



Juxtaposing the Implementation of Rent Review on Residential Properties with the Rent Gap Theory in Minna, Niger State

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Abstract

In its bid to decongest the Minna Central Business District, the Niger State Government effected the mass relocation of the building materials market. This policy decision led to increase in rental values of land uses in the area, especially the adjoining residential and commercial properties. This study examined the process and challenges of implementing rent reviews on residential properties adjoining the new building materials market in Minna under the purview of the Rent gap theory. 84 tenants of residential properties in the area were selected using purposive sampling technique. Interface with them via interviews and meetings availed the study with relevant data. The data were analysed descriptively using explanations and narrations as well as reporting findings from the field. Challenges of implementing rent review after relocation include bad relationship, rent default for long periods of time, costly cum lengthy litigations, prejudicial nature of rent control edict, non-periodic review of rent control laws. The rent gap theory was discovered to be associated with the situation of rent review and rental values in the study area. This association centred on land highest and best use as well as levels of house demand and supply, house upgrades and improvements. Recommendations towards solving the challenges of implementing rent review on residential properties are comprehensive lease agreements, comprehensive tenant selection, rent reviews designed to benefit both landlord and tenant, rent control laws be reviewed periodically to prevent injustice. Investors, tenants and public agencies would benefit if rent review crises are effectively ameliorated in the future.

KEYWORDS



Rent, Rent Review, Residential Properties, Rent Gap Theory, Market

1 INTRODUCTION

In 2013, the administration of Dr. Mu'azu Babangida Aliyu (Niger State Governor between 2007 and 2015), acting through the Niger State Urban Development Board, sought to decongest the Minna Central Business District by the massive relocation of the commercial building materials market from Kuta Road to Sauke-Kahuta Industrial District of the city (Niger State Government, 2007, 2009).

The building materials market supplied and sold an array of building materials such as cement, floor tiles, door and window panels, ceiling materials, roofing sheets and electrical wiring materials. Other items included plumbing materials and tools, construction equipment and tools, and finishing materials like assorted paints.

This policy decision which introduced commercial land use to Sauke-Kahuta Industrial District brought about an increase in population influx creating additional demand for commercial and residential properties in the area. The increase in population led to a rise in the rental values of land uses in the area, especially the adjoining residential and commercial properties (Salihu et al, 2021).

Relocation of land uses and the influx of population increase the absolute demand for housing and other developed land uses with demographic changes impacting the types of residential development that are favoured. Also, the type and magnitude of economic activity can exert a great deal of influence on the number and characteristics of the local population which consequently affect residential rental values (Peng, Tu, & Fu, 2025).

In many countries such as the USA, Germany and the Republic of Ireland, rent regulation has been on policy agendas at national, state and local levels (Marsh et al, 2023). This study examined the process and challenges of implementing rent reviews on residential properties adjoining the new building materials market in Minna.



Rent control is a system of protecting the interests of both tenants and landlords. Landlords exist to make a profit, but they should only be able to do this if they provide safe and reasonably affordable accommodation. The best rent control systems guarantee this, where annual rent increases are modest and must be tightly linked to improvements in housing quality and safety (Mendes, Duarte and Pincha, 2021).

The rent gap theory of Neil Smith (1979) submitted that as disinvestment in a particular district intensifies, it creates lucrative profit opportunities for developers, investors, homebuyers and local government. Capital depreciation in the inner city means that there is likely to be an increasing divergence between capitalized ground rent (the actual quantity of ground rent that is appropriated by the landowner, given the present land use) and potential ground rent (the maximum that could be appropriated under the land's 'highest and best use').

Highest and best use for any given land is that use, permissible by law, yielding the highest return, provided that the operator is aware of all possible uses. Many residential properties in inner-ring suburbs were fixed into their present use when they were originally developed. Initially, the properties were developed to their highest and best, most profitable use as single-family housing - this includes the particular characteristics of the house (i.e., floor area, features, style, etc.). Over time, as the housing ages and depreciates, it may no longer represent the highest and best use for that particular property (Lichter, Thiede and Brooks, 2023).

