IMPACT OF ECONOMIC RECESSION ON RENTAL HOUSING PERFORMANCE IN SELECTED AREAS OF LAGOS METROPOLIS (2004-2013)

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Abstract

Purpose: This paper examined effect of recession on rental housing performance of prime properties in metropolitan Lagos. This is with a view to determining extent of the economic down turn on rental housing as well as interpretation of the trends in relation to economic recession.

Methods of Analysis: The population considered for the study was practicing firms of The Nigerian Institution of Estate Surveyors and Valuers, Lagos State Branch consisting of 314 firms. A systematic random sampling technique was adopted in sample selection given a total of 62 firms which represent the sample size for the study location which covered Victoria Island, Ikoyi and Lekki areas of Lagos. Questionnaire was designed to source information on frequency of letting a property; vacancy ratio and factors influencing residential rental housing performance while mean variance and correlation was employed for further analysis.

Findings: The information collated showed that rent decline occurred in Nigeria's housing market in year 2010 up till third quarter of 2012. However, this picked up shortly thereafter in the 4th quarter of 2012 to 2nd quarter of year 2013 at an average rate of between 3% and 12.3%. In addition, twenty four (24) factors were tested to determine their level of influence on residential rental housing performance, location ranked 1st followed by flood risk, security of property rights, fear of attack, size of property and neighborhood which ranked 2nd to 6th respectively. A correlation test further showed that rental value in relation to recession is not the only determinant of rental housing performance as it explained only a proportion of it. This implies that there are other factors which affect rental housing performance aside economic recession. Study therefore recommends adequate monitoring of economic indices and quality infrastructure development to enhance performance of rental housing in the study location.

Practical Implication of Findings: Through an in-depth review of the crisis in terms of the causes and consequences, this paper stresses that the impact of the crisis on rental housing is significant as recession could account for 17% - 88% influence on rental housing value in the selected study location. Moreover, a wavelike movement in terms of expansion, recession, contraction and the gradual on-going revival of the selected rental housing in the study location was also experienced. However, there are other factors influencing rental housing value performance such as locational attributes of the property which ranks first amongst other determinants.

Originality/Value: This paper has filled a gap in literature by assessing the significance of recession on rental housing value performance in the selected study location. The study also affirms that recession is not the only determinant of rental housing performance as it explained only a proportion.

Key Words: Economic recession, Lagos metropolis, Location, Rental housing, Value

1.0 Introduction

Housing may vary significantly between single family unit or multi-family residential unit. Furthermore, it may be for investment purpose (which is to maximize optimum returns) or for owners' use (which provide benefit beyond any consideration as an investment).With regard to maximization of optimum returns, the recent housing bust has resulted in lower rental or sale values. Property performance in the context of this study refers to the ability of property investments to yield maximum expected return or profit in terms of rental or capital value.

This paper examined the effect of the recession on rental housing performance of prime properties in metropolitan Lagos. Documented history of global economic crisis is rooted as far back as the early 20th century. Dode (2012) in a study gave a chronology of global recession occurrences with the first occurring in 1910 followed by the 1930 recession which was tagged “the great depression”. Furthermore, recessions occurred in 1945, 1949, 1953, 1957, 1960, 1970, 1973-1975 tagged “deep recession” The 1980, 1990, 2001 and the 2008 /2009 recessions are largely described as the worst after that of the 1930s. This type of economic crisis is not limited to the banking system but could arise as a result of war, political instability and corruption (Adebajo, 2012). An economic cycle always presents boom and bust periods. Periods of boom are often characterized with rising bank lending, public spending, high prices of consumer goods, companies returning high profit amongst others. The global economic crisis between 2008-2009, also termed ‘the 21st century global crisis or recession’ arose from failure in the United States of America (USA) property market that was heavily characterized by mortgage market which affected financial markets (Adebajo, 2012). The economic recession was marked by global economic decline that began in 2nd quarter of 2007 and took a particularly sharp downward turn in September 2008 (Gladstone, 2012). According to Charlse (2010) the bursting of the U.S.A housing bubble which peaked in 2006 caused the values of securities tied to U.S.A real estate pricing to plummet, affecting financial institutions globally. Charlse's study also pointed out that the global recession affected the entire world economy, with higher detriment in some countries than in others. According to Adebajo (2012) it is a major global recession characterized by various systemic imbalances and was sparked by the outbreak of the financial crisis of 2007–2008.

The word "recession” is defined by Webster (2012): as a period of reduced economic activity and the contraction phase of a business cycle, with two or more consecutive quarters of negative GDP (Gross Domestic Product) growth. Areas affected by recession include employment, income, industrial production, consumer confidence and wholesale-retail sales. Economic Recession is further associated with rising debt, weakening production and investment, stagnant wages, burgeoning unemployment, rapidly growing class inequality, spiraling global economic instability, and spreading militarism and imperialism (Moseley, 2009; Shukla, 2009 & Wolff, 2013). Other characteristics include falling house prices and home values related to shortage of mortgages and credit crunch, cost push inflation squeezing incomes and reducing disposable income and collapse in confidence of the finance sector causing lower confidence amongst 'real economy (UK GDP, 2012*)*. When consumers are nervous and stop spending, a recession is prolonged. This, in turn, may continue to negatively affect home values, sales and rentals.

The global financial crisis was characterized by sub-prime lending and resulted in low performance of the property market, increase in unemployment and decline in investment amongst others. When economic conditions are tough, this means skyrocketing vacancy rates and decrease in ability to rent desired apartments. Invariably, occupiers may decide to downsize from a high rental apartment to a low rental apartment due to financial crisis. This was experienced in the metropolitan areas of Lagos, particularly the high brow areas of Ikoyi, Victoria Island and Lekki Phase 1. In Nigeria, the GDP growth rate ranged between 3%-5.4% in the period 2004- 2008, however, World Bank in 2012 reported that Nigeria's GDP declined from 5.43% in 2008 to 5.2% in 2009, and thereafter moved up to 7.03% in 2010. Furthermore, the Central Bank of Nigeria (CBN) monetary policy committee has stated that the Nigerian Gross Domestic Product (GDP rate) declined from 7.43% in 2011 to 6.58% in 2012 due to fall in revenue from the oil sector which contracted by 0.91%. (National Bureau of Statistics, 2013). However as at second quarter of 2012, the GDP growth was 6.5% though an improvement from the first quarter which was 6.3%. The inflation rate also moved from 12.1% in May 2011 to 9% in May 2013; this signifies some improvement of the economy, although not as good as inflation rate of 6.2% in first quarter of 2007.

