Assessment of Initial Rent Financing Methods and Rent Sustainability among Residential Tenants in Ibadan, Nigeria

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ABSTRACT

This study explores the relationship between initial rent financing methods and the sustainability of rent payments among residential tenants in Ibadan, Nigeria. A descriptive survey design was employed, and primary data were gathered through a structured questionnaire administered to 309 residential tenants who have occupied their rental properties for two years or more. The analysis utilized statistical techniques, including Chi-square tests and Binary Logistic Regression, to explore the associations between tenants' socioeconomic characteristics, initial rent financing methods, and outcomes related to rent sustainability. The findings indicate that tenants employed various strategies to finance their initial rent, including personal savings, cooperative society loans, bank loans, thrift contributions (ajo/esusu), salary advances, and financial assistance from friends and family. Thrift contributions and cooperative society loans were identified as the most commonly utilized financing methods. Notably, tenants who relied on personal savings exhibited a significantly higher likelihood of being able to sustain their rent obligations over time. In contrast, those who depended on borrowed or informal sources demonstrated a greater tendency toward rent unsustainability, though not all differences reached statistical significance. The study concludes that the method of initial rent financing plays a pivotal role in influencing future rent sustainability. Therefore, it recommends the promotion of a saving-oriented rent culture, the enhancement of financial literacy among tenants, and a comprehensive reevaluation of housing policies aimed at addressing long-term affordability challenges.

Keywords: Rent financing methods, rent sustainability, rent delinquency, residential tenants, Ibadan-Nigeria

INTRODUCTION

The rental housing market plays a critical role in providing accommodation for individuals and families unable to afford homeownership, particularly in developing countries where financial and institutional barriers limit access to mortgage financing (UN-Habitat, 2011). In Nigeria, rapid urbanization, rising property acquisition costs, and inflation have made homeownership increasingly unattainable (Ogundeji, 2023), leading to growing reliance on rental housing as the dominant form of tenure in urban areas (Melzer, Hayworth, Robey & Colli, 2018).

However, securing rental accommodation remains financially burdensome for many tenants, as landlords typically require advance rent payments covering six months to two years (Ehwi, Asante & Gavu, 2024; Adu-Gyamfi, Poku-Boansi & Cobbinah, 2019). This practice is especially prevalent in West Africa, including Nigeria, where multi-month advance rent demands often compel prospective tenants to seek external financial support (Maguire, 2022). Despite this, the methods tenants use to raise such funds such as personal savings, bank loans, cooperative society loans, thrift contributions (ajo/esusu), or support from family and friends (Mukhija, 2004; Nor and Masron, 2019; Selim, Rabbani and Bashar, 2022; Yaacob, Hassan, Hasan, Hamik and Shahbuddin, 2024) remain underexplored in the context of rental housing in Nigeria.

In principle, tenants should be able to sustain rent payments over time without financial distress. Yet, many tenants who manage to meet the initial financial demands often struggle with subsequent payments, exposing them to rent delinquency (Olatundun & Bello, 2023; Olatundun, Ayinde, AbdulRaheem & Oladeji, 2024a; Olatundun, Bello & Raji, 2024b). Rent sustainability, defined as a tenant's continued ability to pay rent without hardship, depends not only on income stability and economic conditions (Oni, 2010), but potentially on the

financial burden created by the initial method used to secure housing. While existing studies have addressed causes of rent delinquency such as unemployment, inflation, and weak landlord-tenant relationships (Ogutu, 2013; Obayomi, 2014; Sani & Gbadegesin, 2015; Dabara, Ankeli, Omotehinshe, Aiyepada and Agidi, 2017; Kemiki, Ayoola, Ojetunde, Ogunbajo and Kuma, 2018), little attention has been given to how initial rent financing strategies may affect long-term rental stability.

Olatundun et al. (2024b) examined rent-to-income ratios in Osogbo and found that tenants who allocated more than 30% of income to rent were more likely to be delinquent. However, their study did not investigate how the source of initial rent funds whether borrowed or self-financed might influence rent sustainability. This gap is important because different financing methods carry varying risks. Tenants who rely on loans may face repayment burdens that may reduce their capacity to keep up with future rent, while those depending on temporary support from family or friends may lack reliable assistance over time.

This study addresses that gap by exploring the relationship between initial rent financing methods and rent sustainability among residential tenants in Ibadan, Nigeria. It aims to identify the most common financing strategies used at the onset of tenancy and assess their implications for continued rent payments. By doing so, the study contributes empirical insight to housing affordability literature and offers guidance in improving rental housing stability.

