The Impacts of Property Features on Time on Market of Real Estate Assets in Lagos Metropolis, Nigeria

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Abstract: It has been observed that real estate assets stay for a reasonably long period of time in the market before it was actually sold. This study therefore, examined the impacts of property features on time-on-market (TOM) of real estate assets in Lagos Metropolis, Nigeria. The study administered 65 questionnaires on estate firms actively involved in the sales of real estate assets in the study area. Information on property features and TOM of completed sales transactions were collected from 149 transactions. Data were collected and analysed using cross tabulation and regression analysis. The study revealed that there is a strong significant (0.05 level) relationship between TOM of real estate asset and title document, location condition and asset class while there is no significant relationship between TOM and repair condition, level of finishing, property description and property location. However, the result of regression analysis revealed that repair condition, asset class and title document are the only property features that have positive impacts on TOM. The study recommends that property developers should take notice of the identified property features that influence TOM of real estate assets which could improve the marketability of their assets and decrease the TOM of real estate asset..

Keywords: Property Features, Real Estate Assets, Time-on-market

I. Introduction

This study was borne out of the observation that real estate assets stay for a reasonably long period of time in the market between when decision to sell was made and the time it was actually sold. Several factors such as unique characteristics of the property, market condition, characteristics of real estate firms, marketing strategies, etc. could influence the volume of time real estate asset stays in the property market. This could prolong time-on-market (TOM) of real estate asset. This is a major problem faced by sellers of real estate asset, which in the long run have a negative effect on the economy. The real estate sector is considered important because of the significant role it occupy in the economic growth of a nation [1]. Authors such as [1], [2], [3], and [4], alluded to the fact that activities of the real estate contribute to the economy of a country. Consequently, factors affecting prolonged TOM of residential and commercial real estate asset will be the focus of this study.

Extant studies on TOM can be categorised into four broad thematic areas namely: characteristics of real estate firms, characteristics of real estate assets, TOM of real estate assets and factors affecting TOM of real estate assets. The first category of study looked into the characteristics of real estate assets like the size, years of experience, affiliation, marketing strategy, big-client base, good record track and firm's reputation, in relation to the TOM of real estate assets. Authors in this class include [5-9]. For instance, [6, 8] found that the performance of a brokerage firm in the sales of real estate assets is insignificantly affected by the characteristics of

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Submitted: 08-06-2021

Accepted:06-09-2022

the firm. The studies concluded that a firm's characteristics have a weak effect on the volume of asset sold by a firm in the property market. The studies thus concluded that the characteristics of real estate firms do not have a statistically significant influence on the TOM of real estate assets. In contrast, studies such as [5], [7] and [9] established that the TOM of real estate assets can be affected by the characteristics of the real estate firms as well as the listing price in attracting potential buyers. There is however disparity between these research works, thus taking decisions based on any of the two may stand questionable.

The second group of studies such as Miller [10-16] focused on the features of properties sold in relation to the time-on-market of same. The studies suggested that characteristics such as level of attractiveness, quality of finishes, design, age of the property, level of obsolescence and property type influences the time on market of real estate asset. [14] further opined that real estate assets with unusual features stay in the market for a longer period before they can be transacted. These studies only focused on the influence that the characteristics of real estate asset have on time-on-market with little or no consideration for other factors like property location that tends to influence TOM of real estate assets in the property market.

The third category of studies such as [17-19] examined the TOM in relation to liquidity measure. The studies examined the time-on-market of two of the various types of asset class: residential and commercial real estate assets. [17] examined the TOM in the UK, which is a developed market, with a focus on commercial assets. The result of their findings may not be applicable in Nigeria owing to the fact that the Nigeria real estate market is still in developing stage. However, [18-19] examined the TOM of

real estate assets in Lagos State, Nigeria with a focus on residential real estate assets. [17-19] revealed that the time-on-market of real estate assets ranges between 47 and 298 days. Data collected for the studies included detailed information about the completed sales transactions. The result of the study carried out by [17] may however not be applicable in today's property market due to the passage of time, economic changes as well as the stage of development of the UK real estate market compared to the Nigeria market which is a developing market. Also, the studies did not include commercial real estate assets.