Following the above reasoning, the study aimed at evaluating the effect of economic recession on rental housing performance in order to assess its implication on prime properties in the study area. The aim was explored by means of the following objectives: to evaluate rental trend of prime properties from 2004-2013 in the study area, to identify and assess other factors that exerts influence on rental housing performance, and to assess the degree of association between the economic recession and rental value performance in the study area.

2.0 Literature Review

A down turn in the general business economy, for instance the global economic recession of 2007, will mean that fewer people can afford real estate products, which then decreases the demand, causing prices to decline. On the other hand, changes in supply and demand for residential and other type of properties are quite important to the well being of the general economy because, real estate market lags behind the general economy in the short cycle while the general business economy often predicts trends that eventually affect the real estate market (Kyle, 2005)

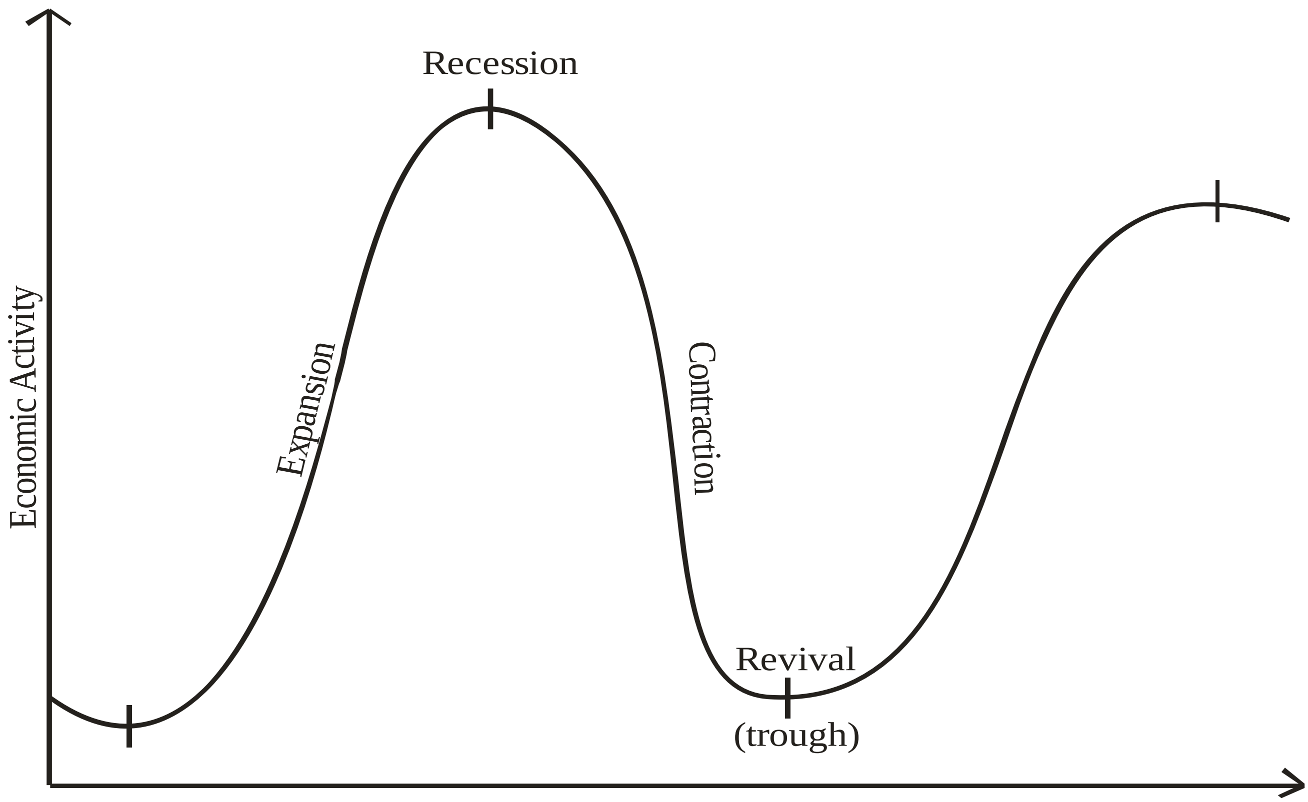
The recent economic recession emerged in 2007 following the demise of global financial markets (Adair, Berry, Haran, LIoyd, and Mcgreal, 2009). The market response to the collapse was swift and intense as it resulted in global collapse of property market. For instance, in US residential property market, it created a global balance sheet problem. Economic crisis may not only be adduced to collapse of the banking system, but could also be from other factors like war, political instability and corruption (Williams and Elliot, 2010). The economy varies in a cycle from 'boom' which is a time of prosperity to 'bust' (contraction period) which is experienced now. Due to some trigger, problems arise and people stopped spending, companies lost profits and became unable to service debt and banks stopped advancing credit (readconverse 2009*)*. During the mid-1990s, great prosperity from the stock market and other parts of the industry meant people were spending more and there were overestimation-as large mortgage brokers and banks lent money to 'bogus' customers; for instance, people were desperate to get on the property ladder with little equity, which resulted in sub-prime lending. With this effect in mind, banks around the world effected some stringent rules on access to loan and interest rates in the banking sector. As these went global, the United Kingdom (UK) government showed some sense of urgency by acknowledging a resolution as successive generations of policy makers set strategies on what to avoid, such as, taking over banks, setting rules and regulations to prop up the economy, collective problems such as social, economic and political as well as environmental threats, For instance, the global investment markets for a variety of asset classes was inspired by the eradication of exchange controls for investment funds in the late 1980's in the UK, the same time the banks were involved in globalization as a way of growing their lending activities by meeting the needs of their corporate clients who were increasingly effective in operating on a global basis (Isaac, & O'Leary 2011). This significant decline in the rate of profit appears to have been part of a global trend during this period, affecting all capitalist nations which Nigeria is not an exception. The ongoing uncertainty in the financial markets has fuelled turmoil in investment markets and caused downturn in both the commercial and residential markets (Jones, 2008). Limited availability of credit and tightened lending criteria has contributed to a dramatic fall in both transactions and development activities in many parts of the world. Over the last decade, the income return on all asset classes in UK has been on a slow trend. Even so, the income yield from commercial property has remained relatively stable over time: 6.5% annually, on average, over this period (Williams and Elliot, 2010). Meanwhile, capital growth has fluctuated considerably. In US, vacancy rate soared to 17.4 percent in the second quarter of 2010 with the market losing four hundred and fifty thousand square metres of occupied space- the highest level since 1993. A building is considered vacant when less than 31 percent of its total space is leased. The European Economic Commission forecast shows that the market has shown slight recovery as the vacancy rate dipped to 16.6 percent in the third quarter of 2010 then dipped further to 16.4 percent in the 4th quarter, vacancy rates are yet to return to their pre-recession level. Follain (2012) further carried out a research in New York to estimate movements in residential property prices and the volume of residential housing sales in New York State using a variety of statistical processes. The results showed that residential house prices have declined in each of the countries and the municipalities studied since reaching their peak values in 2005 and 2006. However, by the fourth quarter of 2010 most markets had seen rents begin to rise again. Nigeria is not an exception as it also experienced a wave like movement in its property market.