In order to achieve the aim of this study, the following null hypotheses were formulated:

H_{o1} =there is no statistically significant association between tenants' income and the residential property types they occupy.

H_{o2} =there is no statistically significant association between tenants' income categories and the initial rent financing methods they used.

H_{o3} =there is no statistically significant association between tenants' employment categories and the initial rent financing methods they used.

H_{o4} =there is no statistically significant relationship between the initial rent financing methods used by residential tenants and their rent sustainability status in Ibadan, Nigeria.

LITERATURE REVIEW

One of the biggest challenges associated with Nigeria's rental housing market is affordability, which refers to tenants' ability to pay rent without experiencing financial distress. Unlike many developed economies where rental payments are typically made on a monthly or quarterly basis, Nigerian landlords often demand one to two years of rent in advance before granting tenancy (Oni, 2010). This upfront lump-sum requirement places substantial pressure on tenants, forcing many to seek alternative financial sources to afford initial rent payments. The demand for such bulk payments intensifies affordability challenges, especially for low- and middle-income earners without stable or high-income sources.

Affordability concerns are closely tied to delinquency risks, as several studies emphasize that the capacity to pay rent is strongly linked to financial stability. Income is one of the most important determinants of tenants' housing choices (Giuliani, 2004; Kim, 2010). Alonso (2000) further explains that when tenants make residential choices, they balance their socioeconomic realities with the need for affordability and access to amenities. Adebayo, Hamza, and Abdulazeez (2022), in their study of residential preferences in Kaduna, confirmed that income significantly shapes housing decisions. Similarly, Onyike (2007) emphasized that rent should align with income to ensure affordability without compromising other household needs. The United States Department of Housing and Urban Development (HUD, 2005) and Cox and Pavletich (2010) established the 30% rule, recommending that households should not spend more than 30% of their income on rent to avoid financial strain.

Several empirical studies in Nigeria demonstrate that many households surpass this benchmark, thereby facing affordability challenges. Shaba (2018) reported that 52.6% of tenants in Zaria spent more than 30% of their income on rent, while Nnametu and Emoh (2020) found that a significant proportion of staff in Imo State tertiary institutions, especially those in junior cadre, spent rents that exceeded their annual incomes. In Anyigba, Abalaka and Tokula (2021) reported that 69% of residents allocated more than 30% of their income to rent. Similarly, Salihu et al. (2021) found that the majority of tenants in Minna incurred rents above the 30% threshold. Collectively, these studies indicate widespread rent unaffordability across Nigerian cities. Olatundun et al. (2024b) extended this line of inquiry in Osogbo, revealing that tenants who spent more than 30% of their income on rent were more likely to default, thereby establishing a direct link between rent-to-income ratios and delinquency tendencies. These findings reinforce the argument that exceeding the affordability threshold predisposes tenants to financial hardship and rent instability.

Affordability is not merely about paying the initial rent but also about sustaining regular payments over time. Oni (2010) underscored this long-term dimension, while studies such as Shaba (2018), Nnametu and Emoh (2020), Abalaka and Tokula (2021), and Olatundun et al. (2024b) highlighted how economic downturns, inflation, and rising unemployment have further weakened tenants' purchasing power, making it increasingly difficult to sustain rent obligations. However, despite the extensive attention given to affordability and delinquency, relatively little emphasis has been placed on the methods by which tenants finance their initial rent payments and how these financing strategies affect long-term rent sustainability.

Finance plays a critical role in both property acquisition and rentals, with modes of financing shaped by income levels, credit access, interest rates, and broader economic conditions. Several studies have examined real estate financing. Mukhija (2004) found that in Mumbai, personal savings, cooperative financing, and asset liquidation were dominant strategies for financing housing. Nor and Masron (2019), in Somalia, identified cooperative financing and thrift contributions as common informal modes of financing housing among both renters and developers. Selim, Rabbani, and Bashar (2022) explored Islamic finance-based rent-to-own models in Bangladesh, showing that interest-free financing improved affordability. Likewise, Yaacob et al. (2024) noted that microloans and community savings were prevalent among low-income households in Malaysia. While informative, these studies largely focused on housing development or ownership rather than the rental market.

While the existing literature rightly acknowledges the significant influences of landlords, developers, and policymakers on rental market dynamics particularly in relation to rent determination, housing supply, and the establishment of regulatory frameworks (Oni, 2010; Sani & Gbadegesin, 2015; Dabara et al., 2017; Kemiki et al., 2018; Olatundun & Bello, 2023; olatundun et al., 2024a, b), the financing of initial rent obligations remains a uniquely tenant-specific experience. Although landlords and developers play a pivotal role in providing accommodation, they do not directly dictate how tenants mobilize financial resources for rent payments. Furthermore, while policymakers set regulatory guidelines, they do not typically shape the private financial strategies employed by households. As a result, tenants possess the most relevant insights concerning the modalities of financing their initial rents and the impact of these choices on their capacity to sustain subsequent payments.

