

Relationship Between Tenant Characteristics and Lease Performance Indicators in Nigeria: A Case Study in Ibadan

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Abstract

This study examined the relationship between tenants' characteristics and lease performance indicators in Ibadan, Nigeria. The Data for this study were obtained from the Estate Surveying and Valuation firms, and information on tenant characteristics was obtained from the tenant's acquaintance forms in their portfolio. Out of the one hundred and five (105) Estate Surveying and Valuation firms surveyed, only 85 (80.9%) provided access to the required data for this study. The totality of cases identified (through the records of the Estate Surveying and Valuation firms) suitable for the analysis was one hundred and seventy (170) tenants, which accounted for tenants who were expected to have spent at least two years in their rented accommodation, representing 80.9% complete responses on information on the tenants. The data from the retrieved copies of the questionnaire were analysed using frequency distribution tables, factor analysis, weighted mean score and correlation analysis. Findings from the factor analysis revealed that affordability was the most significant criterion considered by property managers for tenant selection. Findings from the weighted mean score further revealed that affordability was seen as the most significant factor that measures lease performance in the study area, corroborating the findings of the factor analysis. The correlation analysis revealed that there was a strong positive correlation between tenants' characteristics and lease performance. In ensuring the success of rental properties, this study emphasised the crucial role of a meticulous tenant selection process by highlighting tenant characteristics such as tenants' financial capabilities, vetted personal information, solid references and guarantors, and demographic characteristics amongst others that are essential in the tenant selection process. The study recommended that property managers should keenly take into consideration the abovementioned tenant characteristics to ensure lease performance and, in turn, residential property investment performance to ensure the investors meet their investment objectives.

Keywords: Relationship, Lease Performance, Lease Performance Indicators, Tenants

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1.0 INTRODUCTION

The pressure on the housing market and the attributes of real estate investment have made housing be viewed not as mere shelter provision but as an investment opportunity. The private rented sector plays a crucial role in providing rental accommodation for individuals and families who choose to rent rather than own property because of reasons such as the affordability crisis and high mobility challenges. Furthermore, the high rate of urbanisation, the pooled effect of population upsurge, and the dwindling economy globally have necessitated the significance of the private rented sector in most cities of the world, as noted by Czerniak & Rubaszek (2018) that there is a global increase in the number of those living in the private rented sector, as an average of 40% are reliant on the leasing sector. Younger and more mobile working people are the main clients of the private rented sector, many of whom choose to rent because it is convenient. The tenants in the private rented sector have a broadly similar distribution of income to the population as a whole, with a somewhat higher share of middle and lower-income groups and a markedly smaller share of those with the highest incomes (Ball, 2010). Based on the fact that the demand for rental housing overshoots the supply in the market, the lucrateness of investing in it is driven by a strong desire to achieve favourable returns through optimal rental values, is justifiable (Oni, 2011; Kemiki et al., 2018).

Lease performance refers to the overall effectiveness and success of a lease agreement between a landlord and a tenant. It encompasses various aspects and indicators that assess the level of satisfaction and profitability for both parties involved, and one crucial aspect that influences lease performance is tenants' characteristics. Tenants' characteristics encompass a range of attributes such as financial stability, business reputation, industry type, and leasing history, amongst others. Gbadegesin & Oletubo (2013) noted that the lack of a legal instrument that outlines the criteria to adopt while selecting tenants has made tenant attributes the basis for the non-biased discretionary criteria used by landlords and property managers in the Nigerian private property rental market. Lease performance is evaluated based on several key factors, including tenants' characteristics such as rent payment behaviour, lease duration, lease renewal rates, property maintenance, and tenant satisfaction, amongst others (Oni, 2011). While landlords and property managers have always employed an abstract, intuitive selection of prospective tenants, effective measurement of lease performance is contingent upon having a

clearly defined basis for evaluation. However, there is a need for consensus and established frameworks regarding the factors to consider when assessing lease performance (Smith, 2018). Some landlords and property managers consider regular rent payment, non-subletting, payment of service charges and peaceful co-existence (Adebisi, 2023), rent payment (Olukolajo et al., 2018), lease renewal rates, property maintenance (Ling & Archer, 2017), tenant compliance with lease terms and regulations (Gbadegesin et al., 2016), and overall tenant satisfaction (Scott et al., 2016) as a factor or group of factors for lease performance measurement. The lack of agreement among experts and professionals impedes the development of standardised practices and hampers accurate and consistent evaluation of lease performance across the private rented sectors in various locations. Hence, understanding the relationship between tenants' characteristics and lease performance indicators is crucial for property managers to make informed decisions in the tenant selection process by considering tenants' attributes that may contribute positively to lease outcomes.

In light of the considerations stated above, this study examined the relationship between tenants' characteristics and lease performance indicators in Ibadan, Nigeria, by answering the under-listed research questions:

Research Questions: -

- i. What are the socio-economic characteristics of the tenants in Ibadan?
- ii. What criteria do the Estate Surveying and Valuation firms consider in the tenant selection procedure in the study area?
- iii. What are the indicators that measure lease performance in the study area?
- iv. What is the relationship between the tenants' socio-economic characteristics and lease performance in Ibadan, Nigeria, Nigeria?