The fourth category of study focused on the factors affecting the TOM of real estate asset. Authors in this class include, [20, 5, 21-23], they however came up with varying influencing factors. [20, 5, 21, 22] looked at how pricing of real estate assets influences the time-on-market. These studies revealed that overpricing or putting a list price higher than the market price has a way of affecting the time the subject property will stay in the property market before being sold. Likewise, [21] further examined the extent to which overpricing of residential properties alongside several housing characteristics, influences the TOM. The result of the findings revealed housing attributes has a significant effect on the time-on-market of real estate asset in the study area. [23] revealed that in addition to overpricing, the characteristics of the property, the condition of the property market and macroeconomic determinants also have a significant influence on the time-on-market. These studies however did not consider other forms of real estate asset other than residential properties. [24] however noted that formal and informal institutions have a significant influence on time on market of commercial real estate asset. The study did not consider other important

factors identified in other studies. All these studies did not really reveal the level of influence that each of the factors will have on the TOM.

This study therefore, examined the impacts that the property features have on TOM in Lagos Metropolis, Nigeria. The study aims at providing information that could improve the marketability of landed property transactions in the study area.

II. Materials and Methods

The study was based on completed landed property sales transactions in Lagos Metropolis. In Nigeria, there are no central records for landed property (also known as real estate) sales transactions; hence information for this study was collected from registered Estate Surveying and Valuation (ESV) firms in the study area. They are the major participant in the landed property market. They always act as middlemen in the course of landed property asset transactions. A total of 372 ESV firms were registered with the Nigerian Institution of Estate Surveyors and Valuers in Lagos State [25]. Questionnaire was administered to only 65 estate firms that were actively involved in the sales of real estate assets in the study area as revealed by a pilot survey that was carried out to determine firms that were actively involved. Five-point Likert scale (1 – Very Bad to 5 – Excellent) questionnaire was administered to the entire firms that were capable of giving information on concluded sales transactions. Information such as property's listing date and actual date of sale of completed sales transactions in the study area were collected from 149 completed sales transactions. Residential properties examined include detached residential buildings, semi-detached buildings, bungalows, blocks of flats, and bare lands, while commercial properties examined include shops/shopping malls and offices. Percentage, cross tabulation and regression analysis were the statistical tools that were employed to analyse the data collected. The regression model is described as follows:

$$P = \beta_0 + \beta_1 TD + \beta_2 RC + \beta_3 LC + \beta_4 FN + \beta_5 PL + \beta_6 AC + \beta_7 PD \qquad (1)$$

Where P is the TOM of real estate assets, β_0 is the constant while β_1 to β_7 represent regression coefficient of independent variables. The independent variables are:

TD is the title document
RC is the repair condition
LC is the location condition
FN is the finishing
PL is the Property Location
AC is the asset class
PD is the property description

III. Results and Discussion

Table 1 revealed that 23.5 percent (35) of the concluded sales transactions analysed for this study are detached houses, 9.8 percent (14) are semi-detached houses, 8.1 percent (12) are bungalows, 27.5 percent (41) are Block of flats, 20.1 percent (30) are bare land, 6.0 percent (9) are shops while 5.4 percent (8) are offices.

Table 1: Property Description

Property Description	Response Frequency	Percentage of Response
Detached house	35	23.5
Semi-detached	14	9.4
Bungalow	12	8.1
Block of Flat	41	27.5
Bare land	30	20.1
Shops	9	6.0
Offices	8	5.4
Total	149	100

Detached and Semi-detached houses, Bungalows, Block of flats and bare land falls under residential property types while shops and offices are commercial property types. This revealed that more residential properties (88.6 percent) were transacted compared to commercial properties (11.4 percent). This showed shelter has one of the crucial needs of human beings over commercial properties.

Table 2 showed that 84 (56.4 percent), 25 (16.7 percent), 10 (6.7 percent), 5 (3.4 percent), 12 (8.0 percent), 1 (0.7 percent), 8 (5.4 percent), 3 (2.0 percent), 1 (0.7 percent) of the properties analysed for the purpose of this study have one title documents or the other which include Certificate of Occupancy (C of O), Deed of Assignment, Deed of Sublease, Survey, Letter of Allocation, Gazette, Governor's Consent, Agreement, and Registered Conveyance respectively. A total of 56.4 percent of the concluded sales transactions analysed have Certificate of Occupancy. This showed that people property investors in Lagos Metropolis were becoming aware of importance of title documents in real estate transactions.

Repair condition refers to the obsolescence level of transacted properties. Table 3 demonstrated the repair condition of sales transactions in the study area. Repair condition: excellent (newly constructed), very good (renovated 6 months before selling it), good (renovated 3 years before selling it), bad (renovated 5 years before selling it), very bad (renovated 6 years and above before selling it).