According to Adamu (2008) Nigeria's economy is integrated with that of the US and the UK due to exportation of crude oil in large quantities, hence, it felt some indirect impacts of the crisis. As the price of oil droped, quantity demanded also dropped. As at the year 2000, oil and gas export account for 98% of Nigeria's export earnings. Nigeria being a major supplier of crude oil to United States of America felt the ripple effect when recession hit the US in 2007. Oladipo and Fabayo (2012) in a study of global recession, oil sector and economic growth in Nigeria also affirmed that Nigeria's economy was affected by the on-going recession being a major exporter of oil to US. Also, the price of oil per barrel declined from $147 (about Twenty-Three Thousand Naira) per barrel in the third quarter of 2008 to less than 50 percent in the third quarter of 2009. Ogbegulu (2009) further affirmed that bonny light crude oil slipped from $145 (about Twenty-Two Thousand Naira) in 2nd quarter of 2008 to $75 (about Twelve Thousand Naira) in the 4th quarter of 2009. As a result of this, Adamu (2008) identified the indirect impacts of the crisis on Nigeria's economy**,** some of which are: low foreign direct investment and equity investment, downward trend in oil price, slow down of economic growth, foreign currency income slump, unemployment, reduced Oversea Development Aid (ODA), downward trend in prices of stocks, capital repatriation by private banks/investors which are usually foreign-owned, depreciation of local currency and commercial lending, banks not able to lend as much as they have done in the past. This limited investment in the country as investors found it difficult to borrow from these banks. By implication; there was decline in capital expenditure due to non availability of long term funding and this had a negative impact on building construction and real estate sector amongst others. For instance, from the survey carried out in Victoria Island, Ikoyi and Lekki axis, the rental property price fluctuated between 2009 and 2011 with about 33 percent slump in rental price. In addition, some property prices remain static over this period. As a result of the global recession, LBS (2011) reported that business showed a mixed trend with most indicators reflecting a decline in profit. In addition, property market remains weak with distressed sales; construction of new properties has remained slow as high cost of construction is stalling growth; surplus of unsold properties is further causing decline in home values; mortgages remain inaccessible for potential house buyers and migration of tenants to middle and low end area is still prevalent. However, according to the Federal Government Mid Term Report (May, 2013) building and construction sector contribution to the GDP as at 1st quarter of 2013 was 3.27% as against 2.19% in 4th quarter of 2012 while real estate sector contributes 2.10% in 1st quarter of 2013 as against 1.85% in 4th quarter of 2012, likewise the agricultural sector. This implies an improvement of the general economic well being of the country as the real estate sector and building construction sector is gradually improving. Moreover, the gross domestic product indices also signifies an improvement of the economy as the average GDP growth in 2008 first quarter was 4.64%, in 2009 first quarter, it moved upward to 5.1% and in 2010, 7.36%. However, in 2011 first quarter, it declined to 6.96%, while in 2012 it slipped further to 6.34% but in 1st quarter of 2013, an improvement of 6.56% occurred as against 6.34% in first quarter of 2012. The economy though diversified; the implication of government fiscal and monetary policy in terms of currency mopping from circulation, the various stern control on banking industries through Central Bank and lack of control on currency repatriation by foreign investors contributed to the recession in Nigeria Economy. During the period (2004-2009) the banking industries began re-organization and twenty-five billion Naira became the life boat of each bank. From the year 2009 -2014, the CBN further entrenched policy that pruned down the powers of commercial banks since they were confronted with huge subserviced loans which crippled most of the banks. Furthermore, the CBN introduced a life line safety through what the Central Bank of Nigeria tagged AMCON; Asset Management Corporation of Nigeria which bought over the debt but constrained commercial banks on further granting of both medium and long term loans and cut down the size of short term loans granted; hence, scarce fund for real estate retailing (sales, lease and letting).

This invariably affected rental performance negatively as annual rent of properties in Victoria Island, Ikoyi and Lekki axis is enormous that equity fund could not always sustain.

2.1 The Business Cycles

Since early 20th century, the real estate market has been recognized as a key component of the general economy which operated in cyclic fluctuations (Kyle, 2005). Property business cycles are usually defined as wavelike movements of increasing and decreasing economic prosperity. A cycle consists of four phases namely: Expansion, Recession, Contraction and Revival.



Source: Adapted from Kyle (2005) **Time**

Specific cycles are wavelike movements similar to business cycles. They occur in specific sectors of the general economy such as the real estate economy and in individual sector of real estate investment such as housing construction and real estate sales. According to Kyle (2005) real estate economy is a large integral part of the general business economy and as such is subject to the same four types of cyclic movements which can be observed in all phases of real estate; land and building development, sales, rentals, finance and re-development. When the economy is buoyant, the rental market for properties is generally good and vacancies are low. As properties continue to offer attractive returns to investors, more space is built. At the cycle peak, the supply of occupiable space equals and then often exceeds the demand. When that happens, rents fall and vacancy rates increase. During the contraction phase, vacancy rates are high and property owners must compete for tenants, resulting in a drastic reduction in rents. As the cycle reaches the troughs, the demand for space once again equals and begins to surpass the supply of available space, so rental rates as well as construction begin to increase.

A down turn in the general business economy, for instance the global economic recession of 2007, will mean that fewer people can afford to buy real estate, which then decreases the demand, causing prices to decline. On the other hand, changes in supply and demand for residential and other type of properties are quite important to the well being of the general economy because, real estate market lags behind the general economy in the short cycle while the general business economy often predicts trends that eventually affect the real estate market.