What remains underexplored is whether the method of financing initial rent has implications for rent sustainability. Tenants who rely on borrowed funds such as loans, salary advances, or family support may enter tenancy already under financial strain, which could increase their susceptibility to delinquency. Conversely, tenants who finance their rent through personal savings may have greater financial security and stability. While past studies have predominantly emphasized affordability thresholds, the role of financing methods in shaping long-term sustainability has received limited scholarly attention. This gap is particularly relevant in urban rental contexts like Ibadan, where diverse rent financing mechanisms are likely to exist but remain insufficiently researched. By exploring the relationship between initial rent financing methods and rent sustainability, this study provides new insights into urban rental housing, highlighting structural vulnerabilities that may predispose tenants to delinquency.

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Study Area

The study area is Ibadan, the administrative and economic hub of Oyo State in Southwestern Nigeria. It is the largest indigenous city in West Africa, covering a land area of approximately 1,100 square kilometers, which represents over 13% of the total land mass of Oyo State. According to Macrotrends (n.d), Ibadan has a population exceeding 4 million inhabitants, making it the most populous city in Oyo State and the third most populous city in Nigeria, following Lagos and Kano.

Ibadan is located about 128 kilometers north of Lagos and around 530 kilometers southwest of Abuja, the nation's commercial and administrative capital. Its role as a significant transit hub connects the coastal areas with the inland regions of the country. The city's status as an administrative and economic center influences its land use, which includes residential, commercial, industrial, and recreational areas. Ibadan is comprised of various residential districts that offer a range of properties for low-, middle-, and high-income groups. A substantial portion of these residential properties has been constructed by private individuals and is leased to either individuals or corporations in exchange for regular payments known as rent, which is the core focus of this study. To ensure spatial representation and socioeconomic diversity, the study was conducted across selected neighborhoods in Ibadan, encompassing both high-, medium-, and low-density areas. These neighborhoods include: Bodija, Agodi GRA, Oluyole, Challenge, Mokola, Dugbe, Eleyele, Apata, Iwo Road, Orita-Aperin, Moniya. These areas were chosen based on their active rental markets, varied income groups, and differing housing characteristics, ensuring broad representation and enhancing the generalizability of the study’s findings within the Ibadan rental housing landscape.

METHODOLOGY

The study aimed to gain insight into the effect of initial rent financing modes on rent sustainability among residential tenants in Ibadan, Nigeria. To achieve this, a descriptive survey design was utilized, targeting residential tenants in the study area. Since the study centers on rent payments, tenants were considered as the key population of interest because they are the ones responsible for paying rent for rental spaces or properties. The sample frame comprises an indefinite population of residential tenants in Ibadan, as there is currently no comprehensive or centralized database of renters in the city. Consequently, the sample size was determined using Cochran’s formula for large or unknown populations:

$$n_0 = \frac{Z^2\, pq}{e^2}$$

Where:

$\mathbf{n_0}$= sample size

Z = Z-value at 95% confidence level = 1.96

p =estimated proportion of population = 0.5 (maximum variability)

q =1 – p = 0.05

$$n_0 = \frac{(1.96)^2 \text{ x } 0.5 \text{ x } 0.5)}{(0.05)^2} = \frac{3.8416 \text{ x } 0.25}{0.0025} = 384.16$$

This yields a minimum sample size of approximately 384 tenants, which is considered adequate for achieving statistically reliable results. A purposive sampling technique was employed as the primary method for respondent selection, focusing on tenants who have spent a minimum of two years in their current rental apartments. This criterion ensures that respondents have adequate experience to reflect on both how they financed their initial rent payments and how they have managed subsequent rent obligations. In addition, a snowball sampling approach was adopted as a supplementary method to facilitate access to qualified respondents through referrals. Descriptive statistics (Percentage Distribution) was employed to analyzed the socioeconomic and demographic

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characteristics of the tenants, while inferential statistics (Chi-square and Binary Logistic Regression) were adopted to explore the associations between tenants' socioeconomic characteristics, initial rent financing methods, and outcomes related to rent sustainability. The operationalization of variables for the Binary Logistic Regression is as shown in Table 1.