It revealed that 45.6 percent (68) of the transacted real estate assets are in a good state while 6.0 percent (9) are in an excellent state, 16.1 percent (24) are in a very good state, 10.7 percent (16) are in a bad state while 21.5 percent (32) are

bare land of which repair condition is not applicable.

Table 2: Title Document

Title Document	Response Frequency	Percentage of Response
C of O	84	56.4
Deed of Assignment	25	16.7
Deed of Sublease	10	6.7
Survey	5	3.4
Letter of Allocation	12	8.0
Gazette	1	0.7
Governor's Consent	8	5.4
Agreement	3	2.0
Registered Conveyance	1	0.7
Total	149	100

Table 3: Repair Condition

Repair Condition	Response Frequency	Percentage of Response
Excellent	9	6.0
Very good	24	16.1
Good	68	45.6
Bad	16	10.7
Very bad	0	0.0
Not applicable (Land)	32	21.5
Total	149	100

This showed that only 117 sales transactions have applicable repair conditions out of which 101 (86.3 percent) were in an averagely good condition. This showed that property investors in the study area were aware of the importance of maintenance to property value.

Table 4 demonstrated the location condition and neighbourhood characteristics of sampled sales transactions. The table showed that 89.9 percent (134) were in an averagely good location which

could have influenced buyers' interest. Only 10.1 percent (15) are in a bad location.

For residential properties, the location condition was analysed on the following basis: excellent (security, excellent access road, excellent neighbourhood layout, health facilities, education facilities), very good (security, very good access road, excellent neighbourhood layout), good (security, good access road, excellent neighbourhood layout), bad (renovated 5 years before selling it), very bad (renovated 6 years and above before selling it), while commercial properties are analysed on the following basis: excellent (security, good access road, excellent neighbourhood layout, adequate parking space), very good (security, good access road, very good neighbourhood layout, adequate parking space), good (security, good access road, good neighbourhood layout), bad (good access road, bad neighbourhood layout), very bad (no security, bad access road, inadequate parking space).

Table 5 revealed the level of finishing of sampled real estate assets. The table showed that 66.5 percent of the properties analysed were averagely furnished. This reveals that the level of furnishing influences the sales of real estate assets in the study area. Residential properties were analysed on the following basis, excellent (all-ensuite, fitted kitchen, fitted toilet and bathrooms, security doors), very good (all-ensuite, fitted kitchen, fitted toilet and bathrooms, security doors), good (all-ensuite, fitted kitchen, fitted bathrooms,), bad (all-ensuite, fitted kitchen, fitted bathrooms), very bad (all-ensuite, fitted kitchen, fitted bathrooms), while commercial properties were analysed on the following basis: excellent (elevators, fenced, security doors, fitted conveniences), very good (elevators, fenced, security doors, regular

conveniences), good (fenced, security doors, regular conveniences), bad (fenced, conveniences), very bad (no elevator, not fenced, no conveniences, no security doors).

Table 4: Location Condition

Location Condition and	Response Frequency	Percentage of Response	Cumulative Percentage
Excellent	14	9.4	9.4
Very good	52	34.9	44.3
Good	68	45.6	89.9
Bad	15	10.1	100
Very bad	0	0.0	
Total	149	100	

Table 5: Finishing

Finishing	Response Frequency	Percentage of Response
Excellent	25	16.8
Very good	19	12.8
Good	55	36.9
Bad	18	12.0
Very bad	0.0	0.0
Not applicable (land)	32	21.5
Total	149	100

Table 6 showed the Correlation Analysis of Dependent and Independent Variables, this revealed the result of Pearson Correlation which shows that there is a strong significant (0.05 level) relationship between time-on-market of landed property and title document at r value of +0.009; TOM of landed property and location condition at r value of +0.003; TOM and asset class at r value of +0.015 while there is a non-significant (0.05 level) relationship between TOM of landed property and repair condition at r value of +0.124; TOM and level of finishing at r value of +0.114; TOM and property description at r value of +0.072. These results are in consonant with [10 – 16], [21] and [23] that the

Table 6: Relationship between TOM and Features of Landed Property Assets Transacted

	Time-on-Market (months)	Title Document	Repair Condition	Location Condition	Finishing	Property Location	Asset Class	Property Description
Time-on-market (months)	1.000							
Title Document	0.009	1.000						
Repair Condition	0.124	0.065	1.000					
Location Condition	0.003	0.046	0.043	1.000				
Finishing	0.114	0.077	0.891	0.069	1.000			
Property Location	-0.226	0.091	0.001	-0.250	-0.030	1.000		
Asset class	0.015	0.085	-0.028	-0.210	-0.027	-0.040	1.000	
Property Description	0.072	0.092	0.477	-0.153	0.430	-0.057	0.589	1.000

