control cities; while crowding is a manifestation of rent control.

Rent control is a disease of the mind that soon becomes a disease of the market and those cities that resist infection by having a healthy tolerance for the rights of others are rewarded with a normal competitive housing market in which housing is available at every price level. Those cities that succumb to the disease of rent control are doomed to never-ending, house-to-house warfare over an everdiminishing supply of unaffordable housing. It is more likely to harm the market and lead to lack of investment in new rental housing and disinvestment in the existing stock. This causes deterioration and leaves tenants worse off over the long run. The nature of the controls in place seem to do little harm to housing markets modest benefits to tenants, without solving the problems of the poor in urban housing markets and provision of affordable housing for the poor must be accomplished by other means (Keating, Teitz and Skaburskis, 1998; Carter, 2001).

With this at the background, a number of questions arise: What is the effect of property market regulation on value of residential properties in Lagos State Nigeria? Is there any significant difference between the stautory rent and open market rental values in the study area? In resolving these questions, hypothetical three-bedroom flat was used for illustration since this is the unit of accommodation commonly sought after by residents in the study area. Also, the principles and techniques stipulated in the edict for calculating statutory rental value of a three-bedroom flat were expatiated. In doing so, one hypothesis was set in the null form to determine the relationship between statutory and open market rental values in the study area; the hypothesis is: “there is no significant difference between the statutory and open market rental values in the study area”

The Provision of the Rent Control and Recovery of Residential Premises Edict 1997

The Lagos State Rent Edict of 1997 is examined under its application, provisions on standard rent and advance rent payment, standard rent order, zoning of Lagos State, and standard rent table. The edict applies to residential accommodation with annual rental value that, as at 1996, was not more than N250, 000. The edict classified the types and categories of residential accommodation and zoned Lagos State into areas with fixed standard rents and terms of tenancy agreement applicable in such areas. It further provided that the rents prescribed in the edict would be the standard rents that must be payable and would only be reviewed upwards every three years on the order of the Military Administrator (now the civilian Governor) of Lagos State, and that such standard rent would be reviewed at every period at a rate not exceeding 20% of the standard rent prescribed in respect of each type of residential accommodation; while such standard rent supersedes any rent between the landlord and the tenant.

Furthermore, the edict states that it would be unlawful for any landlord or his agent, to demand or receive rent in excess of six months from incoming tenant and the incoming tenant to pay in excess of six months advance rent for categories T1 and T2 and twelve months in respect of accommodation in categories T3 to T8 as shown in Table 1.

Table 1: **Classification of Residential Accommodation under the Rent Edict**

Class of property	**T1**	**T2**	**T3**	**T4**	**T5**	**T6**	**T7**	**T8**
Type of accommodation	Single bedroom	Room and parlour	Single bedroom flat	2-bedroom flat	3-bedroom flat	2-bedroom house	3-bedroom semi-detached house	3-bedroom detached house

Source: Rent Control and Recovery of Residential Edict, 1977

Similarly, for the sitting tenants, the edict stated that it would be unlawful for a landlord or his agent to demand or receive standard rent in excess of three months in respect of any form of accommodation and for sitting tenant to offer or pay a rent in excess of three months advance payment for any accommodation. In both cases, any person who receives or pays rent in excess of what is prescribed in the edict would be guilty of an offence and become liable to a fine of N50, 000 or six months imprisonment. The edict expressly provides that all landlords should issue rent payment receipt to the tenant, failure of which such landlord would be guilty of an offence and become liable to a fine of N2, 500 or one month imprisonment. The edict categorizes residential accommodation in relation to materials of construction into Categories A, B, C, Standard Flat, and Standard House as shown in Table 2.

Table 2: Categories of Residential Accommodation under the Lagos State Rent Edict