Table 1: Operationalization of Variables for Binary Logistic Regression Analysis of Initial Rent Financing Methods and Rent Sustainability

Variable Type	Variable Name	Definition	Measurement Scale	Coding/Description
Dependent Variable	Rent Sustainability	Tenants' ability to consistently pay rent after initial rent payment	Binary	0 = Sustainable (no difficulty); 1 = Unsustainable (experienced difficulty)
Independent Variable	Initial Rent Financing Method	Source of funds used to pay initial rent at the start of tenancy	Nominal (Categorical)	1 = Personal Savings; 2 = Bank loan; 3 = Cooperative Society Loan; 4 = Thirft Contributions (reference category); 5 = Financial Support from Friends/Family; 6 = Salary Advance; 7 = Others

Data Analysis And Discussion Of Results

Table 2: Number of Questionnaires Distributed and Retrieved

Questionnaire	**Tenants**	
	Frequency	**Percentage**
No. of Questionnaire Retrieved	309	80.47
No. of Questionnaire Not Retrieved	75	19.53
Total Questionnaire Distributed	**384**	**100.00**

As shown in Table 2, a total of 384 questionnaires were distributed among residential tenants in Ibadan, Nigeria, which was the minimum sample size for a 95% confidence level and 5% margin of error estimated through the Cochran's formula, out of which 309 valid and completed questionnaires, representing a response rate of approximately 80.47%. This figure according to Yousuf (2020) and Botani (2021) is considered statistically acceptable for analysis, especially in field-based social research where access to respondents may be constrained by mobility, availability, or survey fatigue.

Table 3: Demographic and Socio-Economic Information of Tenants

Description		**Frequency**	**Percentage**
Age of Respondents	18 – 30 years	58	18.77
	31 – 50 years	174	56.31
	51 and above	77	24.92
	Total	**309**	**100.0**
Level of Education	Primary	57	18.45
	Secondary	79	25.57
	Tertiary	173	55.98
	Total	**309**	**100.00**
Employment Category	Self-employment	141	45.63
	Private employment	96	31.07
	Civil service employment	72	23.30
	Total	**309**	**100.00**

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Income Category	below ₦840,000 (Low)	63	20.39
	₦840,000 – ₦1,000,000 (Medium)	129	41.75
	Above ₦1,000,000 (High)	117	37.86
	Total	**309**	**100.0**
Type of Residential Property Occupied	Tenement	56	18.12
	Flat	240	77.67
	Duplex	13	4.21
	Total	**309**	**100.00**

Source: Author's Data Compilation, 2025

Table 3 shows that 15.77% of the tenants are within the age range of 18 – 30 years, 56.31% within the age range of 31 – 59 years and 24.92% are 51 years and above. This implies that all the tenants are adults and have the legal ability to rent their respective apartments and pay rent independently, without requiring consent from either parents or guardians. More so, 18.45% of the tenants had primary education, 25.57% had secondary education, and 55.98% had tertiary education. Given the tenants' level of education (tertiary), it is reasonable to expect financial literacy and planning skills, which will make them reliable rent-payers.

Also in Table 3, it was observed that 45.63% of the tenants are in self-employment (trading and services provision), 31.07% and 23.30% are in private employment and civil service employment respectively. Moreover, 41.75% and 37.86% of the tenants' annual income are within ₦840,000 – ₦1,000,000 and above ₦1,000,000 respectively, while only 20.39% of the tenants' annual income was less than ₦840,000 being the minimum wage (₦70,000 x 12 months) signed into law in 2024 by the Federal Government of Nigeria. Moreover, 18.12%, 77.67%, and 4.21% of the tenants reside in tenements, flats, and duplexes respectively. This implies that the tenants live in varying residential property types, and the fact that the tenants are employed suggests they have the means to pay rent.

Table 4: Cross-Tabulation of Tenants' Income Level and Residential Property Occupied

	Residential Property Types			**Total**
Annual Income Level (₦)	**Tenement**	**Flat**	**Duplex**	
below ₦840,000 (Low-income)	54	09	-	63
₦840,000 – ₦1,000,000 (Middle-income)	02	127	-	129
above ₦1,000,000 (High-income)	-	104	13	117
Total	**56**	**240**	**13**	**309**

Source: Author's Data Compilation, 2025

Table 4 presents a comprehensive analysis of tenant income levels stratified by residential property types. Among the 63 low-income tenants, defined as those earning below ₦840,000 annually, a significant majority of 54 individuals reside in tenements, while the remaining 9 tenants occupy flats. In the category of middle-income tenants, which includes 129 individuals earning between ₦840,000 and ₦1,000,000 per annum, only 2 tenants live in tenements, in stark contrast to the 127 who inhabit flats. Furthermore, an examination of high-income tenants reveals that out of 117 individuals earning above ₦1,000,000 per annum, 104 reside in flats, with 13 occupying duplexes. These findings indicate a clear correlation between income levels and residential choices, suggesting that factors such as affordability, location, and property type significantly influence accommodation preferences.