The study of Abdul Rashid *et al* (2022) emphasised that an area of land may be at its highest and best use when it provides the optimum return to its owner or user, which could be measured in monetary terms, or in intangible and social values, or a combination of such values.

The disparity between the economic return from a property's original development and that of its most profitable use is the basis of the **"rent gap"** (Smith, 1979). The rent gap is the difference between the actual economic return from a property given its present land use and the potential return if it were developed to its highest and best use (Wang *et al*, 2024).



Examining the process and challenges of implementing rent reviews on residential properties adjoining the new building materials market in Minna, from the purview of the rent gap theory of Neil Smith (1979) makes this study a novel one. The research sought to determine whether the situation of rental values in the study area is in tune with this theory.

The introduction to this study was followed by the methodology section. Results and discussion came next, after which the study was concluded. Recommendations on possible ways of addressing the challenges of implementing rent review on residential properties were thereafter outlined.

2 METHODOLOGY

This study's methodology includes data collection from primary and secondary sources in order to provide a comprehensive understanding of rent review implementation process and challenges.

Data collection methods

Primary data was gathered via field survey (Artino Jr, Youmans and Tuck, 2022) which the researchers used to familiarise themselves with the study area. Interface with tenants through interviews and meetings also availed the study with relevant data.

Secondary data was sourced from academic journals, seminal papers and Government regulatory documents. Online databases such as Google Scholar were also consulted for information.

Sampling technique

Purposive sampling technique was adopted for this study (Rahman, 2023). 84 tenants of residential properties in the area were selected using purposive sampling technique. Interface with them via interviews and meetings availed the study with relevant data.

Data analysis method



The data were analysed descriptively using explanations and narrations as well as reporting findings from the field.

3 RESULTS AND DISCUSSION

Process of rent review of residential properties at Sauke-Kahuta, Minna

The relocation of the building materials market from Minna CBD inadvertently led to increase in demand for residential property in the neighbourhood of Sauke-Kahuta. This new demand was occasioned by the desire of building materials traders to reside close to their place of business. Similarly, other business men who wanted to locate their businesses close to the market also joined to drive up the demand for both commercial and residential property.

The Property Management firms saw an opportunity to increase the rental income from the residential properties under their management. The firms decided that the rent passing on the residential properties under their management would be reviewed upwards.

The tenants occupying the residential properties were informed of this development. It was discovered that there is high demand for residential properties, mostly 1-bedroom and 2-bedroom flats.

Demand notices informing the tenants of upward rental reviews were served to them. They were invited for a meeting where it was communicated to them that their rents have been reviewed by 50% across the board irrespective of tenant status.

Most of the tenants complained as expected and some threatened to hire lawyers. Several meetings were held where the increase in rent was justified to them. Subsequently, Property Management firms acting in tandem with their clients (landlords) finally settled on 40% increment.

The challenges of implementing rent review after the relocation

1) Bad relationship



Generally, the tenants perceived the rent review as a form of extortion on them and they were dismayed. They pointed out that they should have enjoyed the privilege of long occupation of the residential properties. Those of them that remained and paid the new rent did so reluctantly.

2) Rent default for long periods of time

Some of the tenants that stayed back no longer paid their rents at the appropriate time. There were delays over long periods of time and Property Management firms became impatient. The ready excuse the tenants tendered was that they were not prepared for the sudden review of the rent.

3) Costly litigations

Some of the tenants hired lawyers who further complicated the process. Several summonses to appear in court were served on the Property Management firms. Most of the cases were referred to the rent tribunal. This took time and money to follow up on the cases. The rent tribunal favoured the tenants due to the stipulations of the subsisting rent control edict.

4) Rent control edict prejudicial

The intention of the rent control edict was to protect the tenant but in doing that, the landlord who is seen as a shylock has his own interest down played. The landlord who has spent money to put up a building is forced to collect a certain amount of rent on it over a period of time irrespective of the fact that the government keeps increasing the amounts payable as application fee for allotment of plots, Ground Rent and other charges to be paid by land owners.

At the rent tribunal, Property Management firms were admonished to strictly abide by the provisions of the Niger State Rent Control Edict which stipulates that rent can only be reviewed at the rate of 20% after every 3 years.

