

**ASSESSMENT OF ECONOMIC FACTORS THAT INFLUENCE  
RESIDENTIAL AREA PREFERENCE IN OTUKPO TOWN, BENUE  
STATE. NIGERIA**

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**ABSTRACT**

The study assessed the economic factors that influence residential area preference in Otukpo town of Benue State, Nigeria. Variables considered based on households' characteristics and used for the study include income, affordable rent, and ability to pay rent, mode of rent payment, amount of rent, the regularity of rent increase. A sample size of 400 households was selected and administered the questionnaire, but 386 households returned their questionnaire. Three sampling techniques were employed for the study. First, stratified, sampling technique was used to stratify the town into eleven(11) residential areas; secondly, systematic random sampling was used in which one household head was selected based on the skipping ratio of four (4) per interval. The data collected for this study were analysed using factor analysis because of its ability to reduce large variables to manageable factors. Using factor analysis based on the Kaiser Principle, two factors were extracted using the variable maximization method with Eigenvalues of 4.73, and percentage contributory variance of 78.81 %. These economic factors include household income (.844), ability to pay rent (.930), affordable rent (.681), mode of payment (.906), amount of rent (.905) and regularity of rent increase (.903). The study revealed a positive relationship between the factors and shows the extent to which these factors strongly influence residential area preference in Otukpo town. The study further revealed that residents generally placed more emphasis on income, amount of rent, affordability of rent, mode of rent payment and regularity of rent increase when taking residential area decision in the study area. The study, therefore, concludes that residents' locate in the study area base on their income level and effective demand. The study, therefore, recommends that state and local government authorities should construct low-income houses for her citizens to caution the exorbitant rent by landlords. The government should regulate rent in terms of amount, mode of payment and regularity of rent increase to ease life for the residents' in the study area.

**Keywords:** Residential Area Preference, Economic Factors, Otukpo town, Benue State.

**1.0 INTRODUCTION**

The preference of where to live would appear to be determined by a combination of economic constraints and personal preferences. It is not possible for everyone to live where they would prefer, as competition for the most desired residential locations means that price limits the options available. Fortunately, this competition and the resulting restricted preference may be mitigated by variation between people in the residential areas and

lifestyles which they prefer. Some may prefer an inner-city location, another remote one, and for many the intermediate area which offers the best reconciliation of competing benefits. In practice, the reasons for the preference of residential location are probably mixed. They may include access to employment, business, educational, cultural or recreational opportunities, affordability, familiarity with one residential neighbourhood as a result of growing up there or emotional attachment to a place or a lifestyle.