To deepen the analysis of the association between tenant income and residential property types, a Chi-Square Test was conducted. The results of this statistical test are detailed in Table 5, providing further insight into the relationships observed.

Table 5: Chi-Square Test of Relationship between Tenants' Income and Residential Property Types

N	x^2	Df	P-value
309	262.56	4.00	P < 0.001

*Statistically significant at 0.05

Source: Author’s Data Compilation, 2025

Table 5 presents the results of a statistical analysis examining the association between tenants' income levels and the types of residential properties they occupy. The analysis yielded a p-value of less than 0.0001, indicating a very low probability of such results occurring under the null hypothesis. Given a significance level of 0.05, the obtained p-value is significantly lower, supporting the rejection of the null hypothesis, which states there is no association between tenants' income and the residential property types they occupy.

These findings demonstrate a strong and statistically significant association between tenants' income levels and their housing choices, suggesting that income substantially influences accommodation decisions based on factors such as affordability, location, and property type. Specifically, the analysis reveals that tenants with lower incomes are disproportionately more likely to reside in tenement buildings, while higher-income individuals predominantly occupy flats and duplexes. Additionally, the notable discrepancy between the observed and expected frequencies, particularly within the tenement category, contributes significantly to the elevated chi-square statistic, highlighting the pronounced disparities in housing occupancy patterns related to income levels.

Table 6: Descriptive Statistics on the Initial Rent Financing Methods

Mode	Frequency	Percentage (%)	Rank
Personal savings	24	7.77	4th
Bank loan	30	9.71	3rd
Cooperative society loan	99	32.04	2nd
Thrift contribution (Ajo/Esusu)	119	38.51	1st
Financial support from family/friend	16	5.18	5th
Salary advance	13	4.21	6th
Others	8	2.58	7th
Total	**309**	**100.0**	

Source: Author’s Data Compilation, 2025

Table 6 presents the various methods used by residential tenants to finance their initial rent. Out of the tenants surveyed, 119, which accounts for 38.51%, financed their rent through thrift contributions. In contrast, 99 tenants, or 32.04%, relied on loans from cooperative societies. Additionally, 30 tenants, representing 9.71%, utilized bank loans to cover their rent, while 24 tenants, making up 7.77%, funded their rent using personal savings. Moreover, 16 tenants, or 5.18%, received financial support from family or friends, and 13 tenants, constituting 4.21%, used salary advances to pay their rent. The results indicate that thrift contributions and cooperative society loans are the most commonly used methods for financing initial rent among tenants, highlighting a significant reliance on informal or semi-formal collective saving systems.

Table 7: Cross-Tabulation of Tenants’ Income and Employment Categories with Initial Rent Financing Methods

Methods	Income Categories			Total	Employment Categories			Total
	LI	MI	HI		SE	PE	CSE	
Personal savings	2	7	15	24	7	9	8	24
Bank loan	3	9	18	30	17	4	9	30
Cooperative society loan	16	57	26	99	41	27	31	99
Thrift contribution (Ajo/Esusu)	31	41	47	119	63	42	14	119
Financial support from family/friend	8	5	3	16	11	3	2	16

Salary advance	-	8	5	13	-	8	5	13
Others	3	2	3	8	2	3	3	8
Total	**63**	**129**	**117**	**309**	**141**	**96**	**72**	**309**

Self-employment (SE); Private employment (PE); Civil service employment (CSE); Low-income (LI); Middle-income (MI); High-income (HI)

Source: Author's Data Compilation, 2025

Table 7 shows that high-income tenants predominantly used personal savings (15 out of 24) and bank loans (18 out of 30) to finance their initial rent, indicating stronger financial capacity and access to formal credit. Middle-income earners mostly used cooperative loans (57 out of 99) and thrift contributions (41 out of 119), reflecting reliance on structured but accessible financial systems. In contrast, low-income tenants relied heavily on thrift contributions (31 tenants) and family/friend support (8 out of 16), highlighting limited financial independence and dependence on informal support systems.

In terms of employment category, self-employed tenants had the highest usage of thrift (63 tenants) and cooperative loans (41 tenants), and were also the largest users of bank loans (17 tenants). This suggests their dependence on informal and external sources due to irregular income. Civil servants primarily used cooperative loans (31 tenants) and salary advances (5 tenants), showing access to structured savings and employer-based support. Private sector workers relied mostly on thrift (42 tenants) and cooperative loans (27 tenants), with some also accessing salary advances (8 tenants). Personal savings were used sparingly across all employment groups (7–9 tenants each), suggesting that while valued, they were generally insufficient to cover large rent demands alone. These results imply that tenants' income and employment status significantly shape how they finance initial rent, with low-income and informally employed individuals depending on informal or borrowed sources potentially increasing their risk of future rent unsustainability.

