Marketing Time and Sales Price of Residential Properties in Akure, Nigeria

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Abstract
The sales price and time to sell residential properties is a function of the interaction between buyers and sellers in the property market. The paper examines the average time it takes to market residential properties (undeveloped land and developed property) and the difference in the list price and the eventual sales price of the properties put up for sales in the study areas. Data for the analysis was collected from the past sales transactions of 20 estate surveying and Valuation firms in Akure, Nigeria. The number of estate surveying and valuation firms were gotten from the 2014 register of the Heads of firms of the Nigerian Institution of Estate Surveyors and Valuers, Ondo State Branch. The data were analysed using Mean time and Paired Sample t - test. The result of the study showed that undeveloped residential land are sold faster than develop residential properties. The result also revealed that the properties put up for sales in all the areas under study sold below their list prices. The study therefore, recommended that government should open up more land for development to individuals since undeveloped land were more favoured in the areas.
Keywords: Marketing Time, List Price, Sales Price and Residential Property

1. Introduction
Real estate market is usually characterized as inefficient and imperfect market relative to the financial markets (Kang and Gardner, 1989). The market consist of properties of various types (commercial, industrial and residential) that are believed to have inflation hedging characteristics that make them ideal investment (Balchin, Bull and Kieve, 1995). Investment in property involves huge capital outlay and investors are faced with the option of having their own equity capital or borrowed fund to finance the investment. Since the investment is not a liquid asset, its illiquidity is most often measured by the time the property spends on the market (Jud, Seaks and Winkler, 1996). Therefore, in carrying out transactions in real estate properties, sellers have to decide whether to maximize selling price and minimize time on the market (TOM). Also, buyers in the market have the duty of searching for desirable properties and negotiating for their appropriate price. Therefore, properties that are easily sold at their fair market price are considered more attractive and valuable than those that will stay longer in the market only to be sold for about the same price later (Forgey, Rutherford and Springer, 1996).

Akure the study area is one of the nations state capital whose socio economic activities has greatly be promoted as a result of the influx of people in search of greener pasture. The state is mainly a civil servant state and government do not have provision for housing the teeming populace. Hence the residential property market is one whereby individuals have to buy and develop vacant land or buy existing properties, The residential property market is characterized by low transaction environment and no data bank for previous transactions. Sellers are therefore, faced with lack of new information on housing transactions. This make them to rely on stale information for the determination of list prices which often time can result in more time either on the market or selling at prices below prevailing market (Clayton, Mackinnon, and Peng, 2008). The paper therefore, is set to examine the time it takes to sell undeveloped residential land and developed residential properties as well as the price differential between list price and eventual sales price of the properties under study.

A number of studies have linked sales price of a property to TOM in the developed country (Belkin, Hempel and McLeavey, 1973; Miller, 1978; Janssen and Jobson, 1980; Kang and Gardner, 1989 and Asabere, Huffman and Mehdian, 1993). Most of the studies carried out in the developed countries concentrated on developed residential properties with the exception of few studies (Rossini, Kupke, Kershaw and McGreal, 2010; and Carrillo, 2010). Also, the different contextual, cultural settings and property market characteristics will limit the direct application of the methodologies and their findings to Nigeria situation. In Nigeria not much has been done, the few existing work in this area focused on the factors that influence TOM and selling price of residential property (Ajayi, 1997; Adeola, 2015). This study tends to fill the gap that exist.

The remainder of the paper proceeds as follows: the next section deals with review of literature, the third section discusses the methodology employed, section four reports the empirical results. Concluding remark and policy recommendation are contained in section five.

2. Literature Review
Much consideration has been given to pricing behaviour in TOM's study. This is a factor of the seller's mindset, need and choice of appropriate list price and eventual selling price for his property. While there seems to be

agreement in some of the works, the empirical findings in some other literature are quite often contradictory to one another. Anglin, Rutherford and Springer, (2003) found that even though there is no direct trade-off between selling price and TOM, any increase in list price results in increase in TOM.

