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ADMINISTRATION OF SECURITY DEPOSITS IN RESIDENTIAL PROPERTIES IN DEVELOPING COUNTRIES: EVIDENCE FROM NIGERIA

[1]Njideka Maryclara Aguome, [2]Fidelis Ifeanyi Emoh, [1]Nonso Izuchukwu Ewurum, [2&3*]Kenechi Peter Ifeanacho, [4]Cajetan Chidi Ezema, [5]Ifeanyi Emmanuel Ani

[1]Department of Architecture & Planning, University of Botswana

[2]Department of Estate Management, Nnamdi Azikiwe University, Awka

[3]Department of Estate Management, University of Nigeria Nsukka (UNN).

[4]Department of Estate Management, Institute of Management & Technology, Enugu State, Nigeria.

[5]Department of Estate Management, Enugu State University of Science and Technology, Agbani Campus, Agbani 401002, Enugu State, Nigeria.

*Corresponding author: kenechi.ifeanacho@unn.edu.ng

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Abstract

Security deposit (SD) is one of the most debated financial transactions between property owners/managers and tenants. This research quantitatively examined the administration of security deposit on residential properties in Nigeria with a view to enhancing its implementation and administration. Primary data was retrieved from 280 firms of estate surveyors and valuers in Nigeria via a structured questionnaire. The retrieved data was analysed using descriptive statistics. The study found that there is arbitrariness in the implementation and administration of SD on residential properties in Nigeria. There is arbitrary inclusion of SD clauses in the tenancy/lease agreement. Type of tenant/history of tenant, property finishings, and type of building are factors that determine the sum of money to charged as SD. The challenges associated with the administration of SD include devaluation of SD money due to inflation, noncompliance of the SD refund clause in the tenancy agreement by landlords, strain in the relationship between firms and tenants due to the refund of SD, amongst others. The study recommended that a law should be enacted at either the state or national level that would regulate the implementation and administration of SD, as this would reduce the arbitrariness, discrepancies, and conflicts prevalent in the administration of SD.

Keywords: Nigeria, Property management, Estate Surveyors & Valuers, Residential properties, Security deposit.

1. Introduction

Security deposits (SD) sit at the contractual core of residential tenancy. This is one of the key mechanisms through which landlords protect themselves from rent defaults, damage, and liabilities arising after a lease (Aguome et al. 2023). Nonetheless, it is just as much one of the most debated methods of financial transaction between property owners and tenants (Ugonabo et al. 2025). It is near-universal across rental markets, but its administration is not. Where statutory rules are detailed and enforced, deposits operate as a risk-allocation strategy; where they are not, the same instrument can become a vehicle for opacity, expropriation, and protracted dispute. Recent evidence from Norway shows that 24.5% to 42.6% of rental units engage in irregular deposit practices (Lorentzena, 2025). This indicates that even well-established legal frameworks can be systematically bypassed. The risks compound considerably in jurisdictions with no or ineffective frameworks.

Three streams of scholarship inform current understanding of security deposit (SD) administration. The first perspective, based on contract theory, views it as a way of categorising tenants, sending signals about their commitment, and estimating the risk of damage or default during the lease period (Benjamin, Shilling, & Sirmans, 1992). The second approach, mainly related to macroprudential theories, argues that in high-income markets, correctly sized deposits can stabilise rent earnings from market cycles (Cokayne et al. 2024). Such an approach is explained by the assumption that the interest-bearing custody of deposits ensures protection of the tenant's money while maintaining the landlord's right to collect them (Park and Pyun, 2020). The third set discusses legal implementations of the approaches listed above, namely, mainly in several US states (Colorado, Illinois, New York), the Chicago Residential Landlord Tenant Ordinance, and the two Rental Housing Amendments of 2007 and 2014 in South Africa. These regulatory frameworks prescribe deposit ceilings, interest accrual, refund timelines, and dispute-resolution channels.