Category	Description	Accommodation Details
A	Buildings constructed of sandcrete blocks, bricks or mud plastered and painted internally and externally	Rooms with floor area not less than 11.2m^2 (or 12' x 10'); plus 14m^2 (3.7m x 3.7m or 12' x 12') parlour; kitchen not being shared by not more than 6 rooms; bathroom with pipe-borne water not shared by more than 6 rooms; flush toilet not shared by more than 6 rooms; minimum floor finish is cement screed; water and electricity supply are from the mains.
B	Buildings constructed of bricks or mud plastered with cement	Standard rooms with dimensional area less than 11.2m^2 (3.7m x 3.0m or 12' x 10'); plus parlour having a dimensional area not less than 14m^2 (3.7m x 3.7m or 12' x 12'); kitchen, not shared by more than 8 rooms; bathroom with pipe-borne water but not shared by more than 8 rooms; cement screeded floor; water and electricity from the mains.
C	Buildings constructed of mud, bamboo, planks or corrugated iron sheets	Standard rooms with dimensional area not less than 11.2m^2 (3.7m x 3.m or 12' x 10'); parlour with dimensional area not less than 14m^2 (3.7m x 3.7m or 12' x 12'); external kitchen; external pit toilet; external bathroom; screeded floor; at least internal wall surfaces plastered; electricity supply from the mains.
Standard Flat	A self-contained family residential accommodation, which should have amenities exclusively for the use of the tenant.	A living room of not less than 14m^2 (3.7m x 3.7m or 12' x 12'); plus standard rooms with dimensional area not less than 11.2m^2 (3.7m x 3.m or 12' x 10'); a kitchen; water closet flush toilet; bathroom; mains electricity supply; terrazzo floor finishing at the Living/Dining room and kitchen; p.v.c. floor finishing at the bedrooms.

Standard House	Buildings on two floors for occupation by a single family, with sitting on the ground floor and bedrooms on the upper floor.	Living/dining with room; standard rooms with dimensional area not less than $11.2m^2$; kitchen; store; water closet flush toilet on ground and first floors; bathroom; mains water and electricity supply; terrazzo flooring at the Living/dining room, kitchen, toilet and bathroom and stairway; p.v.c. flooring at the bedrooms.

Source: Rent Control and Recovery of Residential Edict, 1977

Apart from stating the categories of accommodation, the edict listed the communities affected by its provisions; the communities covered by the edict are shown in Table 3.

Table 3:Zoning of Communities Affected by Provisions of the Edict

Zone	Communities
A	Lagos Island including Olowogbowo, Isale Eko, Epetedo, Sangross, Obalende, Onikan, Araromi Faji Area, Oke-Suna, Anikantamo, Lafiaji, Oke-Popo area, Agarawu area, Oko-Awo, Tinubu, Brazillian Quarters, Obadina, Ita-Eleiye area, Apongbon, Idumota, Ereko, Oto, Ido, Surulere, Ebute Meta West, Apapa, Festac (Medium Density)
B	Lawanson, Tejuoso, Ojuelegba, Mabo area, Yaba, Sabo, Onike, Iwaya, Akoka, Igbobi, Jibowu, Fadeyi, Onipanu, Palm grove, old Ilupeju, Obanikoro, Aguda, Surulere, Apakun, Papa Ajao, Oyadiran Estate, Festac (High Density), Ikate, Obale-Odan, Obele-Oniwahala, Games Village, Opebi LSDPC Housing Estate, Satellite Town, Agidingbi New Development, Onigbongbo Village, Ojodu Pilot Estate, and Gowon Estate.
C	Ikeja Division excluding places listed in other zones but including Oregun, Ojota, Ketu, Oworonsoki, Ijeshatedo, Kirikiri, Bariga, Somolu, Oshodi, Isolo, Egbe, Ikotun, Akowonjo, Egbeda, Idimu, Iyana-Ipaja, Agege, Orile-Agege, Iju, Ifako, Ijaye, Moshalashi, Otubu, Pero, Asade, Mushin, Panada, Mangoro, Onipetesi, Dopemu, Cement, Sanngo, Oko-Oba, Matori, Challenge, Cappa, Olorunsogo, Idi-oro, Idi-Araba, Ilasamaja, Agidingbi, Papa Ashafa, Oke-Koto, Aguda-Tuntun, Ojodu Akiode, Isheri, Alakuko, Agbado, Ladilak, Abule-Okuta, Ifako-Gbagada, Ogudu Village, Alapere, Kollinton, Onigbongbo, Adekunle Village, Ogba, Ikate, Osapa, Shagari Estate, Magodo Village, Shangisha Village, Itire, Iba Low Cost Housing Estate, Abaranje New Developments, Abule Nla, Abule Ijesha, Abule-Oja, Itire, Bolade, Ajisegiri, Ladipo, Sogunle, Alasia, Okota, Ishaga, Mafoluku, Ewu-tuntun, Coker Village, Iponri Low Cost Housing Estate, Amuwo-Odofin Low Cost Housing Estate, Ojokoro/Ijaiye Low Cost Housing Estate, Ogba Phase I, Omole Village.
D	Ilaje Village, Ajegunle, Badiya, Ijora-OlaleyeVillage, Amukoko, Ilasan, Ikota, Ajah, Addo, Orile-Iganmu, Oke-Odo, Iba, Ijanikin, Ikare, Mile 2, Irede, Imore, Ibeshe, Ibasa, Ijegun-Egba, Onireke Village, Ojo-Alaba, Maza-maza, Ilaashe, Ojo, Okokomaiko, Ajangbadi, Mebamu, Ishasi, Ojo-Igbede, Otto-Ijanikin, Amuwo, Agboju, Oluti, Shasha, Aboru, Bolorunpelu, Baruwa, Abule Egba, Igando, Abaranje, Ijegun Village, Ipaja, Abule-Oki, Surulere Tuntun, Isheri-Olofin, Ayobo, Makoko, Old Alaba, Ejigbo, Iponri, Abesan Low Cost Housing Estate, Sangotedo, Ikota Resettlement Scheme, Owode, Thomas Laniyan Estate, Ajegunle via Owode-Onirin, Badore, Okun-Ajah, Abesan
E	Ikorodu, Ipakodo, Odo-Giyan, Owutu and Igbogbo
F	Ikorodu Division excluding Districts listed in Zone E but including Majidun, Abule-Okuta, Ijede, Isiu, Ewu-Elepe, Imota, Egbin and Agbowa, Agbowa-Ikosi, and Oruba in Epe Division