3.0 Methodology

This study was limited to Obalende, Marina, Victoria Island, Ikoyi and Lekki areas of Lagos metropolis. Victoria Island, Ikoyi and Lekki were purposively selected being preferred locations for expatriates, employees of international corporations and ~~a~~ commercial hub as well as part of the Central Business District. Hence, its international outlook, as rents and sales price are sometimes quoted in standard foreign currencies. The area is also regarded as an international market. It was selected in order to assist international investors on the choice of location for investment purpose.

The approach adopted includes document review to assess history of recession over the period of study, questionnaire and direct observation with respect to rental price movements. Rental housing trends on residential properties were examined in the study area in order to evaluate the effect of recession on rental housing demand. The rental appreciation of property over time was seen as-a reflector of the trend of transactions that have occurred and other prices of market data to estimate what the properties would be worth if it were to be let-out. If the rental value goes up then the property has achieved a positive rental return which would have an effect on its capital value, vice versa. Since past transactions are used in judging values, capital returns are directly linked to the performance of the investment market while the investment market is affected largely by the supply and demand of investment product. (Woychuck, 2012). The period under study spanned from 2004 to 2013; actual rental income extracted from estate firms' data bank through tenancy schedule was utilized. Thereafter the percentage change for each year was calculated to arrive at the difference in trend over the study period.

The population considered for the study was practicing firms under The Nigerian Institution of Estate Surveyors and Valuers, Lagos State Branch consisting of 314 firms (NIESV Lagos Branch, 2013) . A systematic random sampling technique was adopted in the sample selection in which every 5^{th} item (firm) on the alphabetical list was selected giving a sample size of 62 firms. The questionnaire was designed to elicit information on factors such as frequency of letting a property, vacancy ratio, estimate of average residential rental building development from start to finish and other factors influencing performance of residential rental buildings. while relative importance index and correlation test was employed for further analysis.

Real Estate markets include residential, commercial, industrial, agricultural, institutional and special purpose properties. For the purpose of this study, the focus is on selected residential housing which are for rental purposes. These include 5-bedroom detached houses, 4-bedroom wings of duplex and 3-

bedroom luxury apartments. During recession, both supply and demand of properties are affected. The supply side has to do with housing development and delivery while the demand side has to do with the purchasing power of the intended occupier or the ability to make an effective demand on products. For the purpose of this study, the demand side is examined as this would help investors on what type of property to invest on.

4.0 Data Analysis

This section comprises of data collated from the study areas and data bank of Estate Firms in the study area. The area under study includes Victoria Island, Ikoyi and Lekki-Phase 1. The total number of questionnaire served was sixty two (62). Forty three (43) were duly filled and returned which represented a response rate of 69.3%. Over 60% of the respondents were either principal partners or associate partners of the firms surveyed; furthermore they have been practicing real estate business for over 12years.

Table 1: **Rental Housing Values in Victoria Island, Ikoyi and Lekki Phase I, Lagos (2004-2013)**

RENTAL VALUE PER ANUM, 2004 – 2013									
Location /Property Type / Year	VICTORIA ISLAND			IKOYI			LEKKI PHASE I		
	5-BDH	4-BWD	3-BLA	5-BDH	4-BWD	3-BLA	5-BDH	4-BWD	3-BLA
2004	N5m p.a	N4m p.a	N2.5m p.a	N8m p.a	N6m p.a	N5m p.a	N2m p.a	N1.5m p.a	N1.2m p.a
2005	N5m p.a	N5m p.a	N2.5m p.a	N8m p.a	N6m p.a	N5m p.a	N2m p.a	N1.5m p.a	N1.5m p.a
2006	N7m p.a	N6m p.a	N4m p.a	N10m p.a	N6.5m p.a	N6m p.a	N3m p.a	N1.8m p.a	N1.5m p.a
2007	N7m p.a	N6m p.a	N4m p.a	N10m p.a	N6.5m p.a	N6m p.a	N3m p.a	N1.8m p.a	N1.5m p.a
2008	N10mp.a	N7m p.a	N4m p.a	N10m p.a	N7m p.a	N6.5m p.a	N4m p.a	N2.5m p.a	N2m p.a
2009	N10mp.a	N7m p.a	N5m p.a	N12m p.a	N7m p.a	N6.5m p.a	N4m p.a	N2.5m p.a	N2.5m p.a
2010	N8m p.a	N6m p.a	N4m p.a	N12m p.a	N7m p.a	N6.5m p.a	N4m p.a	N2.5m p.a	N2.5m p.a
2011	N7m p.a	N5m p.a	N4m p.a	N8m p.a	N6m p.a	N6m p.a	N4m p.a	N2.5m p.a	N2.5m p.a
2012	N6m p.a	N5m p.a	N4m p.a	N8m p.a	N6m p.a	N5m p.a	N3.5m p.a	N2m p.a	N2m p.a
2013	N8m p.a	N4m p.a	N5m p.a	N8m p.a	N6m p.a	N5m p.a	N3.5m p.a	N2.5m p.a	N2m p.a

Key

5 -BDH -5-Bedroom Detached House
4 -BWD -4 -Bedroom Wing of Duplex
3 -BLA -3- Bedroom Luxury Apartment