1.1 Significance of the Study

One of the sustainable development goals is eliminating poverty through wealth generation. This study is expected to provide professional property managers in emerging real estate markets with the required information framework to guide their adoption of appropriate tenant selection procedures and guarantee the sustainability of real estate investments in the private rental market. This is expected to guarantee lease performance and in turn, residential property investment returns

The remainder of this paper is structured as follows: Section 2 provides a comprehensive review of the existing literature on the subject matter, offering valuable insights and perspectives. Section 3 presents a detailed description of the data used in this study and outlines the methodology employed, followed by the empirical findings, shedding light on key outcomes and observations in Section 4. Finally, Section 5 encapsulates a comprehensive conclusion that brings together the key findings and implications discussed throughout this paper and presents actionable recommendations. Adhering to this systematic framework, this paper provided a cohesive and insightful analysis of residential property lease performance with respect to tenant characteristics.

2.0 LITERATURE REVIEW

The private rented sector is a crucial component of accommodation provision, particularly in recent times, when it has been observed that only a small percentage of people can afford to own a house globally. Lease agreement is a crucial instrument in the private rented sector and at the time of agreement between a tenant and a landlord, a lease or tenancy agreement has been a significant customary step. One of the key purposes of a lease agreement is to specify the obligations of the landlord and tenant, which forms the basis of the landlord-tenant relationship. Lease performance refers to the evaluation of how well both the landlord and the tenant are executing a lease agreement, as it assesses the various aspects of the lease, the level of satisfaction and profitability for both parties involved. Lease performance indicators are key metrics used to assess the effectiveness and success of lease negotiations, property management, and the overall leasing process. The lease performance indicators help measure various aspects of lease agreements, property occupancy, financial performance, and customer satisfaction. However, financial performance, which is the most crucial aspect of a lease, is contingent on the tenants' rental payment behaviours. Investors in real estate worldwide are mindful of the financial performance (returns on investment) of their property (capital), which is the very reason for investment in the first place (Patience & Joseph, 2022). The financial performance of residential properties is assessed on their total return, which comprises the net income from rents and the increase in the capital value of a property. Rent payment behaviour evaluates whether the tenant is consistently paying the agreed-upon amount on the due date or if there are any instances of late or missed payments. Default in rent payment has been a major risk-threatening investment in rental properties, and it has been found to be the most common reason for the termination of a lease. Default in rental obligation can hinder the property owner from achieving the investment objectives, leading to mortgage default, delays in financing routine maintenance/repairs and tenant eviction (Olukolajo et al., 2018).

Furthermore, another key to success to positive cash flow in the rental housing market is tenant retention. Retaining residents has a significant impact on cash flow, as turnover costs always lead to increased expenses. Sanderson (2016) noted that the rental income relies on both rent amounts and occupancy rates, with tenancy renewal playing a crucial role. Ensuring continuous and unproblematic tenancy renewal is vital for housing investments. It is important to note that having a good tenant does not guarantee his long-term stay, as pointed out by Okoko (2004), but landlords benefit from tenants wishing to renew since it obviates the need to seek new tenants. Failure to renew tenancy when due is one of the most frequent problems that rock property owners/investors of expected income/return or remuneration for capital invested. In a bid to forestall this, property owners/managers have had to make several efforts toward enhancing the lease renewal of their tenants. However, more often than not, these efforts are concentrated on the buildings and satisfaction with the services provided to make them more attractive and up to standard. Understanding tenant satisfaction levels provides insights into their overall experience and perception of the leased property. Factors such as responsiveness to maintenance requests, communication with the landlord, and the

quality of amenities can influence tenant satisfaction (Rosen, 2014; Scott *et al.*, 2016). Tenants' satisfaction has been noted by Adebisi (2023) to influence lease performance but not enough to guarantee lease performance, as tenants' characteristics are expected to play a greater role in lease performance.

Tenant characteristics play a significant role in the assessment of potential tenants in the private rented sector, and these characteristics encompass various socioeconomic traits that reflect the individual or family's socioeconomic status. Evaluating these traits helps property managers gauge the suitability and reliability of applicants before leasing their properties. Amy and David (1998) conducted a study to analyse the effects of property, owner, location, and tenant characteristics on multifamily profitability by employing a property owners and managers survey to examine the impact of these characteristics on various measures of multifamily housing profitability. Among the tenant characteristics studied were turnover rate, household income level, and delinquency in rental payments. While this study examined some key characteristics, it needed to provide a comprehensive analysis of other relevant socioeconomic characteristics that could influence lease performance. In a different context, Larsen and Sommervoll (2006) investigated the impact of tenant and landlord characteristics and interaction on rent in the Norwegian rental market by identifying specific tenant characteristics such as household size, number of adults, number of children, and level of education. Although this study provided valuable insights, it is limited to a specific geographic region. It may not capture the full spectrum of tenant characteristics relevant to residential lease performance.

Olukolajo *et al.* (2018) studied tenants' characteristics and rent default tendencies in the Akure residential property market. This study investigated tenants' characteristics and their tendencies for rent default in the Akure residential property market. Data on the characteristics of 496 tenants were obtained from an "acquaintance form" submitted to 19 Estate Surveying and Valuation firms in Akure, Ondo State of Nigeria. Binary Logistic regression modelling techniques revealed that prospective tenants' occupation, availability of guarantor, recommendation letter, marital status, household size, level of education, and tenant's tribe were found significant. The strongest predictor of rent default tendencies was household size, recording an odd ratio of 15.96, as most families with large sizes have parents with low levels of education and, in turn, a weak economy. The little resources available are outstretched, thereby making it difficult to pay house rent. The study did delve into the various tenants' characteristics and only one lease performance indicator, which is rent, neglecting other lease performance indicators considered by property managers, a gap that this study intends to fill.