Two limitations attenuate the reach of this literature. First, its empirical argument remains in jurisdictions with mature statutory frameworks. Large-scale evidence on SD administration in unregulated markets remains sparse, fragmentary, and rarely national in scope. Second, where developing-country evidence does exist, it is largely sub-national or sectoral, confined to particular cities (Oladokun & Ojo, 2012; Raji & Ashafa, 2023), housing sub-segments such as student hostels (Wanie et al., 2017), or single states (Ugonabo et al., 2025). This leaves open

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the question of whether the documented dysfunctions are localised pathologies or features of a market-wide regulatory void. The result is that policy debates in countries such as Nigeria are forced to extrapolate from foreign statutory experience or from narrowly bounded local studies, neither of which can characterise the national distribution of practice.

Nigeria typifies this evidentiary gap. There is minimal evidence that the country operates any dedicated statute regulating security deposits. Tenancy legislation at the federal and state levels is silent on deposit ceilings, custody requirements, and refund obligations. With such an institutional void in place, issues such as deposit amounts, selection of custodians, conditions of forfeiture, and refund deadlines are discussed amongst property managers, landlords, and tenants on a bilateral basis. This arbitrariness produces the very heterogeneity, dispute frequency, and capital erosion that regulated jurisdictions have moved to suppress (Raji & Ashafa, 2023; Ugonabo et al., 2025). Despite this, there is minimal empirical evidence on how the administration of security deposits operates within the Nigerian property management sector.

This study therefore examines the application and administration of security deposits on residential properties in Nigeria, drawing on a national survey of 280 estate surveying and valuation firms across the 36 states and the Federal Capital Territory. Empirically, the study situates Nigerian practice against the codified SD regimes of the United States and South Africa, isolating the specific regulatory features whose absence drives the dysfunctions the data reveal. In policy terms, it furnishes a structured evidentiary basis for a Nigerian security deposit statute and offers a transferable diagnostic for other developing-country rental markets in which deposit administration is arbitrarily governed. Beyond Nigeria, the findings speak to broader debates on tenancy governance, property-rights enforcement, and rental-market formalisation in the Global South.

2.0 Literature Review

2.1 Concept of Security Deposit

A security deposit (SD) is also referred to as a refundable caution deposit, caution deposit, or caution fee. SD is a payment made by new tenants to cover against damage of any part of the subject property while in occupation and is paid alongside the rent at the beginning of the tenancy/lease period (Olusegun, 2018). This definition of SD factors in damages on the property occupied by the tenant but did not mention the terms of the tenancy/lease agreement. The University of Michigan Student Legal Services (2023) describes SD using The Landlord and Tenant Relationships Act found in the Michigan Compiled Law to include any deposit, including any required prepayment of rent; any other sum required to be paid in excess of the average rent for the term; and any other amount of money returnable to the tenant if the rental unit is returned in the condition provided for in the lease agreement. This definition of SD is hinged on the payment of rent and property condition based on the provisions of the tenancy/lease agreement. This definition of SD did not factor in outstanding bills or liabilities.

SD is a financial protection for property owners in handling future possible damages on the property that are beyond wear and tear, including rent arrears at the conclusion of the tenant's tenancy on the property (Ugonabo et al. 2025). The Judiciary Branch of California (2023) defined SD as "any money a landlord takes from a tenant other than the advance payment of rent." It goes ahead to state that SD protects property owners in the event that a tenant breaks the terms of the lease or rental agreement and a service charge is applied to any damage to the property, cleaning of the property, key replacement, or back rent. According to the State Government of Maine Legislature Chapter 710-A, "SD on rental properties is any deposit whose main function is to secure the performance of a lease or tenancy-at-will agreement for residential premises or any part thereof. "The definition of SD is applicable to any tenant whose tenancy is at will and not just for tenants on lease only. SD preserves property investments and outlines a framework for resolving damages and financial issues/obligations that occur during the tenancy period of a tenant (Ugonabo et al. 2025).