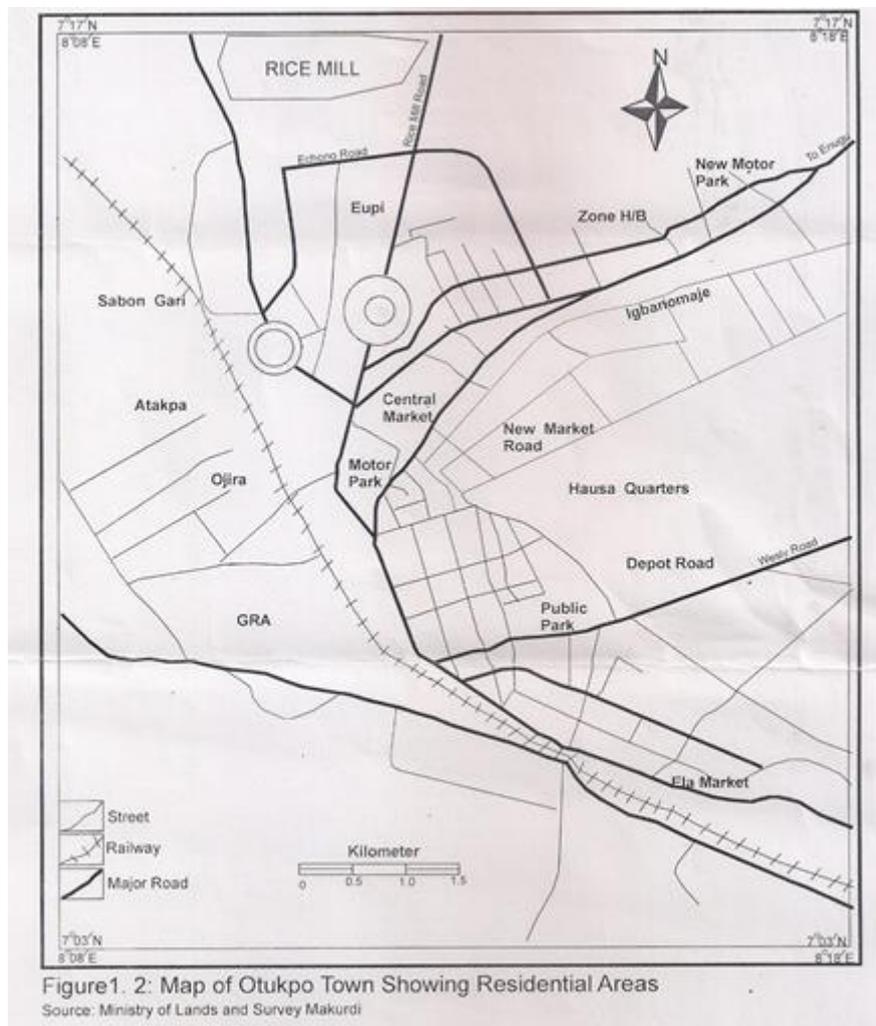
The preference for certain neighbourhoods over others in a city depends on the location of the area in relation to where an office or business and friends are found (Michelson; 1966). Other factors that influence residential preferences include assessment of housing costs, family sizes, qualitative housing units and environment. Furthermore, preference could also be influenced by the crime rate in an area, economic, social, professional or educational background of residents. A households' decision to choose a particular residential district could be due to socio-economic, cultural, administrative or purely psychological factors (Ogunjumo and Olatubara; 1997). Urban residential location models indicate that the determinants of households' choice of residence include an income of the household making the choice, family size, population density, rent and transport cost (Alonso, 1964;). The general tendency of the poor people to live near the Central Business District (C.B.D) while the rich stay at the outskirts of the city has also been well documented. Also well documented in the literature is the general tendency of people to segregate based on income Urban residential location models indicate that the determinants of households' choice of residence include income of the household making the choice, family size, population density, rent and transport cost (Alonso, 1964;). The spatial segregation based on income has been shown not to be very significant in Africa. For instance, findings of Abiodun (1990) have shown that some particular or ethnic groups concentrate in certain parts of Nigerian cities.

This present study attempts to access the social factors that influence residential area preference in Otukpo town of Benue State.

## 2.0 STUDY AREA

Otukpo town in Otukpo Local Government is the headquarter of Otukpo Local Government and is the third largest town in the state after Makurdi and Gboko. The town lies between latitudes 7o0 and 7o 30N and longitudes 7o 30 and 8o 10E

The area has marked wet and dry seasons, an indication of the kop pen's Aw tropical humid climate type. Rainfall is expected in April-May and lasts till November with peaks in June – July and September – October. Surface drainage of the area is poor as cases of the flood are experienced during a heavy downpour. The geology of Otukpo town- complex marine sediments made up of shale, sandstones and siltstones underlay, which offer poor infiltration and groundwater storage encourages profuse surface runoff during rains. The fractures in the shale are not inter-connected. There is no clearly defined ground water level and even where found, the water table fluctuates between the wet and dry seasons. Based on this there are few or no exploitable groundwater reserves in the area. The major rivers in the area are Okokoro, Edikwu, Otada and Ukplo. These rivers are highly seasonal and dry up in the dry season with some stagnant pools in their channels in the dry season. This seasonality of the drainage system creates serious problems to inhabitants of Otukpo town since most of the residents depend on natural sources for their water needs. The projected population of the town is estimated at 38,880 persons. The pattern of settlement is a predominantly nucleated settlement with concentrated structures (Fig 1)