Adebisi (2022) assessed the rate of rental default and factors influencing rental default in the residential private rented sector in Abuja. The data for this study were gathered with copies of questionnaire administered to resident Estate Surveying and Valuation firms in Abuja. A total of one hundred and ten (110) were retrieved out of one hundred and forty-eight copies of questionnaires administered, representing 74.3%. The data gathered were analysed using descriptive statistics. The study revealed that amongst the factors influencing rental default in the study area, poor tenant selection, current economic condition, tenants' behavioural attitude, and low income ranked 1st, 2nd, 3rd, and 4th, respectively, with mean scores of 4.41, 4.35, 4.32 and 4.30. The study did not delve into the intricate tenants' characteristics and lease performance indicators considered by the property managers, which this study intends to fill.

Adebisi (2023) studied the influence of Estate Surveying and Valuation firms' services on commercial property lease performance in Ibadan. The data for this study were gathered with copies of questionnaire administered to Estate Surveying and Valuation firms and commercial property tenants in the management portfolio of the registered Estate and Surveying and Valuation firms in Ibadan. A total of three hundred and seventy-five (375) and one hundred and ten (110) copies of the questionnaire were administered to the commercial property tenants and Estate Surveying and Valuation firms. Three hundred and thirteen (313) and eighty-five (85) copies of the questionnaire were retrieved, respectively, representing 83.4% and 77.2%. The retrieved copies of the questionnaire were analysed using mean score, factor and correlation analysis. The correlation analysis result revealed a positive relationship at $p = 0.038$ between property management services and lease performance in the study area. The study did not assess the influence of social, and economic characteristics on lease performance, a gap this study intends to fill.

■ 3.0 RESEARCH METHODOLOGY

The data for this study were obtained from the Estate Surveying and Valuation firms in Ibadan, which are duly registered with the Nigerian Institution of Estate Surveyors and Valuers, Oyo-State branch and Estate Surveyors and Valuers Registration Board of Nigeria (ESVARBON). Each of the firms was represented by the most senior Estate Surveyor and Valuer. The Estate Surveying and Valuation firms were further required to provide information on the socio-economic characteristics of two tenants in their management portfolio using the tenants' acquaintance forms, having gotten the consent of the tenants. According to the 2020 NIESV directory, there are one hundred and five (105) Estate Surveying and Valuation firms in Ibadan and two tenants were selected in the portfolio of each of the Estate Surveying and Valuation firms using the convenience method of sampling, totalling two hundred ten (210) tenants. One hundred and five (105) Estate Surveying and Valuation firms were adopted as the sample size for the study because of the manageable size of the population. Copies of the structured questionnaire were administered to the Estate Surveying and Valuation firms. The copies of questionnaires were made up of two principal types: types A and B. The type A questionnaire was structured to elicit information on the characteristics of the selected tenants in the management portfolio of the respondent Estate Surveying and Valuation firms in the study area. The Type B questionnaire was structured to elicit information on the criteria for tenant selection adopted by the Estate Surveying and Valuation firms and lease performance measuring indicators. Out of the one hundred and five (105) Estate Surveying and Valuation firms surveyed, only 85 (80.9%) responded to the administered questionnaire. The totality of cases identified through the records of the Estate Surveying and Valuation firms and found suitable for the analysis is one hundred and seventy (170) tenants, which accounted for tenants who had spent at least two years in their rented property, representing 80.9% complete responses on information on the tenants. The retrieval rate suggests a good level of response, which gives sound footing for further analysis. The qualitative and quantitative data elicited from the respondents were analysed using frequency distribution, weighted mean score, factor analysis and correlation analysis.

■4.0 DATA ANALYSIS AND DISCUSSION OF RESULTS

This section of the study presented the analysis of the data collected through copies of the questionnaire administered to the Estate Surveying and Valuation firms in Ibadan, Nigeria and the discussion of the results. It assessed the characteristics of selected tenants in the portfolio of the Estate Surveying and Valuation firms, tenant selection criteria adopted by the Estate Surveying and Valuation firms, and the residential property tenants' lease performance indicators.

4.1 Demographic Characteristics of Estate Surveying and Valuation Firms

Background information on the Estate Surveying and Valuation firms in the study area was obtained from the respondent Estate Surveying and Valuation firm, represented by the most senior Estate Surveyor and Valuer. The data retrieved were analysed using a frequency distribution table, and the results of the background information of the Estate Surveying and Valuation firms in the study area are presented in Table 1.

Table 1 Background Information (Estate Surveying and Valuation Firms)

| Firms' Characteristics | Classification | Frequency | Percent (%) |
|---------------------------------|------------------------------------|------------------|--------------------|
| Firm's Year of Operation | 1-10 years | 38 | 44.7 |
| | 11-20 years | 44 | 51.8 |
| | 21-30 years | 3 | 3.5 |
| | Total | 85 | 100 |
| Nature of professional practice | Valuation for all Purposes | 85 | 100 |
| | Real Estate Agency | 85 | 100 |
| | Real Estate Development | 28 | 32.9 |
| | Property and Facilities Management | 47 | 55.3 |
| | Total | 85 | 100 |
| Firm's staff strength | 1-5 employees | 22 | 25.9 |
| | 6-10 employees | 32 | 37.6 |
| | 11-15 employees | 31 | 36.5 |
| | Total | 85 | 100 |

Source: Field Survey, 2023

Table 1 revealed the frequency distribution of the respondent Estate Surveying and Valuation firms according to the years of acquired field experience, showing that 44 (51.8%) of the firms have acquired field experience between 11 to 20 years, 38 (44.7%) have acquired field experience between 1 to 10 years while 3 (3.5%) have been in operation for at least 20 years. All respondent Estate Surveying and Valuation firms provide services in the valuation and real estate agency aspects of the profession, with 28 (32.9%) and 47 (55.3%) of the respondent Estate Surveying and Valuation firms further engaged in real estate development, property and facilities management respectively. 22 (25.9%) of respondent Estate Surveying and Valuation firms have between 1 to 5 employees, 32 (37.6%) have between 6 to 10 employees, and 31 (36.5%) of the respondent Estate Surveying and Valuation firms have at least 11 employees. The background characteristics of the respondent Estate Surveying and Valuation firms are indications that the firms included in this study have standard practice and have been in agency, valuation, and property development services for a considerable number of years; thus, information obtained from them was considered reliable.