G	Epe township
H	Other towns and villages in Epe Division including Lekki and other towns and villages in Ibeju-Lekki Local Government Area
K	Badagry township, Ajara, Topo
M	Other towns and villages in Badagry Division up to Seme (Nigeria-Republic of Benin Border)
N	Mende, Anthony Village, Idi-Iroko Village, New Ilupeju, Ogba Phase II, Omole Scheme, Magodo Scheme, Gbagada Phases I& II, Bamishile/Opebi Scheme, Wemabod Estate, Alaka Estate, Alaka Extension, Amuwo-Odofin Scheme, Medina Estate, Atunrase Estate, Shonibare Estate, FESTAC (Medium Density), Danny Estate, LSDPC Estate on Carter Street Ebute Metta, Adekunle Village (New Development)

Source: Rent Control and Recovery of Residential Edict, 1997

Furthermore, the rents that must be paid and received respectively by tenants and landlords were stipulated; the rents vary according to different zones and types of residential properties, with rents in Zone N being the highest while lowest rents were fixed for Zone M as shown in Table 4.

Table 4: Standard Rent Table showing Types, Categories and Rental Values as at 1997

Zone	T1A	T1B	T1C	T2A	T2B	T2C	T3	T4	T5	T6	T7	T8
A	650	585	525	1,350	1,215	1,090	1,750	2,600	3,750	5,250	8,750	10,500
B	480	430	390	960	865	780	1,250	2,800	3,750	4,375	5,800	7,000
C	400	360	325	880	790	710	1,125	1,875	3,000	3,375	4,500	4,875
D	320	290	260	720	650	585	825	1,500	2,250	2,625	3,750	4,125
E	280	250	225	560	505	455	750	1,500	1,875	2,650	3,000	3,350
F	120	110	100	240	215	195	280	320	400	480	600	640
G	160	145	130	320	290	260	360	400	480	560	640	720
H	65	60	55	130	115	105	160	225	265	320	400	440
K	320	290	260	720	650	585	1,000	1,200	1,440	2,000	2,400	2,800
M	95	85	75	190	170	155	280	360	440	560	640	720
N	480	430	390	960	865	780	1,875	3,000	4,500	7,000	8,750	10,500

Source: Rent Control and Recovery of Residential Edict, 1997, pp.A59

From Table 4, the standard rents that property owners are by law expected to receive and which the tenants are expected to pay according to the types of accommodation and zones in which they are located. The average statutory rents for types T1A – T1C, T2A – T2C and T3 to T8 were projected at 20% every three years up to end of 2011 using the formular

$C_{rv} = r_{n-1} + (r_{n-1} \text{ x } 20\%)$ … Eqn. 1

where,

C_{rv} = Current rental value

r_{n-1} = rent at last review

r_{n-1} x 20% = rent at last review increased by 20% stipulated in the Edict.

The result of the application of the formular has resulted in the details of projected rents for each of the zones, types and categories of residential properties shown in Table 5.