Furthermore, a Chi-Square Test was conducted to further test the association between tenants' employment status and their preferred methods of initial rent financing, and the result is presented in Table 8.

Table 8: Chi-Square Test of Association between Tenants' income and Employment Categories and Their Initial Rent Financing Methods

Test	**X^2**	**df**	**P-value**
Initial rent Financing Methods x Income Category	57.52	12.00	$P < 0.001$
Initial rent Financing Methods x Employment Category	21.04	12.00	$p = 0.04976$

*Statistically significant at 0.05

Source: Author's Data Compilation, 2025

Table 8 shows if there is a statistically significant association between tenants' income and employment categories and their initial rent financing methods. For the income category, a p-value of < 0.001 was obtained, which indicates the rejection of the null hypothesis (there is no statistically significant association between tenants' income categories and the initial rent financing methods they used). This suggests a highly statistically significant association between initial rent financing methods and income category. This implies that external finance (borrowing) to pay initial rent is prevalent among the low-income tenants while the use of personal savings to pay initial rent is prevalent among the high-income tenants. Therefore, income levels significantly influence rent payment methods among tenants, with broader implications for sustainability and the potential for future rental difficulties.

Moreover, for employment category, a p-value of < 0.05 was obtained, which indicates the rejection of the null hypothesis (there is no statistically significant association between tenants' employment categories and the initial rent financing methods they used). This suggests a statistically significant association between initial rent financing modes and employment category. This implies that tenants' job types influence how they fund their rent. Self-employed tenants predominantly used thrift contributions and cooperative loans, while civil servants relied more on cooperative loans and salary advances. The result implies that access to rent financing options varies by employment status, reflecting differences in financial structure and support systems across job sectors.

Table 9: Descriptive Statistics on Percentage of Initial-Rent to Income

Income Level	Percentage of Initial Rent-to-Income				Total	
	30% & Below		Above 30%			
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Low	11	3.56	52	16.83	63	20.40
Middle	26	8.41	103	33.33	129	41.74
High	33	10.68	84	27.18	117	37.86
Total	**70**	**22.65**	**239**	**77.35**	**309**	**100.0**

Source: Author's Data Compilation, 2025

Table 9 illustrates the percentage of income spent on initial rent among tenants. The findings indicate that out of the 309 tenants surveyed, 70 individuals, representing 22.65%, reported an initial rent that was below 30% of their income. This figure aligns with the acceptable threshold of 30% or less, as suggested by HUD (2005) and Cox & Pavletich (2010). Conversely, 239 tenants, or 77.35%, indicated that their initial rent exceeded the 30% threshold, which conflicts with the recommended affordability standard set by HUD and Cox & Pavletich.

The larger percentage of tenants (77.35%) whose initial rent exceeded 30% suggests that rent affordability issues are widespread among the group, as their initial rent-to-income ratio typically surpasses the recommended limit. This observation supports earlier findings in Table 6 regarding initial rent financing methods, which indicated a heavy reliance on non-salary sources such as cooperative loans, thrift contributions (Ajo/Esusu), and financial support from friends and family. The prevalent use of these alternative financing methods implies that tenants are struggling to meet rent demands solely based on their income, necessitating borrowing or informal support as coping mechanisms.

These findings highlight a systemic challenge of affordability in the residential rental market, where tenants start their tenancies under financial stress. This situation increases the likelihood of issues related to rent sustainability or delinquency over time. Additionally, it underscores the essential role of informal and semi-formal financial systems in bridging the housing affordability gap for urban renters.

A Binary Logistic Regression was adopted to examine whether the initial methods of rent financing significantly predict tenants' likelihood of experiencing rent sustainability challenges. The result is presented in Table 10 (a), (b), (c), and (d).