4.2 Characteristics of Residential Property Tenants in Ibadan

Respondent Estate, Surveying, and Valuation firms were asked to provide information on the characteristics of tenants who had been in their portfolios for at least two years. The information gathered on tenants was based on the data provided in their tenancy acquaintance forms. The data was subjected to frequency distribution, and the results are presented in Table 2.

Table 2 Characteristics of Residential Property Tenants in the Portfolio of Estate Firms

| Tenant Characteristics | | Frequency | Percent (%) |
|-------------------------------|--------------------|------------------|--------------------|
| Gender | Female | 51 | 30.0 |
| | Male | 119 | 70.0 |
| | Total | 170 | 100 |
| Age | Under 25 years old | 30 | 17.6 |
| | 25-40 years old | 118 | 69.4 |
| | 41-60 years old | 17 | 10.0 |
| | Over 60 years old | 5 | 2.9 |
| | Total | 170 | 100 |
| Employment Status | Employed fulltime | 55 | 32.4 |
| | Unemployed | 5 | 2.9 |
| | Self-employed | 106 | 62.4 |

| | | | |
|--|---|------------|------------|
| | Retired | 4 | 2.4 |
| | Total | 170 | 100 |
| Level of personal or household income | Low income | 31 | 18.2 |
| | Middle/Average income | 118 | 69.4 |
| | High Income | 21 | 12.4 |
| | Total | 170 | 100 |
| Delinquencies in rental payments | Rarely late or missed payments | 86 | 50.6 |
| | Occasionally late or missed payments | 65 | 38.2 |
| | Frequently late or missed payments | 14 | 8.2 |
| | Consistently late or missed payments | 5 | 2.9 |
| | Total | 170 | 100 |
| Marital status | Single | 60 | 35.3 |
| | Married | 109 | 64.1 |
| | Divorced or separated | 1 | 0.6 |
| | Widowed | 0 | 0.0 |
| | Total | 170 | 100 |
| Level of Education | No formal education | 1 | 0.6 |
| | O level or below | 20 | 11.8 |
| | Some technical or vocational training | 20 | 11.8 |
| | OND/HND/bachelor's degree | 119 | 70.0 |
| | Advanced degree (Master's, Ph.D., etc.) | 10 | 5.9 |
| | Total | 170 | 100 |
| Availability of guarantor | Not available or willing to provide a guarantor | 56 | 32.9 |
| | Available and willing to provide a guarantor | 114 | 67.1 |
| | Total | 170 | 100 |
| Availability of recommendation letter | No recommendation letter is available | 54 | 31.8 |
| | Have a positive recommendation letter | 116 | 68.2 |
| | Total | 170 | 100 |
| Ethnicity/Tribe | Yoruba | 142 | 83.5 |
| | Igbo | 11 | 6.5 |
| | Hausa | 17 | 10.0 |
| | Total | 170 | 100 |
| Household size | Single individual | 35 | 20.6 |
| | A small family (2-3 members) | 70 | 41.2 |
| | Medium-sized family (4-6 members) | 56 | 32.9 |
| | Large family (7+ members) | 9 | 5.3 |
| | Total | 170 | 100 |
| Number of Adults | 1 adult | 59 | 34.7 |
| | 2 adults | 54 | 31.8 |
| | 3 adults | 34 | 20.0 |
| | 4 or more adults | 23 | 13.5 |
| | Total | 170 | 100 |
| Number of children | No children | 46 | 27.1 |
| | 1 child | 14 | 8.2 |
| | 2 children | 52 | 30.6 |
| | 3 or more children | 58 | 34.1 |
| | Total | 170 | 100 |
| Tenant's rental history/Status of the tenant's former dwelling | Tenancy history not available | 15 | 8.8 |
| | Good | 92 | 54.1 |
| | Satisfactory | 60 | 35.3 |
| | Problematic | 3 | 1.8 |
| | Poor | 0 | 0.0 |
| | Total | 170 | 100 |
| Duration of Tenancy | Less than 2 years | 23 | 13.5 |
| | 2-5 Years | 106 | 62.4 |
| | 6-10 Years | 30 | 17.6 |
| | above 10 years | 11 | 6.5 |
| | Total | 170 | 100 |

Source: Field Survey, 2023

Table 2 outlined the characteristics of residential property tenants based on the information retrieved from the Estate surveying and valuation firms in the study area. Among the tenants, 30.0% were female, while the majority (70.0%) were male. The age distribution of the tenants showed that 17.6% were under 25 years old, 69.4% were between 25 and 40 years old, 10.0% fell in the age group of 41 to 60 years, and 2.9% were over 60 years old. Regarding employment status, the table indicated that 32.4% of the tenants were employed full-time, 2.9% were unemployed, 62.4% were self-employed, and 2.4% were retired. 18.2% of the tenants had a low income, 69.4% had a middle or average income, and 12.4% had a high income. In terms of rental payment behaviour, Table 2 revealed that 50.6% of the tenants rarely had late or missed payments, 38.2% occasionally experienced such issues, 8.2% frequently had late or missed payments, and 2.9% consistently struggled with timely payments. Marital status among the tenants showed that 35.3% were single, while the majority, comprising 64.1%, were married. Only 0.6% were divorced or separated, and there were no respondents who were widowed. Table 3 further revealed that 70.0% of the tenants held OND/HND/bachelor's degrees, 11.8% had no formal education, 11.8% had completed education up to O level or below, 11.8% had some technical or vocational training, and 5.9% possessed advanced degrees (Master's, Ph.D., etc.). 67.1% of tenants have someone available and willing to provide a guarantor, while 32.9% did not have or were unwilling to provide a guarantor. Similarly, 68.2% of the tenants had a positive recommendation letter, whereas 31.8% did not have one available. Ethnically, the majority of the tenants are of the Yoruba tribe, making up 83.5% of the respondents. The Igbo and Hausa tribes accounted for 6.5% and 10.0% of the respondents, respectively.