Table 5: Projected Statutory and Open Market Rents According to Zones and Accommodation Types

Zone	Rent (per month) (Projected from 1997 at 20% every three years, adjusted to nearest Naira per month)								
	Type / **Year**	**T1A-T1C** (average)N	**T2A-T2C** (average) N	**T3** N	**T4** N	**T5** N	**T6** N	**T7** N	**T8** N
A	1997 (controlled rent)	587	1,828	1,750	2,600	3,750	5,250	8,750	10,500
	2011 **(projected rent)**	**2,102**	**6,550**	**6,271**	**9,316**	**9,686**	**13,561**	**22,601**	**2,7122**
	2011 **(Open Market Rent)**	**6,000**	**13,750**	**18,000**	**22,000**	**30,000**	**36,000**	**80,000**	**120,000**
B	1997 (controlled rent)	433	1,302	1,250	2,800	3,750	4,375	5,800	7,000
	2011 **(projected rent)**	**1,552**	**4,665**	**3,857**	**10,033**	**13,437**	**15,676**	**20,783**	**25,082**
	2011 **(Open Market Rent)**	**5,750**	**11,750**	**12,500**	**22,000**	**50,000**	**65,000**	**70,000**	**100,000**
C	1997 (controlled rent)	362	794	1,125	1,875	3,000	3,375	4,500	4,875
	2011 **(projected rent)**	**1,297**	**2,845**	**4,031**	**6,719**	**10,750**	**12,093**	**16,124**	**17,468**
	2011 **(Open Market Rent)**	**3,700**	**4,500**	**7,000**	**9,000**	**12,750**	**13,500**	**20,000**	**25,000**
D	1997 **(controlled rent)**	290	652	825	1,500	2,250	2,625	3,750	4,125
	2011 **(projected rent)**	**1,039**	**2,336**	**2,956**	**5,375**	**8,062**	**9,406**	**13,437**	**14,781**
	2011 **(Open Market Rent)**	**3,500**	**4,500**	**7,800**	**15,000**	**20,000**	**25,000**	**35,000**	**50,000**
E	1997 (controlled rent)	252	507	750	1,500	1,875	2,650	3,000	3,350
	2011 **(projected rent)**	**903**	**1,817**	**2,687**	**5,375**	**6,719**	**9,496**	**10,750**	**12,004**
	2011 **(Open Market Rent)**	**2,500**	**4,000**	**5,000**	**8,000**	**10,000**	**12,000**	**15,000**	**20,000**
F	1997 (controlled rent)	110	217	280	320	400	480	600	640
	2011 **(projected rent)**	**394**	**778**	**1,003**	**1,147**	**1,195**	**1,720**	**2,150**	**2,293**
	2011 **(Open Market Rent)**	**1,750**	**3,000**	**4,500**	**6,000**	**8,000**	**10,000**	**12,000**	**15,000**
G	1997 (controlled rent)	145	290	360	400	480	560	640	720
	2011 **(projected rent)**	**520**	**1,039**	**1,290**	**1,195**	**1,720**	**2,006**	**2,293**	**2,580**
	2011 **(Open Market Rent)**	**1,500**	**4,000**	**5,000**	**7,000**	**10,000**	**12,000**	**15,000**	**20,000**
H	1997 (controlled rent)	60	117	160	225	265	320	400	440
	2011 **(projected rent)**	**155**	**420**	**573**	**806**	**950**	**1,147**	**1,195**	**1,577**
	2011 **(Open Market Rent)**	**1,500**	**4,500**	**6,000**	**8,000**	**10,000**	**12,000**	**16,000**	**22,000**
K	1997 (controlled rent)	290	652	1,000	1,200	1,440	2,000	2,400	2,800
	2011 **(projected rent)**	**1,039**	**2,336**	**3,583**	**4,300**	**5,160**	**7,166**	**8,600**	**10,033**
	2011 **(Open Market Rent)**	**1,500**	**3,500**	**6,000**	**7,500**	**9,000**	**9,500**	**12,500**	**15,000**
M	1997 (controlled rent)	85	172	280	360	440	560	640	720
	2011 **(projected rent)**	**305**	**616**	**1,003**	**1,290**	**1,577**	**2,006**	**2,293**	**2,580**
	2011 **(Open Market Rent)**	**1,200**	**2,400**	**3,600**	**4,800**	**7,000**	**8,000**	**9,500**	**12,000**
N	1997 (controlled rent)	434	869	1,875	3,000	4,500	7,000	8,750	10,500
	2011 **(projected rent)**	**1,500**	**3,114**	**6,719**	**10,750**	**16,124**	**25,082**	**22,601**	**27,122**
	2011 **(Open Market Rent)**	**12,000**	**16,000**	**35,000**	**65,000**	**70,000**	**100,000**	**160,000**	**350,000**

In Table 5, the 1997 rents stipulated for each Zone were projected at 20% increment every three years up to 2011, while the open market rent in 2011 were obatained from the practitioners with average rents passing determined.