Overpricing or setting list price above the market price has a way of influencing the time the particular property will spend before being sold (Asabere et al, 1993; Yavas and Yang, 1995). Benjamin, and Chinloy (2000) revealed that overpricing only gives minimal extra return which makes it unreasonable to price any property above the market price. The findings of Merlo and Ortalo-Magne (2004) revealed that the higher the number of negotiations between initial listing and sale agreement, the higher the sale price. This is so because listing price revision appears to be triggered by lack of offers.

In the United States, listing price of residential properties are found to often times produce the upper boundary for expected offers and eventual sales (Anglin, 1997; Knight, Sirmans and Turnbull, 1998). Here, the properties are sold above the reserved price of the vendors. However, setting a list price that differs from the expected selling price is common. Knight (2002) examined the causes and effects of list price changes on TOM using data from Stockton in California from 1997-1998 and the result showed that houses with a more pronounced difference in list price and sale price take longer to sell and at lower prices. The study also found that it takes a longer time to dispose of a vacant house than an occupied one. The study concluded that sellers in an attempt to maximize sales price and minimize the time properties spend on the market end up getting confused as to setting the list price and that houses with high initial list prices take longer to sell and ultimately sell at lower prices.

Haurin, Haurin, Nadauld and Sanders, (2006) noted that in 2005 alone, 7.075 million existing homes and 1.283 million new homes were sold in United States with each having a seller-determined list price. In the vast majority of cases, the list price exceeded the sales price. This is the concept referred to by Björklund, Dadzie and Wilhelmsson, (2006) as price concession. It is defined as the difference between offer price and transaction price. Björklund et al, (2006) analyzed the relationship between offer price, transaction price and time on the market using 700 transactions concerning single-family houses in Stockholm, Sweden from 1999 to 2001, which were subjected to general hedonic model. The study found that transaction price increases with TOM, reaching an optimum around the 150th day (five months), after which price declines with transaction price falling below expected price after 270 days (nine months). It was therefore suggested that sellers should set an offer price that is higher than the expected price. Interestingly, it was observed that the sub-markets having large positive differences were the attractive neighbourhoods and the five sub-markets with negative difference were located in not so attractive neighbourhoods.

McGreal, Adair, Brown and Webb, (2009) conducted an analysis of price differentials in Belfast Metropolitan Area, United Kingdom by relying on threefold division of properties selling at a premium to the list price, those selling at the list price and those selling at a discount to the list price. The study revealed that the price difference between sales and asking price was within the range from -£35,000 with greatest discount to £41,050 with the greatest premium. The most frequent price range was noticed among properties selling from £71 to £100. In contrast to the United State's market for which a discount from list price was a likely outcome, the study revealed that in the United Kingdom, discounts and premiums were likely to occur.. The result show that the relationship between sales price and marketing period is complex and that properties selling at or above list prices are likely to be sold quicker than those selling below list price. This however conflicts with the finding of Knight (2002) that houses with initial list prices take longer to sell and ultimately sell at lower prices.

Carrillo (2010) examined the residential housing market of Fairfax County, Washington, D.C., metropolitan area using houses that were listed on the local Multiple Listing Service (MLS) between January and December 2006 and sold before July, 2007. The study found that the average transaction price was $528,400 with a minimum of $125,000 and a maximum of $1,995,000.18. In addition, about two third of the properties were sold below the asking price.

Rossini et al, (2010) carried out a study on the changes occurring to list price and the actual sale price by examining the difference between the first to last marketed prices and the difference between the final advertised price and the actual sale price. The study found that the average final advertised price was around 2½ percent lower than the first advertised price while the difference between the last advertised and the actual sale price was around one percent. Of the all property types examined, vacant land was found to be sold at a greater discount than developed properties.

de Wit and der Klaauw (2010) examined the housing market in Netherland between January, 2005 and December, 2007. The timing-of-events duration model was adopted to estimate the causal effect of a list price change on TOM by relying on data from the Dutch Association of Real Estate Brokers. The empirical result showed that list price reductions significantly increase the hazard/probability of sale as well as withdrawal from the market. On average, the initial list price was €274,367 for all entry although the average initial list price for houses which did sell was substantially lower at €259,410, and the average selling price was €246,614. About 89% of the houses were sold below the list price while the average list-price reduction was 5.5%.