The frequency distribution table in Table 2 further reveals the household composition. 20.6% of the tenants lived alone (single individuals), 41.2% lived in small families with 2-3 members, 32.9% lived in medium-sized families with 4-6 members, and 5.3% lived in large families with seven or more members. Regarding the number of adults in each household, 34.7% of the tenants lived alone (1 adult), 31.8% lived with two adults, 20.0% lived with three adults, and 13.5% lived with four or more adults. 27.1% of the tenants had no children, 8.2% had one child, 30.6% had two children, and 34.1% had three or more children. 8.8% had no available tenancy history, 54.1% had a good tenancy history, and 35.3% had a satisfactory tenancy history. Only 1.8% of the tenants had a problematic tenancy history, and there were no tenants with a poor tenancy history. Finally, the duration of tenancy showed that 13.5% of the tenants had been living in their current residence for less than two years, 62.4% had a tenancy duration of 2-5 years, 17.6% had been tenants for 6-10 years, and 6.5% had been tenants for over ten years. These findings corroborate Olukolajo *et al.* (2018), who pinpointed that tenants' occupation, availability of guarantor, availability of recommendation letter, marital status, household size, level of education, ethnicity, level of income, level of education/skills, occupation and employment, the status of the tenant's former dwelling/tenants' history are part of tenants' demographic and socioeconomic characteristics. These tenant demographic and socioeconomic characteristics are of importance in tenant selection, as noted by Oni (2011)

4.3 Criteria Adopted for Tenant Selection by Estate Surveying and Valuation Firms

To identify the criteria considered by property managers for tenant selection in residential properties in order of importance, a 25-item factor instrument was employed to analyse the criteria for tenant selection in the study area and subjected to principal component analysis since there is a greater emphasis on data reduction. Data on tenant characteristics from 170 respondents were subjected to principal component analysis. The Kaiser-Meyer-Olkin (KMO) test indicated adequate shared variance (0.619), surpassing the 0.60 thresholds, making the data suitable for analysis. Bartlett's test of sphericity showed a significant correlation matrix (Chi-square = 3202.291, $p < 0.001$, $df = 300$), confirming the appropriateness of Principal Component Analysis. This KMO test indicates that the research data met all prerequisites for reliable factor analysis. Before analysis, the dataset revealed the identification of 25 linear components or factors. The eigenvalues associated with each criterion gauge the variance explained by the linear arrangement, conveyed as a percentage of the total variance. Notably, five (5) components were extracted with a minimum variance of 6.112, which signifies that the criteria for tenant selection in the study area were clustered into five categories. These components collectively contributed to a cumulative sum of squared loading, totalling 65.073%. This suggests that these five (5) components encapsulate 65.073% of the characteristics exhibited by the original twenty-five (25) factors. Therefore, the cumulative impact of these five (5) components effectively accounted for 65.073% of the overall variation in the criteria for tenant selection in the study area. Hence, efforts aimed at identifying the criteria for tenant selection considered to be of importance by property managers in the study area were directed toward understanding and addressing the intricacies embedded within the five (5) extracted components. Table 3 shows the nomenclature for five (5) clusters of criteria mostly used for tenant selection in the study area, as each of the variables was grouped in its respective cluster, as detailed in Table 3 below.

Table 3 Cluster Groupings of Criteria for Tenant Selection by Respondent Estate Surveying and Valuation firms

| Cluster Groupings | Communalities | Factor loadings | Eigenvalues | Variance (%) |
|--|---------------|-----------------|-------------|--------------|
| Rent Payment Criteria/Financial Capabilities | | | | |
| Annual income | .658 | .753 | 6.966 | 27.862 |
| Access to credit | .691 | .723 | | |
| Affordability | .492 | .695 | | |
| Advance rent payment | .627 | .677 | | |
| Documentation demonstrating the ability to pay rent | .704 | .664 | | |
| Criteria Related to Employment and Responsibility | | | | |
| Steady employment status | .837 | .663 | 3.454 | 13.815 |
| Ability to demonstrate care for the rental property | .525 | .655 | | |
| Understanding of tenancy responsibilities | .600 | .650 | | |
| Landlord's immediate instinct or intuition | .627 | .639 | | |

| | | | | |
|---|------|------|-------|---------------|
| Reasons for seeking a home | .433 | .585 | | |
| Criteria Related to Household and Personal Details | | | | |
| Behavioural aspects (habits, lifestyle, ethics, civic engagement) | .426 | .534 | 2.563 | 10.251 |
| Physical aspects (age, appearance) | .715 | .475 | | |
| Family issues (children, pets, number of people in the household) | .602 | .468 | | |
| Marital status | .671 | .682 | | |
| Resourcefulness and reputation | .568 | .464 | | |
| Criteria Related to Social and Character References | | | | |
| Last known address | .750 | .548 | 1.758 | 7.033 |
| Social capital (references) | .633 | .416 | | |
| Quality of reference or guarantor | .454 | .617 | | |
| Criminal history | .640 | .475 | | |
| Community impact and compatibility with neighbours | .747 | .409 | | |
| Current tenancy report | .691 | .772 | | |
| Criteria Related To Personal Identity And Demographics | | | | |
| Tribe | .763 | .520 | 1.528 | 6.112 |
| Religion | .805 | .661 | | |
| Gender | .863 | .557 | | |
| Level of education | .746 | .572 | | |
| TOTAL VARIANCE | | | | 65.073 |