5) Non-periodic review of the rent control law



There is the issue of non-periodic and timely review especially in developing countries like Nigeria. The landlords complained it was robbing them of their livelihoods and obstructing the development of a modern city center. Similarly, the Niger State Rent Control Edict has not been reviewed or amended since 1978 making it grossly outdated. It is therefore obvious that with the passage of time and consequent change of circumstances, the validity and significance of the Rent Acts become questionable.

C. Understanding rent review on residential properties in the study area under the purview of rent gap theory

Smith (1979) submitted that the disparity between the economic return from a property's original development and that of its most profitable use is the basis of the **"rent gap"**. The rent gap is the difference between the actual economic return from a property given its present land use and the potential return if it were developed to its highest and best use (Wang *et al*, 2024).

The area of the new Building Materials Market is adjoined by residential properties as the planning authorities have designated it a mixed land use area. Various types of residential properties are found in the study area with both owner-occupied houses and rented apartments. The most highly sought after residential properties for rent are 1-bedroom and 2-bedroom flats.

The rent gap theory relates to this study in two (2) ways. The first one is that, before the relocation of the Building Materials Market to the study area, prevailing residential property rental values were a reflection of the level of demand for and supply of rented houses. The available residential properties in the area were deemed to be the highest and best use of land upon which they were developed because the area is densely populated.

Secondly, after the relocation of the Market to the study area, the scale of commercial activities and traffic increased the population density with new levels of demand for residential properties. This led to competition for available apartments with the highest bidder gaining residency. Additionally, these tenants demanded for improvements and upgrade of these properties to suit their taste, further resulting in higher rental values upon upgrades.



It can be deduced that the rent gap briefly existed in the area when there was an initial influx of prospective tenants who desired better quality or standard of residential properties and were willing to pay for them. Once the properties were upgraded and tenancy established by paying the reviewed rent, the rent gap diminished as the residential properties were the highest and best use of the land at that point in time.

4 CONCLUSION

This study has examined the process and challenges of implementing rent reviews on residential properties adjoining the new building materials market in Minna.

The study juxtaposed rent gap theory of Neil Smith (1979) to determine the applicability of the theory to the situation of rent review and rental values in the study area. This juxtaposition has made this study a novel one.

The rent gap theory was discovered to be associated with the situation of rent review and rental values in the study area under two (2) scenarios, that is, before the relocation of the Market to the study area and after the relocation of the Market to the study area. This association centred on land highest and best use as well as levels of house demand and supply, house upgrades and improvements.

Challenges of implementing rent review after relocation were found to include bad relationship, rent default for long periods of time, costly cum lengthy litigations, prejudicial nature of rent control edict, and non-periodic review of rent control laws.

Property investors, developers and managers would be guided on where and when to construct houses and the required improvements to make by this study's findings. Tenants and public agencies saddled with the responsibility of urban planning, housing provision and rent crises mediation would benefit if rent review crises are effectively ameliorated in similar situations in the future.



5 RECOMMENDATION

- 1) There should be proper articulation of comprehensive lease agreements and their acceptance by both parties before a tenancy is established as this would reduce the number of rent review contests.
- 2) Property managers should adopt effective tenant selection and negotiation strategies to ensure tenant compliance.
- 3) The property manager must use his negotiating skills to persuade the tenants and justify rental increments, thereby reducing the number of litigations that may follow.
- 4) When rents are increased, the manager should make sure that building maintenance and services either improve or remain at the same level in order to help make a favourable impression on tenants.
- 5) It is high time Estate Surveyors and Valuers started supervising residential rental housing projects for their clients in order to meet the expectations of prospective tenants in terms of features and needed facilities in such properties.
- 6) Provision should be made in the laws for automatic periodic review of rent with a margin provided for every period as a guide and not the flat rate of 20% every 3years. This will to some extent ensure that the landlord does not lose out in view of the ever increasing rate of inflation in Nigeria and dynamics of society.
- 7) The government should provide infrastructure in towns in the outskirts of cities to prevent overcrowding in the city centers as overcrowding creates a situation of artificial scarcity of affordable residential accommodation.

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