Material and Method

In attaining the stated aim and objectives an exploratory study was carried out on the edict. In this respect, provisions in the edict were studied for an understanding of basic meaning and interpretation that are devoid of legal jargons. The rents stipulated in the edict according to zones were compared with the open market rents obtained from a survey of the Estate Surveyors (real estate practitioners), and from property pages of newspapers and magazines in Lagos metropolis. Data on the open market rent were obtained from one hundred and twenty out of three hundred and twenty-five registered firms of Estate Surveyors and Valuers in the study area. Questionnaires were administered in Apapa, Lagos Island, Lagos mainland, and Ikeja which are four administrative divisions within the Lagos metropolis to obtain prevailing open market rental values of the properties covered by the edict. Averages of the rents obtained from the firms were adopted for each type of accommodation units.

For purpose of analysis, statutory rents in 1997 were reviewed at maximum rate of 20% every three years as stipulated by the edict considering the statutory and open market rents as at 2011 when this study was carried out. In order to illustrate the approach for calculating the statutory rent, floor plans of two hypothetical three-bedroom flats assumed to be located in Zone N were purposively used for the illustration. The process for calculating statutory rent as illustrated is equally applicable to other zones and type of accommodation in the study area. One of the floor plans has accommodation details larger than standard space and the other plan has space smaller than standard the stipulated standard.

In resolving the hypothesis that “there is no significant difference between the open market and statutory rents in all the zones of Lagos State”, the multiple-samples comparison of the independent means and analysis of variance (ANOVA) of the within and in-between variables were adopted. The procedure compared data in two columns of data files and constructed statistical tests to determine the relationship between the open market and statutory rents. The F-test in the ANOVA was used to determine if there was significant difference amongst the means by decomposing variance of the data into two components, namely, a between-group and within-group components at 95% level of confidence, and the P-value that is less than 0.05 indicated statistically significant difference between the means of the independent variables.

Analysis and Discussion

The law provided ‘rewards’ for the owners of properties with extra room sizes in form of addition to rent while owner were to be ‘penalized’ in form of deductions from the stipulated standard rents. In calculating the additional value for the extra room size or deduction for sizes that are below the stipulated standard, two hypothetical floor plans (Fig. 1 and Fig. 2) were used for illustration. Fig. 1 is the plan of a three-bedroom flat with floor dimensions above those stipulated in the edict, while Fig. 2 shows the flat with dimensions less than the stipulated standard.