Source: Field Survey, 2023

The analysis of criteria for tenant selection yielded five distinct factors. Factor 1, labelled "*Rent Payment Criteria/Financial Capabilities*," encompasses variables like the tenant's annual income, access to credit, affordability, the tenant's ability to make advance payments for rent, and documentation demonstrating the tenant's ability to pay rent. These criteria have high factor loadings, indicating that they are strongly related to the criteria for tenant selection. The eigenvalue for this cluster is 6.966, which represents 27.862% of the total variance of the criteria for tenant selection in the study area.

Factor 2, termed "*Criteria Related to Employment and Responsibility*," includes tenants' steady employment status, ability to demonstrate care for the rental property, understanding of tenancy responsibilities, landlord's immediate instinct or intuition and their reasons for seeking a home. This cluster of criteria has slightly lower factor loadings than the first cluster. The eigenvalue for this cluster is 3.454, which represents 13.815 % of the total variance of the criteria for tenant selection in the study area.

Factor 3, labelled "*Criteria Related to Household and Personal Details*," relates to the tenants' household and personal details, which include criteria such as the tenants' behavioural aspects (habits, lifestyle, ethics, civic engagement), physical aspects (age, appearance), family issues (children, pets, number of people in the household), marital status, and their resourcefulness and reputation. These criteria have lower factor loadings than the first two clusters, indicating a weaker relationship with the underlying factor. The eigenvalue for this cluster is 2.563, which represents 10.251% of the total variance of the criteria for tenant selection in the study area.

Factor 4, "*Criteria Related to Social and Character References*," encompasses tenants' social and character references. It includes criteria such as the tenant's last known address, social capital (references), quality of reference or guarantor, criminal history, community impact and compatibility with neighbours, and current tenancy report. This cluster of criteria has a lower factor loading and a relatively low eigenvalue of 1.758, which represents 7.033% of the total variance of the criteria for tenant selection in the study area.

Factor 5, labelled "*Criteria Related to Personal Identity and Demographics*," relates to tenants' identity and demographics, and it includes criteria such as tribe, religion, gender, and level of education. This cluster of criteria has a lower factor loading and a relatively low eigenvalue of 1.5528, which represents 6.112% of the total variance of the criteria for tenant selection in the study area. Overall, the five clusters and their associated factors together explain 65.073 % of the total variance in the data. The findings align with the studies of various scholars in the field of rental property management, notably Short et al. (2003), Brzowski (2008), Saaty (2011), Gbadegesin and Oletubo (2013), Manuel et al. (2018) who emphasised the crucial role of a meticulous tenant selection process in ensuring the success of rental properties. These studies highlight specific factors that are essential in this selection process, including tenants' financial capabilities, vetted personal information, solid references and guarantors, and demographic characteristics. Ensuring tenants' financial stability is crucial for landlords to protect their interests by reducing the risk of income fluctuations and defaults, thus maintaining a steady cash flow. Thoroughly vetting tenants through identity checks, employment history, and rental records helps assess reliability and suitability, minimising problematic placements. Positive references and guarantors offer valuable insights into a tenant's behaviour and character, enhancing security. Demographic characteristics can aid landlords in tailoring rental offerings to meet tenant preferences, improving satisfaction and retention. Incorporating these factors into tenant selection enhances informed decision-making and fosters responsible, long-term tenancies for successful rental properties. These findings underscore the significance of tenant selection as a key determinant of the overall success and sustainability of rental properties, as highlighted by Adebisi (2023), that property investment performance is a function of tenants' lease performance.

4.4 Tenant Lease Performance Measurement Indicators

An attempt was made to examine the key factors considered by property managers for the measurement of lease performance in the study area and to achieve this, respondent Estate Surveying and Valuation firms were asked to indicate the extent to which a number of factors are considered lease performance indicators on a scale of 1-4, representing “least considered” to “Most Considered”, Where 1 = Least Considered; 2 = Less Considered; 3 = Considered; and 4 = Most Considered. The results are shown in Table 4.

Table 4 Lease Performance Indicators as opined by respondent Estate Surveying and Valuation firms

| Lease Performance Indicators | Mean | Std. Deviation | Rank |
|------------------------------|------|----------------|-----------------|
| Rent Payment Behaviour | 3.86 | 0.831 | 1 st |
| Tenant Retention | 3.8 | 0.908 | 2 nd |
| Tenant Satisfaction | 3.64 | 1.091 | 3 rd |
| Occupancy Rates | 3.51 | 0.95 | 4 th |
| Vacancy Levels | 3.42 | 0.915 | 5 th |

Source: Field Survey, 2023

Table 4 revealed that the most crucial lease performance indicator was found to be rent payment behaviour, which ranked first with a mean score of 3.86. This metric indicates the timeliness and consistency of tenants in making their rental payments, reflecting their financial responsibility. Tenant retention emerged as the second most important indicator, with a mean score of 3.8, while tenant satisfaction ranked third, with a mean score of 3.64. Occupancy rates ranked fourth, scoring a mean of 3.51 and a standard deviation of 0.95. Table 4 further revealed that vacancy levels ranked fifth, with a mean score of 3.42. The findings presented are concurrent with previous research studies by Patience and Joseph (2022) and Olukolajo et al. (2018). These studies emphasised the critical role of rent payment behaviour in the performance of rental properties, highlighting that return on investment (ROI) is a major reason for investing in rental properties.