The consensus in the literature is that residential properties can be sold at a premium to the list price, at

par with the list price and at a discount and houses with a more pronounced difference in list price and sale price take longer to sell and at lower prices.

3. Methodology

The data used for this study was based upon information collected on the sales of undeveloped residential land and developed residential properties from 20 practicing estate surveying and valuation firms in Akure. The number of estate surveying and valuation firms were gotten from the 2014 register of the Heads of firms of the Nigerian Institution of Estate Surveyors and Valuers, Ondo State Branch. The advantage of utilizing data from these firms is that State Deed Registry may not show the exact number of properties sold, since many property owners delay the registration of their properties thereby hindering the reliability of the data obtainable from the Deed Registry. However, the sales records of the head of firms shows that there are 158 (98 undeveloped land and 60 developed residential properties) properties sold between 2009 to 2014. Out of the 158 properties, 131 (88 undeveloped residential land and 43 developed residential properties) of the properties has complete information and the number was used for analysis. The data collected were analysed using the mean and Paired Sample t-test. Mean was used to determine the average time it takes to sell the properties in the study areas while the paired sample t – test was used to measure the difference between list price and the eventual sales price of the properties.

4. Data Analysis and Discussion of Result

This section examines the time it takes to sell undeveloped residential land and developed residential properties in Akure and the difference in the list price and actual selling price of the properties put up for sales. The results are detailed in Tables 1, 2, 3, 4 and 5.

Table 1: Mean Time on the Market for Undeveloped and Developed Properties

Zone	N	Minimum	Maximum	Mean	Standard deviation
Undeveloped Residential Properties					
GRA	21	60	750	245.71	146.03
Core area	7	120	730	272.14	213.58
Transition	24	90	450	238.28	104.18
Peripheral	36	60	400	203.19	103.78
Total	88				
Developed Residential Properties					
GRA	9	180	750	340.00	163.34
Core area	5	275	365	329.00	49.30
Transition	29	180	780	350.69	157.35
Peripheral	0	0	0	0.00	0.00
Total	43				

Source: Field survey, 2015

     Table 1 shows the average mean TOM to sale residential property in the study areas. The average standard deviation and mean TOM to sale undeveloped residential land within the GRA is 146.03 days and 245.71 days while that of the core area is 213.58 days and 272.14 days respectively. Undeveloped land within the transition area takes an average standard deviation and mean TOM of 104.18 days and 238.28 days. The standard deviation and mean TOM in the peripheral area is 103.78 days and 203.19 days respectively with more properties (36) sold within the period. The low mean time and the high sales (36) of undeveloped residential land sold in the peripheral area is expected since the area readily have more vacant and relatively cheaper land to buy than other areas.

     For the developed residential properties, the core area has the least standard deviation and mean TOM of 49.30 days and 329.00 days. Developed properties in the GRA are sold for an average standard deviation and mean TOM of 163.34 days and 340.00 days while developed properties in the transition area are sold for an average of 157.35 days and 350.69 days respectively. There is no sales recorded in the peripheral area for developed properties. The result shows that the mean TOM for developed residential properties in the study areas are larger for the sold developed residential properties than the undeveloped residential land. This may be because majority of the people in Akure are civil servants who prefer to build incrementally from their saved income. The result however, is in contrast with the findings of Rossini *et al.,* (2010) which stated that developed properties in Adelaide, Australia are typically on the market for around 50 days while vacant land stay on the market for relatively longer around 90 days. This is attributed to the fact that Australians prefer developed properties to vacant land and Australian Government support homebuyers while land purchasers do not get such incentive.