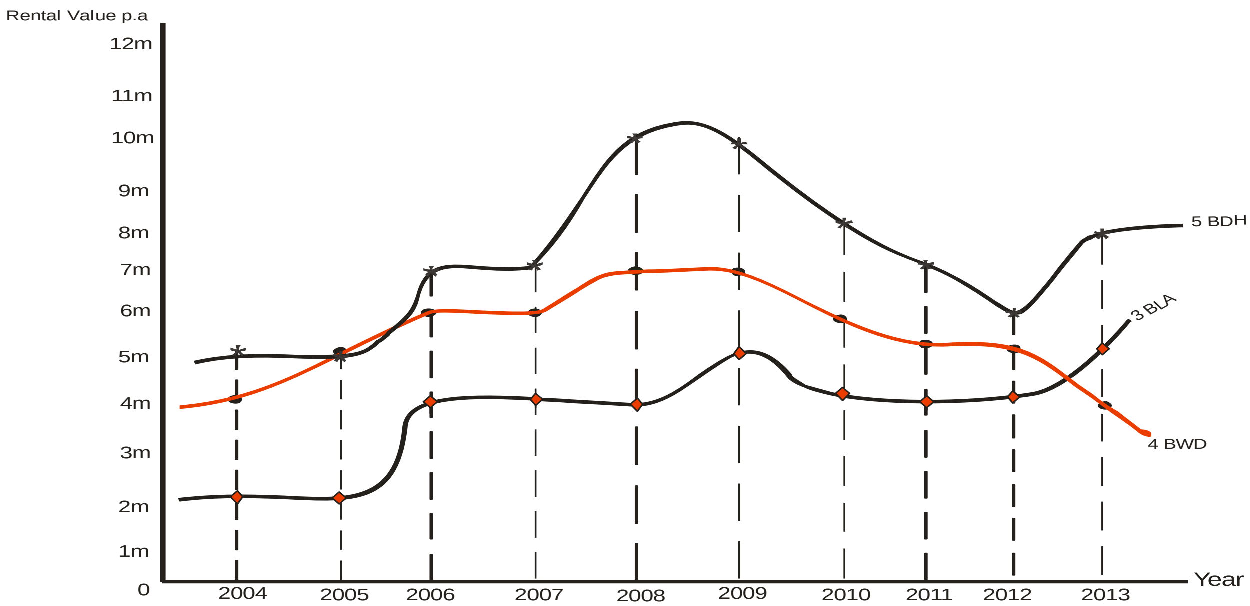


Figure 1: Rental Trends in Victoria Island Lagos
Source: Field Survey, 2013
key
5 BDH-5-Bedroom Detached House
4 BWD-4-Bedroom Wing of Duplex
3 BLA-3-Bedroom Luxury Apartment

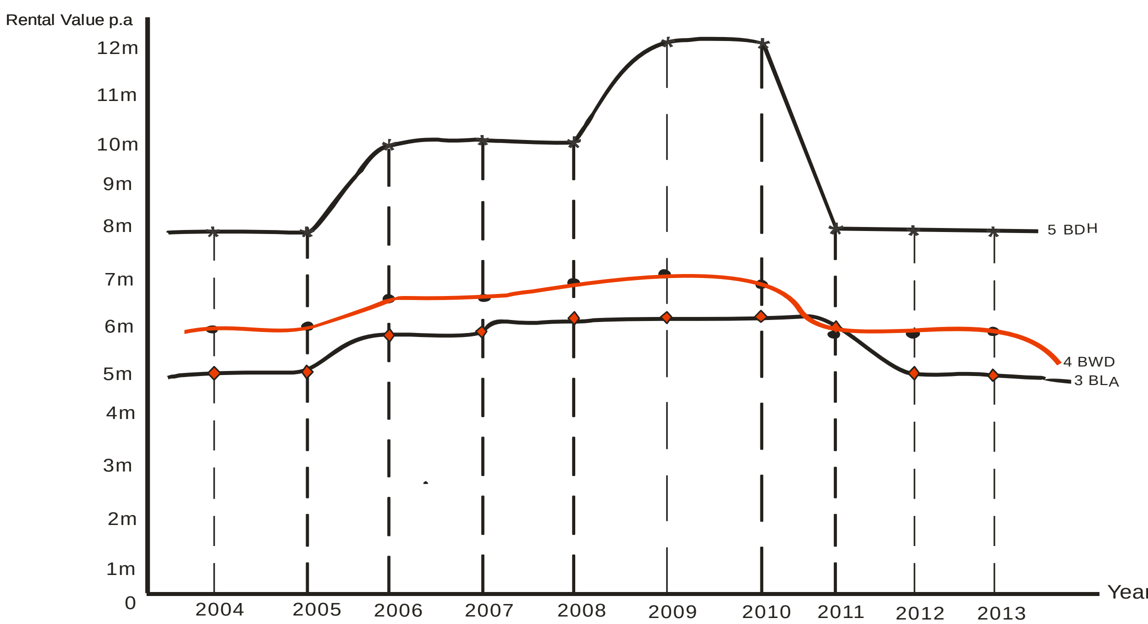


Figure 2: Rental Trends in Ikoyi Lagos
Source: Field Survey, 2013

key
5 BDH-5-Bedroom Detached House
4 BWD-4-Bedroom Wing of Duplex
3 BLA-3-Bedroom Luxury Apartment

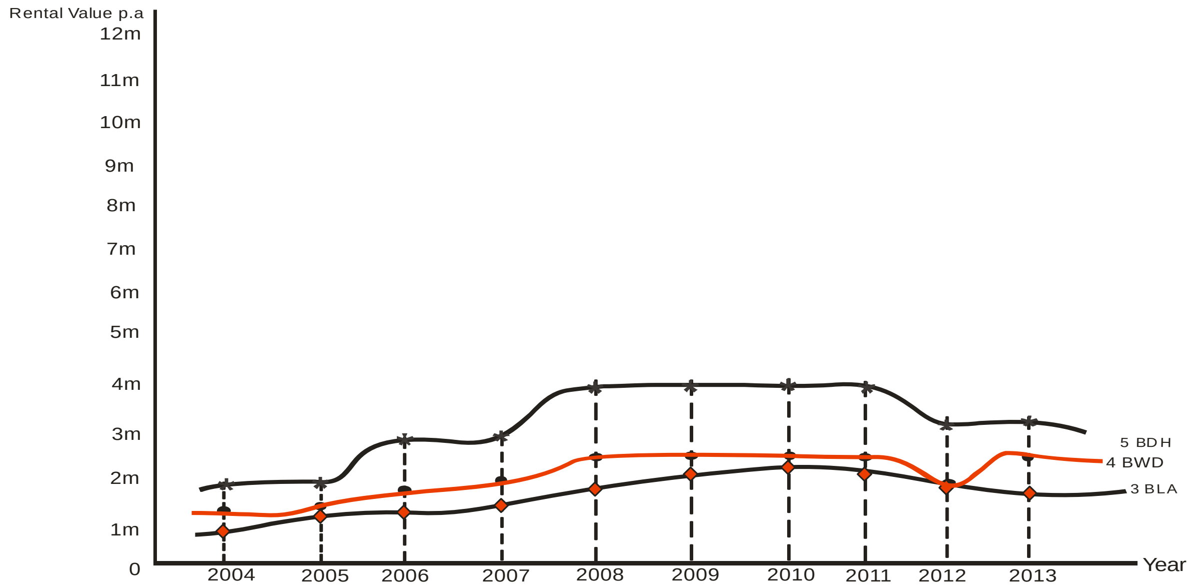


Figure 3: Rental Trends in Lekki 1 Lagos
Source: Field Survey, 2013

key
5 BDH-5-Bedroom Detached House
4 BWD-4-Bedroom Wing of Duplex
3 BLA-3-Bedroom Luxury Apartment