Rent payment behaviour is a crucial aspect that directly impacts the financial success of a rental property, and landlords and property investors rely on consistent and timely rental payments to maintain a steady cash flow and achieve a satisfactory ROI. When tenants make payments promptly, it ensures that the property generates the expected income, covering operating costs, mortgage payments, and potential maintenance expenses. By aligning with previous research, the current findings affirm that tenant rent payment behaviour is a key indicator of the property's financial health. Tenants who consistently and punctually meet their rental obligations contribute to the stability and profitability of the rental property. Conversely, tenants with a history of late or missed payments can pose financial challenges and may lead to cash flow issues for landlords and real estate investors.

Furthermore, considering ROI as the primary reason for investing in rental properties underscores the business aspect of property ownership. Investors, property managers, and landlords aim to maximise returns on their investments, and a significant portion of this ROI is directly tied to rent collection. The findings support the notion that ensuring positive rent payment behaviour is vital for landlords and real estate investors to achieve their financial objectives and make their rental properties viable and profitable assets. The correlation between rent payment behaviour and the performance of rental properties emphasises the importance of tenant selection and diligent property management practices. Landlords and property managers must prioritise tenant screening, lease agreements, and proactive communication to encourage responsible and timely rent payments, ultimately leading to a successful and sustainable rental property investment.

4.5 Relationship between Tenants' Characteristics and Lease Performance Indicators in the Study Area

Correlation analysis was further employed to determine the relationship between tenants' characteristics and lease performance indicators in the study area. To achieve this, data on the lease performance indicators as opined by the respondent Estate Surveying and Valuation firms in relation to the tenants' characteristics provided by the respondent Estate surveying and valuation firms were analysed. The result of the analysis is presented in Table 5.

Table 5 Correlation of Tenants' Characteristics and Lease Performance Indicators

| Correlations | | Tenants' Characteristics | Lease Performance |
|----------------|--------------------------|--------------------------|-------------------|
| | | Correlation Coefficient | 1.000 |
| Spearman's rho | Tenants' Characteristics | Sig. (2-tailed) | .384** |
| | | N | .000 |
| | | | 170 |

Source: Field Survey, 2023

The result of the correlation analysis presented in Table 5 explored the correlation between tenants' characteristics and lease performance using Spearman's rank correlation coefficient (rho). The result of the analysis showed a positive relationship between tenant characteristics and lease performance with a correlation coefficient value of $r = 0.384$, $n = 170$. This indicates that the tenant characteristics are likely to influence lease performance positively, and the absence of the tenant characteristics is likely to influence lease performance negatively. The significance level for the correlation between Tenants' Characteristics and Lease Performance is shown as $p = <0.005$, indicating that the observed relationship between tenant characteristics and lease performance is highly statistically significant,

implying that the correlation is unlikely to be due to random chance. The finding is consistent with prior research conducted by Ibem and Amole (2012), Aminu et al. (2014) and Olukolajo et al. (2018), which noted that tenant demographic characteristics play a significant role in influencing lease performance indicators, such as rent payment and lease renewal tendencies. The implications of this correlation analysis can be substantial for property owners, managers, and policymakers in the real estate industry. Understanding the relationship between tenant characteristics and lease performance can help property owners make informed decisions about tenant selection and screening processes. By identifying which tenant characteristics are associated with better lease performance, property owners can minimise the risk of rental default and improve overall rental income stability. For example, suppose certain tenant characteristics (e.g., stable income, good credit history, previous positive rental history) are positively correlated with lease performance indicators; property investors may prioritise applicants with these traits during the tenant selection process.

■ 5.0 CONCLUSION AND RECOMMENDATION

The study assessed the relationship between tenants' characteristics and lease performance indicators in Ibadan, Nigeria, by examining the characteristics of residential property tenants, criteria for tenant selection, lease performance indicators and the relationship between tenant characteristics and lease performance. While there are areas where tenant selection is working well, there are also several challenges that need to be addressed to improve the system's efficiency and effectiveness. This study established a strong positive correlation between tenant characteristics and lease performance. The study found that specific tenant characteristics were associated with improved lease performance, further justifying the significance of tenant attributes in determining successful lease outcomes.

Overall, this research contributed valuable insights to the field of residential property management, providing property managers and landlords with a deeper understanding of the tenant characteristics and specific factors that impact lease performance. By leveraging this knowledge, property stakeholders can make more informed decisions in tenant selection, tailor their leasing strategies to target the right demographic, and foster a positive rental experience, ultimately leading to improved tenant satisfaction and long-term tenant retention. These findings have significant implications for the optimisation of residential property leasing and hold the potential to enhance the overall profitability and success of rental ventures. Since optimum return on investment is the primary reason for investing in rental properties, there is a need to prioritise affordability, annual income, and the ability of prospective tenants to demonstrate care for the rental property when selecting tenants. In addition, property managers should also focus on providing a positive rental experience for tenants, as maintaining tenant satisfaction can help increase tenant retention, leading to better occupancy rates, reduced vacancy levels, and consistent rental income for the landlords.