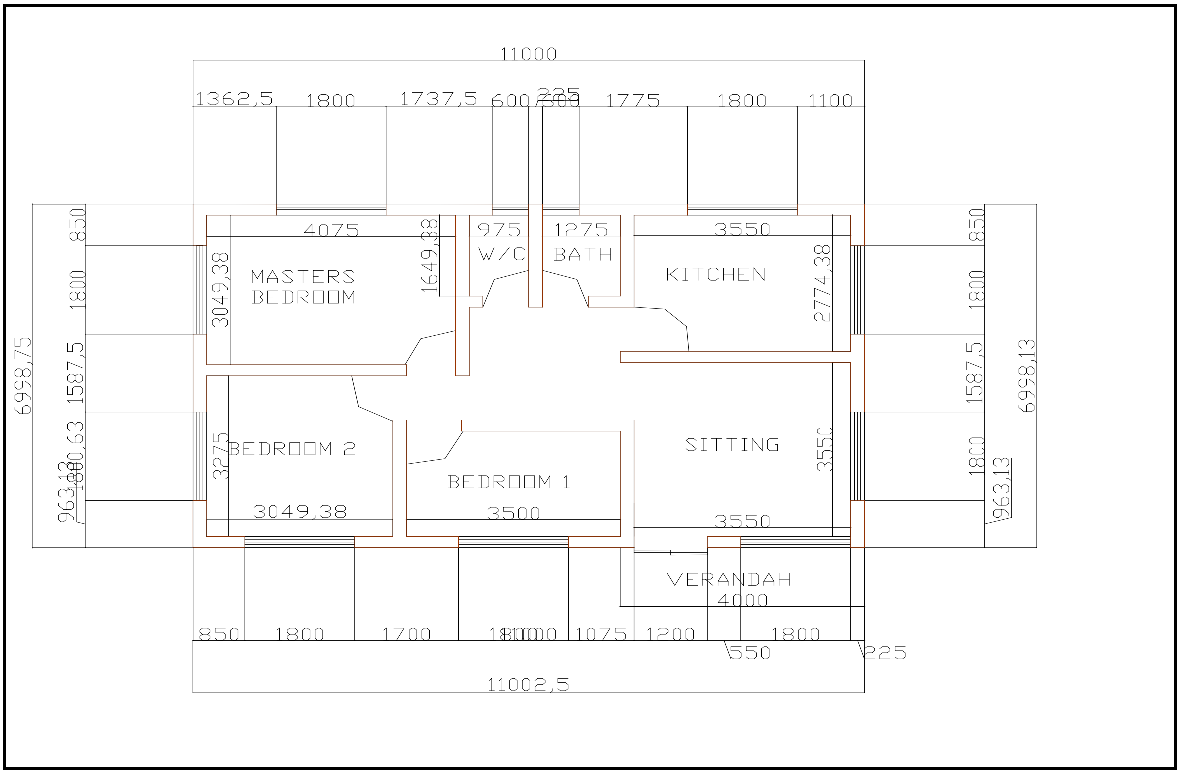

Fig.1: Floor Plan of Hypothetical Three-Bedroom Flat (with accommodation dimensions above statutory requirement)

The calculation of statutory rent of hypothetical three-bedroom flat (T5 in Zone C) using Fig.1 with accommodation space that is more than the standard stipulated is shown in Table 6.

Table 6: Calculation of Rent of Hypothetical 3-Bedroom Flat (with space above standard size)

S/N	Amenities	Statutory (Standard) Dimensions (A)	Actual Dimension of Hypothetical flat. (B)	Difference between actual and expected (B–A)	Allowance for extra floor space @ 60% of unit rate/m^2 of standard rent: (B–A) x N135.50/m^2 (Naira per month)
1.	Master's Bedroom	11.2m^2	29.77m^2	18.57 m^2	2,516.24
2	Bedroom I	11.2m^2	20.84m^2	9.64 m^2	1,306.22
3	Bedroom II	11.2m^2	20.84m^2	9.64 m^2	1,306.22
4	Living Room/Dining	14.0m^2	33.49 m^2	19.49 m^2	2,640.90
5	Kitchen	-	-	-	-
6	WC Cubicle	-	-	-	-
7	Bath	-	-	-	-
8	Electricity	-	-	-	-
9	Water supply	-	-	-	-
TOTAL		**47.60** m^2	**104.94** m^2	**57.34** m^2	**N7,769.58**

From Table 6, the allowance for extra floor space was determined by multiplying the difference between standard (statutory) size and actual size of the accommodation details; and 60% of the unit rate per square metre (as stipulated in the edict) was set aside for extra space over the statutory standard. The unit rate per square metre was derived by dividing the statutory rent for a particular type of residential property with total statutory size of accommodation details that make up the flat. In this case, the statutory rent for three-bedroom flat (T5 in Zone C) is N10, 750 (projected from the 1997 base rent). The total statutory size is 47.60 m^2 whereas the total size that actually provided by the subject property is 104.94 m^2 thus indicating 57.34 m^2 extra over the standard size. The unit rate per square metre is therefore N10,750 ÷ 47.60 m^2 which translates to N225.84/ m^2 while the calculated 60% of unit rate allowance for extra space is therefore N135.50/ m^2 (i.e. N225.84/ m^2 x 0.6). This is then applied to each space to determine the total amount payable for the extra space. In this case, the total monthly rent payable for the type of property having extra space include the statutory rent which is N10, 750 plus the total allowance for the extra floor spaces, which is N7,769.58 per month. Consequently, the standard rent for the flat assumed to have been considered in Zone C for Type T5 is N18,519.58 (rounded up to N18, 520).