Table 2: Average Vacancy Ratio

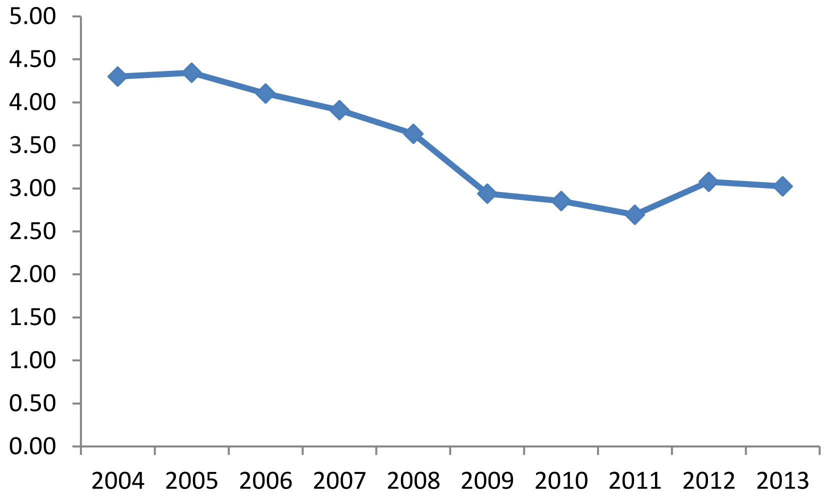
AVERAGE VACANCY RATIO			
LOCATION	March 2013 Residential	November 2012 Residential	September 2012 Residential
Victoria island	15.60%	20.27%	27.05%
Ikoyi	10.46%	39.44%	41.8%

Source: Financial Derivatives Company Limited – LBS Report 2012 – 2013

According to LBS (Lagos Business School) report (2012), the average vacancy ratio in the study location has reduced, for instance in the 4th quarter of 2012, the vacancy ratio in Victoria Island reduced from 27.05% to 15.6% in 1st quarter of 2013. Likewise in Ikoyi, average vacancy reduced from 41.8% in 4th quarter of 2012 to 10.46% in 1st quarter of 2013. This affirms that the property market is gaining stability as rental value is also improving.