An in-depth examination was slightly hampered by the Estate Surveying and Valuation firm's reluctance to provide data on the characteristics of all the residential property tenants in their management portfolio. All respondent participants' data are accurate and trustworthy and there was no unethical motive for the research subjects' participation; they participated willingly. Further to this, the researcher ensured the anonymity of the tenants by refraining from asking for personal information, such as their identification. It was assumed that the consent of the tenants was obtained, as the Estate Surveying and Valuation firms stated that only the information of the tenants who consented was released.

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APPENDIX

Research Questionnaire

REQUEST FOR INFORMATION ON THE RELATIONSHIP BETWEEN TENANT CHARACTERISTICS AND LEASE PERFORMANCE INDICATORS IN IBADAN, NIGERIA

Thank you for agreeing to participate in this survey. This questionnaire will only take about 15 minutes to complete. The attached questionnaire is to elicit information on the research, “Relationship between Tenant Characteristics and Lease Performance Indicators in Ibadan, Nigeria. This is to enable the researcher to achieve the objectives of the research, and any information given would be used purely for the research work.

Please, your utmost contribution and cooperation will be of great importance to the success of this study.

Yours faithfully,

O.S. ADEBISI

TYPE A

Questionnaire for Estate Surveying and Valuation firms

SECTION A: BACKGROUND INFORMATION ON ESTATE SURVEYING AND VALUATION FIRMS

1. Nature of Professional Practice: Valuation for all purposes Real Estate Agency Real estate development Property & Facilities Management
2. Firm’s staff strength: 1-5 6-10 11-15 Above 20
3. Firms’ years of operation: 1-5 years 6-10 years 11-15 years 16-20 years Above 20 years

SECTION B: OBJECTIVE 1: CHARACTERISTICS OF RESIDENTIAL PROPERTY TENANTS IN THE STUDY AREA (IBADAN)

Please select the options applicable to the tenants’ information which you have provided us with.

1. Gender: Male Female
2. Age: Under 25 years old 25-40 years old 41-60 years old Over 60 years old
3. Employment Status: Employed full-time Unemployed Self-employed Retired
4. Level of personal or household income: Low income Middle/Average income High Income
5. Delinquencies in rental payments: Rarely late or missed payments Occasionally late or missed payments Frequently late or missed payments Consistently late or missed payments
6. Marital status: Single Married Divorced or Separated Widowed
7. Level of Education: No formal education O level or below Some technical or vocational training OND/HND/Bachelor’s degree Advanced degree (Master's, Ph.D., etc.)
8. Availability of guarantor: Available and willing to provide a guarantor Not available or willing to provide a guarantor
9. Availability of recommendation letter: Have a positive recommendation letter No recommendation letter available
10. Ethnicity/Tribe: Yoruba Igbo Hausa
11. Household size (number of people in the family): Single individual Small family (2-3 members) Medium-sized family (4-6 members) Large family (7+ members)
12. Number of Adults: 1 adult 2 adults 3 adults 4 or more adults
13. Number of children: No children 1 child 2 children 3 or more children
14. Tenant's rental history/Status of the tenant's former dwelling: Tenancy history not available Good Satisfactory Problematic Poor

15. How long have this tenant occupied this property for? Less than 2 years [] 2-5 Years [] 6-10 Years above [] 10 years []

SECTION C: OBJECTIVE 2: TENANT SELECTION CRITERIA IN THE STUDY AREA

Please indicate the extent to which you consider the following characteristics as a criterion for tenants' selection. On a scale of 1-4 representing "Not considered" to "Mostly considered". Where 1 = least considered; 2= less considered; 3 = considered; 4= mostly considered.

| S/N | Criteria | 1 | 2 | 3 | 4 |
|-----|---|---|---|---|---|
| 1 | Annual income | | | | |
| 2 | Access to credit | | | | |
| 3 | Affordability | | | | |
| 4 | Steady employment status | | | | |
| 5 | Advance rent payment | | | | |
| 6 | Ability to demonstrate care for the rental property | | | | |
| 7 | Understanding of tenancy responsibilities | | | | |
| 8 | Documentation demonstrating ability to pay rent | | | | |
| 9 | Landlord's immediate instinct or intuition | | | | |
| 10 | Reasons for seeking a home | | | | |
| 11 | Last known address | | | | |
| 12 | Behavioural aspects (habits, lifestyle, ethics, civic engagement) | | | | |
| 13 | Physical aspects (age, appearance) | | | | |
| 14 | Family issues (children, pets, number of people in the household) | | | | |
| 15 | Resourcefulness and reputation | | | | |
| 16 | Social capital (references) | | | | |
| 17 | Quality of reference or guarantor | | | | |
| 18 | Criminal history | | | | |
| 19 | Community impact and compatibility with neighbours | | | | |
| 20 | Current tenancy report | | | | |
| 21 | Marital status | | | | |
| 22 | Tribe | | | | |
| 23 | Religion | | | | |
| 24 | Gender | | | | |
| 25 | Level of education | | | | |
| 26 | Potential impact on the building | | | | |

SECTION D: OBJECTIVE 3: KEY FACTORS CONSIDERED BY PROPERTY MANAGERS FOR LEASE PERFORMANCE IN THE STUDY AREA

Please indicate the extent to which you consider the following factors as lease performance indicators. On a scale of 1-4 representing "Not considered" to "Mostly considered". Where 1 = least considered; 2= less considered; 3 = considered; 4= mostly considered.

| S/N | Lease Performance Indicators | 1 | 2 | 3 | 4 |
|-----|------------------------------|---|---|---|---|
| 1 | Rent Payment Behaviour | | | | |
| 2 | Tenant Retention | | | | |
| 3 | Vacancy Levels | | | | |
| 4 | Occupancy Rates | | | | |
| 5 | Tenant Satisfaction | | | | |