Table 2: Mean difference between List Price and Sales Price of Undeveloped Residential Land in Akure

		Mean	N	Std. Deviation	Std. Error Mean
GRA	Listp	5452380.95	21	1836469.18	400750.43
	Salep	5214285.71	21	1655078.76	361167.80
Core Area	Listp	12857142.86	7	3078342.16	1163503.97
	Salep	12357142.86	7	2868133.62	1084052.61
Transition	Listp	1662500.00	24	880618.61	179755.52
	Salep	1514583.33	24	825343.03	168472.44
Peripheral	Listp	829166.67	36	708859.75	118143.29
	Salep	770833.33	36	620641.95	103440.32

Source: Field Survey, 2015

Table 3: Mean Price Differentials for undeveloped Residential Land in Akure using Paired Sample Test

	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference Lower	Upper	t- test	df	Sig (2-tailed)
GRA	238,095.23	464,194.13	101,295.46	26,796.60	449,393.87	2.351	20	.029
Core Area	500,000.00	645,497.22	243,975.02	-96,985.36	1,096,985.36	2.049	6	.086
Transition	147,916.67	200,802.29	40,988.59	63,125.30	232,708.04	3.609	23	.001
Peripheral	58,333.33	114,953.41	19,158.90	19,438.70	97,227.97	3.045	35	.004

Source: Field Survey, 2015

Table 2 shows the mean list and sale prices of undeveloped land in Akure while Table 3 shows the paired-samples t-test conducted to compare the list price and the sales price of the properties from 2009-2014 in the study areas. In the GRA, the mean difference in the List price (₦5,452,380.95) and Sales price (₦5,214,285.71) of undeveloped land in the area is ₦238,095.23 with t – value and p – value of 2..351 and 0.029. The results suggest that there is a significant difference between the list price and sale price of undeveloped land in the GRA and that price concession is usually given on property for sale in favour of the purchaser.

The transition and peripheral areas has a mean difference in the list price and sales price to be ₦147,916.67 and ₦58,333.33 respectively. In the Core area, the paired sample test shows the t – value to be 2.049 while the p – value is 0.086. However, the mean difference in the list and sales price in the core area is ₦500,000 and this seems to be higher than the other areas (GRA, Transition and Peripheral areas). The reason may be because the core area is the Central Business District (CBD) of Akure where business activities are at their peak.

Table 4: Paired Samples Statistics for Developed Residential Properties in Akure

		Mean	N	Std. Deviation	Std. Error Mean
GRA	Listp	9944444.44	9	4390646.62	1463548.87
	Salep	9111111.11	9	3723051.32	1241017.11
Core Area	Listp	24800000.00	5	14184498.58	6343500.61
	Salep	19900000.00	5	8734987.12	3906405.00
Transition	Listp	6758620.69	29	3331721.70	618685.19
	Salep	5948275.86	29	2910402.61	540448.20

Source: Field survey, 2015

Table 5: Mean Price Differential for Developed Properties in Akure using Paired Samples Test

	Paired Differences					T	df	Sig.
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference Lower	Upper			(2-tailed)
GRA	833,333.33	866,025.40	288675.13	167,647.28	1,499,019.39	2.887	8	.020
Core Area	4,900,000.00	5,683,308.90	2,541,653.01	-2,156,760.05	11,956,760.05	1.928	4	.126
Transition	810,344.83	817,375.95	151,782.90	499,431.64	1,121,258.01	5.339	28	.000

Source: Field Survey, 2015

The paired-samples t-test for the list price and the sales price of developed residential properties from 2009-2014 is detailed in Table 5. This procedure test whether the mean of the list price put forward for each property in the market differs from the sales price of the property. The analysis was carried out only for property sales in the GRA, core area and transition area as there was no record of sales in the peripheral area as detailed in Table 4. For developed residential properties in the GRA and transition areas, the mean difference in the list price and sales price are ₦833,333.333 and ₦810,344.83 respectively. The Table also showed the core area, having a relatively higher mean difference of ₦ 4,900,000 between the list price and sales price than other areas for

developed properties.

5. Conclusion

The study examined the average time it takes to sell undeveloped and developed residential properties as well as the price differential between list price and sale price of the properties in the study areas between 2009 and 2014. The study however revealed that the average mean TOM it takes to sale undeveloped residential land is much lesser than the time taken for the developed residential properties. Also, it was found out in the study that the eventual sales price for all the property type was lower than the list price showing that there is price concession given in favour of the buyer. There is therefore, the need for government to open up more housing estates where vacant land can be sold to the teeming populace of Akure who prefer to build houses incrementally than purchase developed ones. Also, government should build affordable residential houses and make grants available to its citizens in an effort to stimulate the developed residential housing market.

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