Figure 4: Duration of letting an apartment

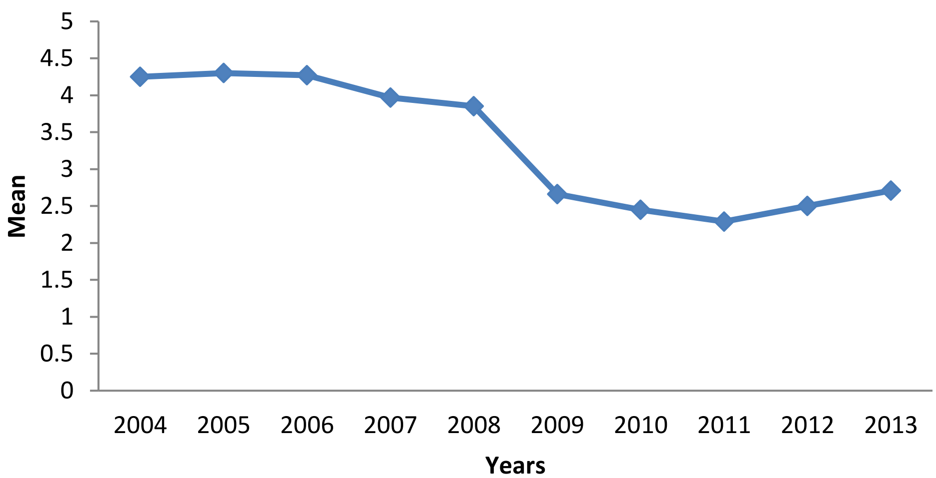
Mean



Years

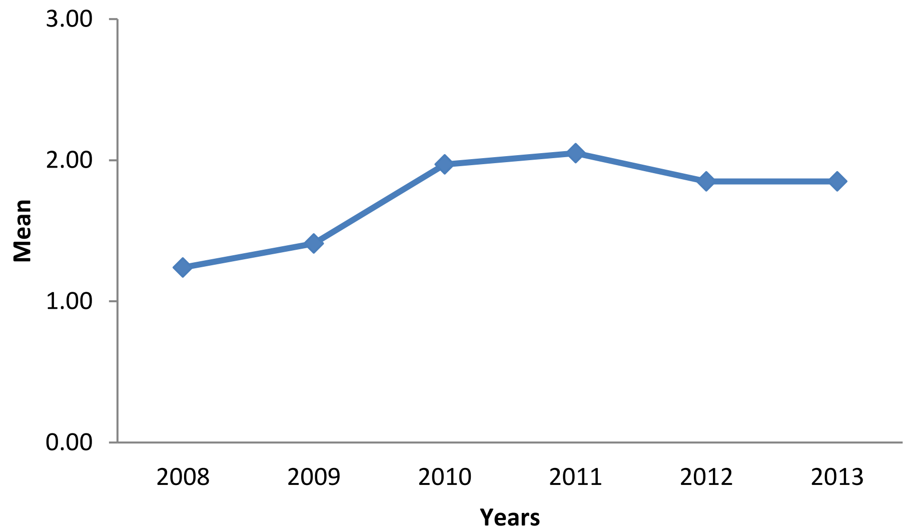
Source: Field work, 2013

Figure 5: Frequency of letting an apartment



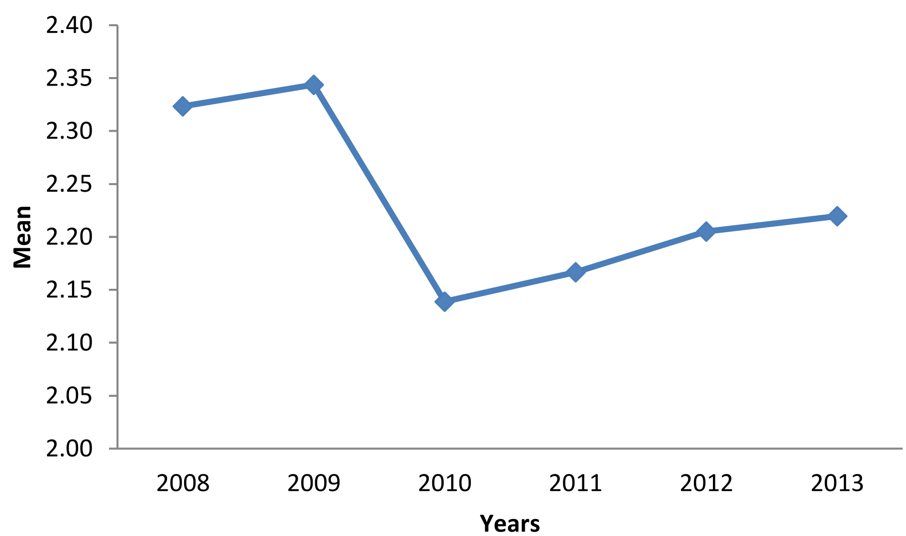
Source: Field work, 2013

Figure 6: Number of vacant properties in the firm



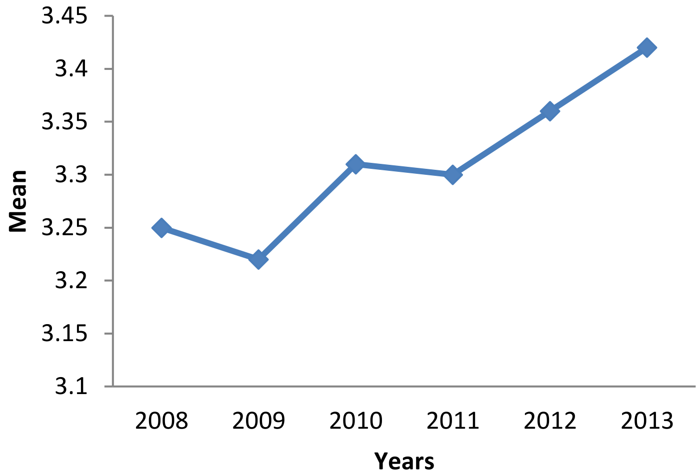
Source: Field work, 2013

Figure 7: Number of vacant properties let out in the firm



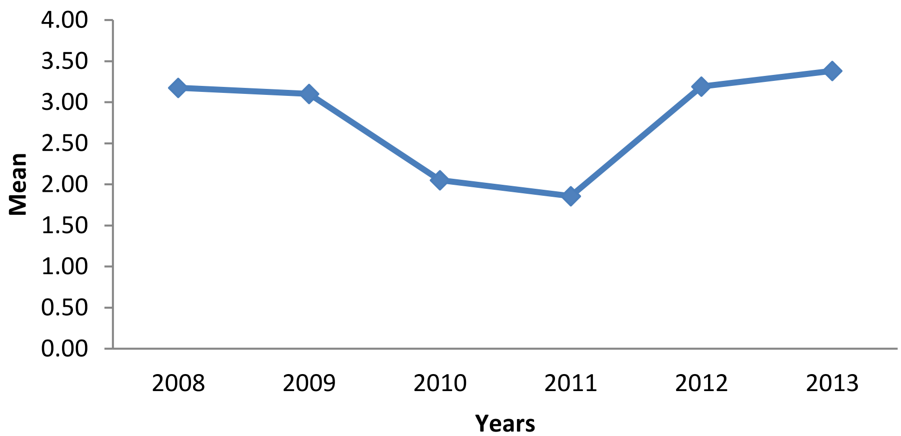
Source: Field work, 2013

Figure 8: Estimate of average building development



Source: Field work, 2013

Figure 9: Performance of Property Market within the Study Location



Source: Field work, 2013

In figure 4, a higher number of the respondents informed that letting of an apartment in the study location between 2004-2006 takes about 1-4months with a mean of 4.3. However, it dropped between 2008 and 2009 to a mean of 3.5 which later picked up in 2012 with a mean of 3.1. While in figure 5, the frequency of letting an apartment was higher in 2004-2008 with a mean of 3.97-4.25 as against a mean of 2.29-2.66 in 2009-2011 although a slight improvement occurred in 2012 with a mean of 2.50.

Result in figure 6 shows that there is rarely a time where there are no vacant properties in the firm even before recession occurred. However, number of vacant properties in the firm were lower in 2008 with a mean of 1.24 while in 2010 and 2011, it was higher with a mean of 1.97 and 2.05 respectively; thereafter, a mean of 1.85 in 2012 which indicate an improvement in vacancy ratio. Furthermore, from figure 7, there has never been a time where properties are not let out in the firm, although with variations. In 2008, number of properties let out was higher with an average mean of 2.32- 2.34 as against the mean of 2.14 - 2.17 in 2010 and 2011. However, in 2012, it picked up with an average mean of 2.22

From figure 8, analysis, shows that estimate of average residential building construction from start to finish was low between 2008-2009 with a mean of 3.25 and 3.2 respectively as against a mean of 3.3 in 2010 and 3.4 in 2012. Furthermore, analysis shows that average number of building construction in the study location have not been lower than 12 on an annual basis. This implies that the number of new constructions in the market is higher in 2010 and 2012 compared to 2008-2009. While figure 9 shows that recession occurred between 2010 and 2011; however, the market picked up thereafter in 2012

Table 3: Important Factors Determining Rental Housing Performance

	Std. Deviation	RII	Ranking
Location	0.351	0.983	1
Flooding or flood risk	0.689	0.938	2
Security of property rights	0.741	0.913	3
Insecurity/fear of attack	0.948	0.881	4
Size of property	0.764	0.872	5
Neighborhood	0.749	0.860	6
Traffic congestion	0.682	0.855	7
Environment influences	0.624	0.855	7
Property type	0.648	0.852	9
Ocean view	0.871	0.851	10
Topography	0.601	0.850	11
Urban landscape and vegetation	0.582	0.842	12
Types of building	0.613	0.838	13
Quality of infrastructure	0.559	0.833	14
Land use	0.688	0.813	15
Economic instability	0.746	0.809	16
Business situation	0.571	0.796	17
Form and size of the property	0.633	0.788	18
Interest on capital	0.821	0.783	19
Population structure	0.757	0.775	20
Population development	0.832	0.757	21
Purchasing power	0.890	0.725	22
Insurance premium	0.748	0.702	23
Unemployment rate	0.922	0.608	24

Source: Authors' fieldwork, 2013

In order to identify other variables that exert influence on residential rental housing performance aside economic recession, twenty four (24) factors were tested to determine their relative importance index. The findings according to results in table 3 shows that location occupied the first position, with a relative importance index (RII) score of 0.983. Flood risk, security of property rights, fear of attack, size of property and neighborhood were other important factors ranked after location with 0.938, 0.913, 0.881, 0.872 and 0.860 RII scores respectively. Economic instability ranked 16th. This implied that location was the major determinant of property performance followed by incidence of flood risk, security of property rights and insecurity/fear of attack.