Table 10(a): Omnibus Tests of Model Coefficients

Test	Chi-square	df	Sig. p-value)
Step	80.021	6	0.000
Block	80.021	6	0.000
Model	80.021	6	0.000

Source: Author's Data Compilation, 2025

Table 10(b): Model Summary

-2 Log Likelihood	Cox & Snell R^2	Nagelkerke R^2
Step	80.021	6
Block	80.021	6
Model	80.021	6

Source: Author's Data Compilation, 2025

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Table 10(c): Classification Table

Outcome	Predicted: Sustainable	Predicted: Unsustainable	% Correct
Sustainable (0)	23	45	33.8%
Unsustainable (1)	1	240	99.6%
Overall	**-**	**-**	**85.1%**

Source: Author's Data Compilation, 2025

Table 10(d): Variables in the Equation

Financing Method	B	Sig. (p)	Exp(B) (Odds Ratio)	Interpretation
Bank loan (1)	0.331	0.573	1.393	Not significant
Cooperative society loan (2)	-0.036	0.918	0.964	Not Significant
Others (3)	-0.442	0.604	0.643	Not significant
Personal savings (4)	-4.676	0.000	0.009	Significant – much lower risk
Salary advance (5)	19.662	0.999	346,173,180.6	Unstable result small sample)
Support from friends/family (6)	19.662	0.998	346,173,180.6	Unstable result small sample)

Source: Author's Data Compilation, 2025

Table 10(a) demonstrates that the logistic regression model exhibits statistical significance ($p < 0.001$), indicating that the variable group representing initial rent financing methods significantly predicts rent sustainability. The model's performance surpasses that of chance.

As presented in Table 10(b), the Nagelkerke R^2 value of 0.350 suggests that the selected financing methods account for approximately 35% of the variance in rent sustainability. This level of explanatory power is considered moderate, which is acceptable within the context of social science research.

Table 10(c) indicates that the model achieves a predictive accuracy rate of 85.1%. It exhibits a high level of accuracy in identifying tenants who are likely to experience difficulties with rent, achieving a 99.6% correct prediction rate for this group. Conversely, the model demonstrates lower accuracy in predicting tenants who are unlikely to face challenges, with a correct prediction rate of only 33.8%.

According to Table 10(d), the sole statistically significant variable is Personal Savings ($p < 0.001$), associated with an odds ratio of 0.009. This finding suggests that tenants utilizing personal savings are substantially less likely to encounter issues related to rent sustainability.

In contrast, other financing methods, including loans, thrift, salary advances, and family support, do not exhibit significant differences when compared to the reference group (Thrift). Additionally, the extremely large Exp(B) values associated with salary advances and family support imply that the limited number of respondents utilizing these methods renders the results for these variables unreliable.

SUMMARY OF FINDINGS

This study investigates the relationship between tenants' initial rent financing methods and their ability to sustain rent payments in Ibadan, Nigeria. The findings reveal a robust and statistically significant association between tenants' income levels and their residential choices, affirming the critical role that income plays in shaping decisions regarding housing affordability, location, and property type. This affirms the opinion of Alonso (2000), Giuliani (2004) and Kim (2010), and corroborates the results of Adebayo, Hamza and Abdulazeez (2022), and Olatundun et al. (2024b) that tenant's income is one of the major factors that influences residential preference.

The study further identifies that tenants utilize various sources for financing their initial rents, including personal savings, cooperative loans, bank loans, thrift contributions (ajo/esusu), salary advances, as well as financial support from family and friends. Significantly, thrift contributions and cooperative loans were found to be the predominant sources of used by tenants to finance their rents. This observation aligns with the findings of Mukhija (2004), Nor and Masron (2019), Selim et al. (2022), and Yaacob et al. (2024), who noted the prevalence of informal and collective financing mechanisms among tenants in developing countries.

Moreover, the study indicates notable associations between tenants' initial rent financing methods and their income and employment categories. Specifically, low-income earners exhibited a higher reliance on borrowed funds and support networks, whereas higher-income tenants were more likely to draw from personal savings. Additionally, employment status significantly influenced financing decisions: civil servants tended to utilize salary advances and cooperative loans, while self-employed individuals gravitated towards thrift and informal sources. These findings underscore the significance of socioeconomic background in determining access to rent financing and highlight potential risks associated with rent payment sustainability.

Also, the study observed that over 77% of tenants reported that their initial rent paid was more than 30% of their income, surpassing the recommended rent-to-income threshold established by HUD (2005) and Cox & Pavletich (2010). This emphasizes a prevalent affordability crisis within Ibadan's rental market, with many tenants initiating their tenancy under considerable financial strain. The substantial reliance on non-salary and informal funding sources reflects adaptive strategies employed to meet elevated rent demands, thereby supporting the findings of Abalaka & Tokula (2021) and Salihu et al. (2021), which document similar patterns of rent burden and delinquency risks in various Nigerian cities.