### 3.0 MATERIAL AND METHOD

Data on economic factors that influence residential area preference were collected using the sample size of 400 respondents out of which 386 heads of households returned their questionnaire. Three sampling techniques were employed for the study. First, stratified sampling techniques were used to stratify the study area into eleven (11) residential areas, secondly, systematic random sampling was used to select the houses of respondents, during the selection, one house was selected based on the skipping ratio of four houses per interval. In a situation where many households' were living in any of the house (compounds) selected, convenience sampling was used to administered a questionnaire to the first head of household met. The parameters used for the study were defined as follows:

- X1= Household income
- X2= Affordable rent
- X3= Ability to pay rent
- X4= mode of rent payment

X5= Amount of rent

X6= Regularity of rent increase

Variables X1, X2, X3, X4, X5, X6, were measured through the use of the questionnaire. Factor analysis was used in summarizing and analyzing the data, as well as identifies the principal dimensions of the selected variables responsible for economic residential area preference in the study area to identify their relative contributions in influencing residential area preference in Otukpo town. The factor analysis generated both the correlation matrix and the rotated factors matrix, in which only factors with Eigenvalues above unity with 5% or more explanatory powers considered as separate orthogonal dimensions or factor components (Anyadike, 2009).

**4.0 RESULT AND DISCUSSION**

Economic Factors that Influence Residential Area Preference in Otukpo Town.

**Table 1. Economic Factor Matrix of Residential Area Preference in Otukpo Town.**

VARIABLES	RESIDENTIAL PREFERENCE FACTORS	
	I	II
Household income	(.844)	.221
Affordable rent	(.681)	.399
Ability to pay rent	(.930)	-.025
Mode of rent payment	-.061	(.906)
Amount of rent	(.905)	-.001
Regularity of rent increase	-.161	(.903)
Eigen-value	2.89	1.84
% Variance	48.149	30.662
% Cumulative explained	48.149	78.811

Source: field work, 2015

Table 1 shows the rotated economic factor matrix for the study area, with factor one which has an Eigen-value of 2.89 accounts for 48.149 per cent of the total variance. It has very high

positive loadings on variables 1 (household income), 2 (affordable rent), 3(ability to pay rent), and 5(amount of rent). While the significant negative loadings on variable 4 (mode of rent payment) and 6 (regularity of rent increase). These factors are economic factors and are regarded as the ability to pay the rent factor. The absence of these negative variables (mode of rent and regularity of rent increase) within Otukpo town could influence the rejection of residential area. Factor two has an Eigen-value of 1.84 and explains 30.662 per cent of the total variance. This factor has significant loading on variables 4(mode of rent payment), and 6(regularity of rent increase). Factor two also has negative loadings on variables 3(ability to pay rent), and 5(amount of rent payment). The absence of these negative variables in any residential area within Otukpo town could influence residents' decision about such neighbourhoods. Further interaction with respondents during the field study revealed that income, amount of rent, affordability of rent, and mode of rent payment and regularity of rent increase are the major economic factors that influence residential area preference in the study area. This is obvious as residents locate according to income level, for instance, low and medium income households' located in the slum areas of Ojira, Sabon-Gari, Zone H.B, Ogwonu-Igbahapa, Eupi, Hausa Quarter and Atakpa, while high-income households located in the serene residential areas of G.R.A, Depot road, new market road and Igbanomaje respectively.

## 5.0 CONCLUSION

The findings in this study indicate that income, amount of rent, affordability and mode of rent payment are the economic factors that influence residential area preference in Otukpo town. Hence, to overcome the implications of these factors lies in the creation of a job for the residents' to improve their income level. The study, therefore, recommends that state and local government authorities should construct low-income houses for her citizens to caution the exorbitant house rent by landlords. The government should regulate rent in terms of amount and mode of payment to ease life for the residents' in the study area.

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