On the other hand, Fig. 2 is a sketch floor plan of hypothetical three-bedroom flat with dimensions less than those stipulated by the edict. This was used to explain the process for calculating the standard rent and how property owners are 'penalised'

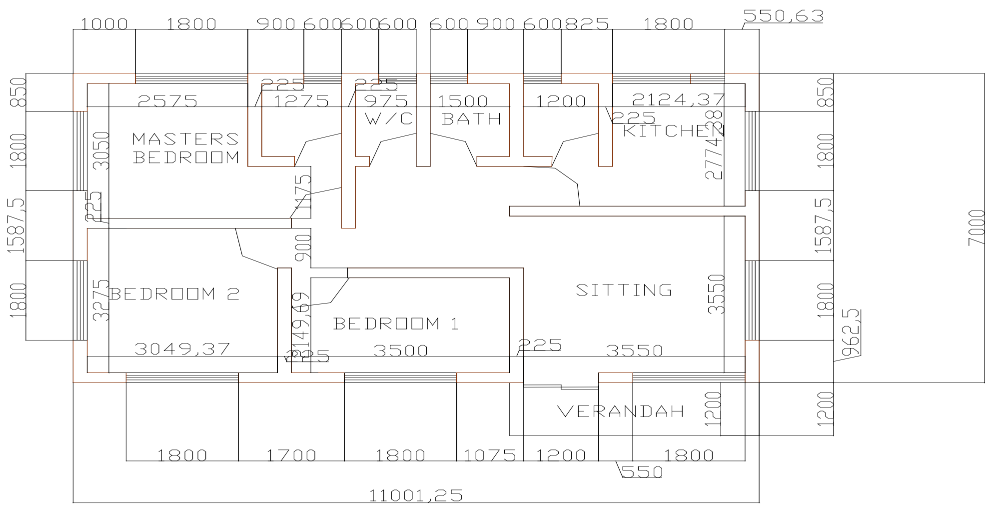

Fig.2: Floor Plan of Hypothetical Three-Bedroom Flat (with accommodation dimensions below statutory requirement)

In comparison, the standard rent for typical three-bedroom flat with floor space below standard size is determined as shown in Table 7.

Table 7: Calculation of Rent of Hypothetical Three-Bedroom Flat (with space below standard size)

S/N	Amenities	Statutory (Standard) Dimensions (A)	Actual Dimension of Hypothetical flat (B)	Difference between actual and expected (B–A)	Allowance for extra floor space @ 60% of unit rate/m^2 of standard rent: {(B –A) x ₦ 135.50/m^2}
1	Master's	11.20 m^2	11.22 m^2	+ 0.02 m^2	2.71
2	Bedroom I	11.20 m^2	9.30 m^2	- 1.90 m^2	(257.45)
3	Bedroom II	11.20 m^2	10.22 m^2	- 0.98 m^2	(132.79)
4	Sitting	14.00 m^2	15.65 m^2	+ 1.65 m^2	223.58
5	Kitchen	-	-	-	-
6	WC Cubicle	-	-	-	-
7	Bath	-	-	-	-
8	Electricity	-	-	-	-
9	Water	-	-	-	-
TOTAL		**47.60** m^2	**46.39** m^2	**(1.21)**	**₦ (163.95)**

From Table 7, the unit rate per square metre of the standard size is N225.84/ m^2 while its 60% is N135.50/ m^2. In case of hypothetical three-bedroom flat with floor area below statutory requirements, total allowance for the floor space is N-163.95 indicating that deduction would be made from the total statutory rent for this amount. Consequently, the standard rent for the flat is N10, 750 less N163.95. The monthly rent for the type of flat is therefore N10, 586.05 (rounded up to N10, 600) per month.

In testing the hypothesis that "there is no significant difference between the open market and statutory rents in all zones of Lagos State", the multiple-samples comparison and analysis of variance were carried out, while the F-test in the ANOVA returned the statistics in Tables 8 and 9.

Table 8: Summary of the Multiple-samples

S/N	Sample Lable	Range of values
1	Sample 1: T1AT1C	Sample 1: 33 values ranging from 60.0 to 12000.0
2	Sample 2: T2AT2C	Sample 2: 33 values ranging from 117.0 to 16000.0
3	Sample 3: T3	Sample 3: 33 values ranging from 160.0 to 35000.0
4	Sample 4: T4	Sample 4: 33 values ranging from 225.0 to 65000.0
5	Sample 5: T5	Sample 5: 33 values ranging from 265.0 to 70000.0
6	Sample 6: T6	Sample 6: 33 values ranging from 320.0 to 100000.
7	Sample 7: T7	Sample 7: 33 values ranging from 400.0 to 160000.
8	Sample 8: T8	Sample 8: 33 values ranging from 440.0 to 350000.