The binary logistic regression analysis provides further insight, confirming that the method of initial rent financing significantly influences tenants' rent sustainability. Tenants utilizing personal savings demonstrated a statistically lower likelihood of rent delinquency, whereas those relying on loans or informal support exhibited higher odds of unsustainability, although not all outcomes achieved statistical significance. These results resonate with previous conclusions by Abalaka & Tokula (2021), Salihu et al. (2021), and Olatundun et al. (2024), while also contributing a novel perspective by emphasizing that not only income level, but also the source of initial funding plays a critical role in predicting rental stability. Ultimately, this study underscores the necessity of financial preparedness at the onset of tenancy, suggesting that tenants who commence their tenancy from a position of financial independence are more likely to fulfill their rent obligations over time.

CONCLUSION AND RECOMMENDATIONS

This study explored the influence of initial rent financing strategies on the sustainability of rent payments among residential tenants in Ibadan, Nigeria. The results, obtained through binary logistic regression analysis, demonstrated that the method of financing rent at the outset of a tenancy significantly affects a tenant's ability to maintain consistent rent payments over time. Of the various financing mechanisms analyzed, only personal savings exhibited a statistically significant association with a lower risk of rent payment issues, indicating that tenants who utilized self-funding for their rent displayed stronger financial stability. In contrast, those who relied on financing alternatives such as thrift contributions, bank loans, cooperative loans, salary advancements, or informal support from relatives and friends faced greater challenges in meeting their rental obligations, despite the widespread use of these methods.

These findings suggest that initiating a tenancy with borrowed funds or external financial support may place tenants under considerable repayment pressure or lead to inconsistent financial backing, thereby increasing the likelihood of rental delinquency. Therefore, it is essential for policy initiatives and practices to focus on fostering personal savings behaviors among tenants. Government agencies and housing stakeholders should create programs that promote long-term rent savings rather than encouraging reliance on external funding sources. Furthermore, financial literacy campaigns that address rent budgeting, income planning, and the potential risks of rent-related borrowing should be directed toward low- and middle-income earners. Additionally, landlords and property managers may benefit from offering flexible rent payment plans to lessen tenants' dependence on substantial upfront borrowing at the start of their tenancy.In summary, to ensure long-term sustainability of rental payments within urban housing markets, there must be a concerted effort to equip tenants with the tools and knowledge necessary to take personal financial responsibility for their rent obligations right from the beginning of their tenancy.

POLICY IMPLICATIONS

The findings of this study have significant implications for the rental housing market in Nigeria. Firstly, the pronounced dependence on informal financing mechanisms such as cooperative loans, thrift contributions, and familial support underscores critical gaps in formal financial accessibility for tenants. This situation necessitates the formulation of policies aimed at enhancing tenants' access to structured and affordable rent financing schemes. Potential solutions may include the establishment of rent-to-own programs, regulated rent credit facilities, and tenant-support funds. Secondly, the observed vulnerability of tenants who finance their initial rent through borrowing highlights the urgent need for the enforcement of rental regulations that align rent charges with income levels, in adherence to the 30% affordability threshold. Lastly, it is essential for housing policymakers and urban planners to advocate for data-driven rental policies, which should encompass the creation of comprehensive rental housing databases. Such databases would facilitate the tracking of affordability trends and mitigate the risks of rent delinquency, particularly in urban centers like Ibadan.

LIMITATIONS OF THE STUDY

While this study offers valuable insights into the relationship between initial rent financing methods and rent sustainability, several limitations warrant acknowledgment. The research relied predominantly on tenants as respondents, who are indeed the primary stakeholders in financing and paying rents. However, the exclusion of landlords, developers, and property managers may constrain the perspectives regarding the broader dynamics of rental housing, particularly in terms of property management and financial practices. Moreover, the study was geographically confined to tenants residing in selected neighborhoods of Ibadan, which may affect the generalizability of the findings to other Nigerian cities exhibiting different socio-economic and cultural contexts. Additionally, the cross-sectional nature of the study captures tenant experiences at a singular point in time, which may not adequately reflect long-term sustainability dynamics.

SUGGESTIONS FOR FURTHER STUDIES

Future research could build upon this study in several impactful ways. Firstly, it would be beneficial to incorporate perspectives from landlords and property managers to offer complementary insights into rent payment behaviors, delinquency risks, and management practices. Secondly, extending studies to encompass other urban centers across Nigeria would enable comparative analyses of rent financing and sustainability in diverse socio-economic and cultural environments. Thirdly, the adoption of a longitudinal design could facilitate a deeper understanding of how tenants' rent financing decisions evolve over multiple rental cycles, thereby providing insights into long-term sustainability risks. Finally, future investigations could explore the potential role of government-backed rent financing instruments and their effect on shaping tenants' reliance on informal or borrowed funds for rent.

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