Source: Author Field Survey

characteristics like quality of finishes, design, age of the property and level of obsolescence have

significant influence on the time-on-market. However, there is a negative, weak and not significant relationship between TOM of landed property and property location at r value of -0.226. This is not in line with literature which believes location, location, location is a major factor influencing the market value of real estate properties [26, 27] however, it has weak influence on TOM. This may be as a result of the study area which is a fully developed location and irrespective of the side of the subject property, it has no influence on the TOM. Table 7 showed the regression values for TOM and features of landed property transacted (title document, repair condition, location condition, finishing, asset class, property description and pricing) in the study area. The result indicated that features of landed property assets have 28.7% influence on TOM of landed property assets in Lagos Metropolis. This suggests that TOM of landed property asset has a relatively

low level of dependence on features of landed property assets transacted (title document, repair condition, location condition, finishing, asset class, property description and pricing). Property location had the greatest negative significant impact on TOM at standardized beta coefficient of -0.251 at t=-2.946 and at p=0.004. As the location becoming better, it will reduce the TOM. This may be as a result of previous studies results which showed that location has a greater influence on property value. A good location will attract high value which may draw attention of real estate investors. Repair condition had positive impact but not significant with beta coefficient of 0.148 at t=0.786 and p=0.433. This is followed by location condition which had negative impact at a beta coefficient of -0.018; t=0.101 and at p=0.919. This is still in line with location attributes effect on property [10-16]. Asset class is the next property feature with positive impact at beta coefficient of 0.014 at

Table 7: Regression Analysis between TOM and Features of Landed Property Assets

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	R	Adjusted R^2
	B	Std. Error	Beta				
(Constants)	21.584	6.870		3.142	0.002	0.287	**0.030**
Title Document	0.232	0.453	0.043	0.513	0.609		
Repair Condition	1.071	1.362	0.148	0.786	0.433		
Location Condition	-0.955	1.172	-0.071	-0.815	0.416		
Finishing	-0.118	1.163	-0.018	-0.101	0.919		
Property Location	-5.879	1.995	-0.251	-2.946	0.004		
Asset Class	0.467	3.798	0.014	0.123	0.902		
Property Description	-0.207	0.762	-0.035	-0.271	0.786		

Source: Author Field Survey

t=0.123 and p=0.902, followed by title document at beta coefficient of 0.043 at t=0.513 and p=0.609. Finishing had the least influence with a negative impact of beta coefficient of -0.018 at t= -0.101 and at p=0.919. This may be as a result of the fact that finishing is a relative factor to investors. Whosoever, purchase a property will always want to upgrade it to their own taste which is always subject to individual who owns or want to occupy the property.

The regression model is described as follows:

$$P = 21.584+0.232TD+1.071RC-0.955LC-0.118FN-5.879PL+0.467AC-0.207PD \qquad (2)$$

IV. Conclusion

Identifying the relationship between TOM and the features of real estate (also known as landed property) assets transacted in the study area will give property market participant, especially sellers (owners) of landed property assets, ESV firms insight into features that enhance property sales.

Property location has a negative significant influence on TOM of landed property assets while title document, repair condition, location condition, infrastructural facilities, asset class,

property description and pricing have impacts but little or no significant influence on TOM of the assets. This is line with previous studies that property features have influence on TOM. Some of the features have negative impact while some have positive impact. The implication of this is that the negative impact means as the quality of the features are becoming better, the time on the market will become shorter. The negative impact shows high responsiveness of real estate investors to the property and it easily exchanges hands in the market. Reverse is the case of the positive impact which indicates that the property will stay longer in the market. It really increases the length of time the property will stay. Titling, repair condition and asset class fall into this category. Titling may be as a result of long time and huge money it always involves in changing of title documents. Repair condition may be as a result of relativity and subjectivity of the features to individual investor who might have taught the subject owners have wasted so much money on what is not appealing to him. Also, asset class may be as a result of residential changing hands more than commercial property.

The study recommends that property developers should take notice of the identified property

features that affect TOM of landed property assets which could improve the marketability of their assets and decrease the TOM of landed property assets. The Nigerian Institution of Estate Surveyors and Valuers should make provision for databanks of all real estate transactions to provide investors access to information about previous transactions.

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