Table 9: Analysis of Variance Table

Source	**Sum of Squares**	**Degree of freedom**	**Mean Square**	**F-Ratio**	**P-Value**
Between groups	1.85823E10	7	2.65461E9	**3.66**	**0.0009**
Within groups	1.85548E11	256	7.24797E8		
Total (Corr.)	2.0413E11	263			

The ANOVA table (Table 9) decomposes the variance of the data with the F-ratio equals 3.66256, and since the P-value of the F-test is less than 0.05, there is a statistically significant difference between the means of the eight samples at the 95.0% confidence level.

From Table 10 (See Appendix), further hypothesis testing using the sample mean = 0.0 and sample standard deviation = 1.0; and 95% confidence interval for mean: 0.0 +/- 0.198422 *[-0.198422, 0.198422]*.The null hypothesis is: mean = 0.5, while the alternative hypothesis is mean ≠ 0.5. This analysis resulted in computed t-statistics = -5.0; P-value = *0.00000265129.*Given a sample of 100 observations with a mean of 0.0 and a standard deviation of 1.0, the computed t-statistic equals -5.0; and since P-value for the test is less than 0.05, the null hypothesis is rejected at the 95.0% confidence level. The confidence interval shows that the values of *mu* supported by the data fall between -0.198422 and 0.198422. The F-ratio, which in this case equals 3.66256, is a ratio of the between-group estimate to the within-group estimate; and since the P-value of the F-test is less than 0.05, there is a statistically significant difference between the means of the eight samples at the 95.0% confidence level.

Research Findings and Conclusion

The differences in statutory and open market rents are not equal across zones in the study area, varying with The overall finding of the study is that there is significant difference between the means of open market and statutory rents across zones in the study area. The statutory rent fixed on residential properties in the study area has no impact on the amount paid and received as rents. There is wide disparity between the open market rents and statutory rents in all the zones as the analysis has shown, this confirms that landlords and tenants are not observing the provisions of the edict as it relates to payments and receipts of statutory rents.

The study finds that the edict has deliberately left out high income residential communities covering many areas commonly occupied by low and medium income-earners, while rents vary relative to locations with communities at outlying precincts of Lagos metropolis such as Epe, Badagry, Ikorodu, and other rural communities demarcated into Zones E, F, G, H, K, and M command low rental values while communities within the Lagos metropolis are zoned into Zones A, B, C, D, and N with higher statutory rent fixed. By this, the Lagos State government had good intention of protecting low income earners and dwellers of the areas with high rental values in the metropolitan Lagos. The method of fixing the statutory rents is arbitrary and questionable. The rents for communities were probably fixed intuitively by civil servants that drafted the edict rather than estate surveyors and valuers who are trained to advice on fair rental value. The edict appears to protect the residents of the rural and outlying locations of the Lagos metropolis from arbitrary rent increases but the approach would be a disincentive to developers of the type of accommodation units affected by the edict. The 20% increase every three years will not be remunerative enough to cover the annual increase in cost of repairs, maintenance, tenement rates, and other outgoings.

Restricting the landlord to ridiculously low statutory rents will rather affect the low income earners and urban poor that the edict aimed to protect. The landlords would always find ways to avoid the law by resorting to black market letting by which the rent collected from tenants are falsified on receipt issued by them. In the long run, it may not be attractive to invest in low rental properties. Governments should not control the price of goods and services not produced by them otherwise the investors would have recourse to the black market letting by which tenants pay exorbitant rents and landlords issue receipts for lower statutory rents. The residents of Lagos State that the edict intended to protect would be exposed to greater hardship and become worse off. Rather than control rent, it would be expedient for government to provide enabling environment for the urban poor to own personal houses at truly low cost by empowering them to have access to finance without cut-throat requirements, stringent collateral and equity contributions. It is trite that the more truly the low cost housing units the lower the rental values of residential properties, over the long run.

The study has shown that there are significant differences amongst the statutory and open market rents in all the zones and categories of residential properties affected by the edict. Consequently, it is not reasonable to allow the edict prevails and it is therefore high time that it was repealed. Rather than controlling the rent of residential properties government in should provide the enabling environment that will truly encourage urban residents to own personal houses and thereby reduce the demand for the type of residential properties and consequently reduce the open market rent on the long run. Generally, the regulation of the real estate market through rent control has not achieved the expected positive effects of reducing rent. It is therefore advised that the investors in residential properties affected by the law should be free to derive 'un-controlled' return for risk and uncertainty in the real estate market just like other investment vehicles such as stocks and shares whose price are not controlled.

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