Table 4: Correlation between Economic Recession and Rental Housing Value Performance in Victoria Island

		Rental value for Victoria Island (5 BDH)	Rental value for Victoria Island (4 BWD)	Rental value for Victoria Island (3 BLA)
r	Correlation	1.000	.667	-
P-value	Significance (2 – tailed)	-	-.500	-
r	Correlation	.667	1.00	-
P-value	Significance (2 – tailed)	-500	-	-
r	Correlation	-	-	1.000
P-value	Significance (2 – tailed)	-	-	-

Source: Authors' fieldwork, 2013

KEY
5 BDH – 5 Bedroom Detached House
4 BWD – 4 Bedroom Wing of Duplex
3 BLA – 3 Bedroom Luxury Apartment

From table 4, the p-values indicate statistical significance of correlation coefficient between economic recession and rental value at $p<0.05$. The results accordingly indicate that only (0.667) 44% of the variance in rental values is explained by economic recession in Victoria Island while the remaining 56% result from factors other than economic recession.

In table 5, the p values of the association between rental value and economic recession in Lekki phase 1 at $p< 0.05$ showed that recession only explains about (0.681) 46% of the variation in rental housing performance in Lekki phase 1 while the remaining 54% is explained by other factors. Results in table 6 showed that (0.941) 88% of the variance in rental value is explained by economic recession with the remaining 12% resulting from other factors. This implies that recession is significant in determining rental housing performance of 5-bedroom detached house and 4-bedroom wings of duplex in Ikoyi but not with 3-bedroom luxury apartment (as the economic recession only explains about 17% of the effect of variance on rental value while the remaining 73% are from other factors).

Table 5: Correlation between Economic Recession and Rental Housing Value Performance in Lekki Phase 1

		Rental value for Lekki (5 BDH)	Rental value for Lekki (4 BWD)	Rental value for Lekki (3 BLA)
r	Correlation	1.000	.675	-
P-value	Significance (2 – tailed)	-	.46	.010
r	Correlation	.675	1.000	.362
P-value	Significance (2 – tailed)	.46	-	.338
r	Correlation	.681	.362	1.000
P-value	Significance (2 – tailed)	.010	.338	-

Source: Authors' fieldwork, 2013

Table 6: Correlation between Economic Recession and Rental Housing Value Performance in Ikoyi

		Rental value for Ikoyi (5 BDH)	Rental value for Ikoyi (4 BWD)	Rental value for Ikoyi (3 BLA)
r	Correlation	1.000	.941*	.412
P-value	Significance (2 – tailed)	-	.000	.271
r	Correlation	.941*	1.00	.474
P-value	Significance (2 – tailed)	.000	-	.197
r	Correlation	.412	.474	1.00
P-value	Significance (2 – tailed)	.271	.197	-

Source: Authors' fieldwork, 2013

4.1 Discussion

The data analysis revealed that property market in Nigeria has gone through wavelike movements similar to business cycles between the years 2004 and 2013 as evident in figures 1, 2 and 3; these include periods of expansion, recession, contraction, revival and lull phase. Furthermore, Estate Surveyors and Valuers being professional advisers on property value need to arm themselves with current trends of property values in order to adequately advise both corporate and retail investors on a profitable investment when the need arises and more especially during periods of economic decline.

The analysis further revealed that a higher number of the respondents indicated that letting of apartments in the study area between 2004- 2006 took about 1-4months with a mean of 4.3. However, it dropped between 2008 and 2009 to a mean of 3.5 which later picked up in 2012 with a mean of 3.1. The frequency of letting an apartment was higher in 2004-2008 with a mean of 3.97-4.25 as against a mean of 2.29-2.66 in 2009-2011 although a slight improvement occurred in 2012 with a mean of 2.50. Furthermore, there is rarely a time where there are no vacant properties in the firm even before recession occurred. However, the numbers of vacant properties in the firms were lower in 2008 compared to 2010 and 2011

The study showed that economic recession in relation to rental value only explained a proportion of effect on rental value housing performance as shown on tables 4, 5, and 6. There are other factors that determine rental housing performance which include~~s~~ location, quality of infrastructure, security of property rights, size of room density of road network, population, terrorist attack/ fear of insecurity and political instability amongst others as seen on table 3.

5.0 Conclusion

Based on a review of the recession crisis and its causes and consequences, this paper presents two key messages: first, there were complex and interlinked factors behind the emergence of the crisis in 2007, namely loose monetary policy, global imbalances, misperception of risk and lax financial regulation. Second, that beyond the aggregate picture of economic collapse and rising unemployment, crisis is rather diverse. A perusal of data in figures1- 3 makes it evident that the global economic decline affected Nigeria's residential housing market trend between years 2010 and 2012. However, it picked up shortly thereafter in 2012. Furthermore, rental values in the property market have picked up at an average rate of between 3% and 12.3% from 4^{th} quarter of year 2012 to 2^{nd} quarter of year 2013 as against London and New York's rate of about 5% between December, 2011 – December, 2012. (Knight Frank Residential Research, 2013) This indicates that the property market is recovering from its low performance experienced between years 2010-2012. Between the 4^{th} quarter of 2012 and the 2nd quarter of 2013, the property market was relatively stable and according to the Lagos Business School report (2013) average vacancy ratio in the study location has reduced. For instance in 4th quarter of 2012, vacancy ratios in Victoria Island reduced from 27.05% to 15.6% in the 1st quarter of 2013. Likewise in Ikoyi, average vacancy reduced from 41.8% in the 4th quarter of 2012 to 10.46% in 1st quarter of 2013. This is a confirmation of the property trend in figures 1-3 that the property market is gaining stability as rental value and vacancy ratios are improving. Moreover, the World Bank reported that Nigeria's GDP per capital moved from 5.2% in 2009 to 7.3% in 2010 which is an indication that the economy is getting better. In addition, out of twenty four (24) other factors tested to determine level of influence on residential rental housing performance, location ranked 1st while flood risk, security of property rights, fear of attack, size of property and neighborhood ranked 2nd to 6th respectively. The correlation tests further confirmed that recession is not the only determinant of rental housing value performance as it explains only a proportion. Other factors which affect rental housing performance aside economic recession include location flood risk, security of property rights and insecurity/fear of attack, environmental influences, types of building, quality of infrastructure, traffic congestion and population structure amongst others. This study therefore recommends adequate security, monitoring of economic indices and infrastructure to enhance economic growth and development as well as performance of rental housing values in the study location.

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