The Residential Tenancies Board (RTB) of Ireland (2023) defined SD as the money that a tenant pays the property owner prior to or on the date of the start of a tenancy, which is then held by the property owner and given back to the tenant at the end of the tenancy, provided that there are no unpaid rent arrears, bills, taxes, or charges, or damage that goes beyond normal wear and tear. The Residential Tenancies Board (RTB) of Ireland (2023) outlines that the grounds on which an SD can be withheld from a tenant include arrears of rent; damages on the property such as broken windows, holes in the wall, leaving litter or personal items in the property, leaving the property in an unhygienic or unsafe condition, not returning the property in a clean manner, items broken or missing from the inventory of the property, and outstanding utility

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bills and other charges such as gas or electricity especially when the bills are in the name of the landlord.

Residential Tenancies Board recommended checklist for the issue of refund of SD (partly, fully or no refund), and this checklist are: "Has the correct notice of termination been provided in writing?; Has the rent been paid in full?; Have meter readings of the utilities been taken and arranged for final payment?; Have all belongings been removed?; Has the property been returned in a similar condition in which it was provided apart from normal wear and tear?; Has the property been cleaned?; Has the signed-off inventory been checked to ensure that all items are present and not damaged?; Has all the rubbish been removed?; and Have you taken photographs at the start and end of the tenancy?; The answers to these questions aid the administration of SD for purposes of fairness and transparency.

SD compels tenants to adhere to the provisions of the tenancy/lease agreements, and this advances property maintenance and prompt payment of rent (Ugonabo et al. 2025). In Western countries, SD is kept in an escrow account to cover damages due to tenant default or excessive wear on the property (Park & Pyun, 2020). Efficient administration and management of SD reduce conflicts, fosters property care, and enhance the housing experience and satisfaction of for both parties involved especially tenants (Ugonabo et al. 2025).

2.2 Legal Provisions Guiding the Administration of Security Deposit

Across the globe, some countries have legal provisions guiding the administration of SD on land properties. In the United States, several states have enacted laws that regulates the administration of SD. In Colorado, the legal status regulating the administration of SD is the Colorado Security Deposit Law. C.R.S. 38-12-103 (1) (2022) of the law states that *"A landlord shall, within one month after the termination of a lease or surrender and acceptance of the premises, whichever occurs last, return to the tenant the full security deposit deposited with the landlord by the tenant, unless the lease agreement specifies a longer period of time, but not to exceed sixty days". "No security deposit shall be retained to cover normal wear and tear". "In the event that actual cause exists for retaining any portion of the security deposit, the landlord shall provide the tenant with a written statement listing the exact reasons for the retention of any portion of the security deposit". "When the statement is delivered, it shall be accompanied by payment of the difference between any sum deposited and the amount retained". "The* *landlord is deemed to have complied with this section by mailing the said statement and any payment required to the last known address of the tenant". "Nothing in this section shall preclude the landlord from retaining the security deposit for nonpayment of rent, abandonment of the premises, or nonpayment of utility charges, repair work, or cleaning contracted for by the tenant".* Other provision of Colorado Security Deposit Law such as C.R.S. 38-12-103 (2) (2022), C.R.S. 38-12-103 (3) (a) (2022) and C.R.S. 38-12-103 (4) (2022) stipulates failure to provide written statement, wrongful withholding of SD, burden of proof and wear and tear on the property.

In the State of Illinois, the law guiding the administration of SD is The Illinois Security Deposit Return Act. The Act applies to owners of residential properties that are five units or more in an apartment in a single building or apartment complex. The Law stipulates the maximum duration that a property owner can hold-on-to a tenant's SD and clauses regarding it. The law regulating SD in Chicago is the Chicago Residential Landlord Tenant Ordinance. The Law provides for a landlord to hold a SD; the SD should be separate from the landlord's own funds, and kept in a federally insured interest-bearing account. Property owners are to provide the tenant with a receipt for the SD. When a property is transferred to a new owner, the property owner must furnish the tenant with relevant information about the new property owner. Property owners must pay the tenant interest accrued from the SD. Within the period 45 days from the date the tenant vacates the property, the landlord must return the SD to the tenant. Property owners are allowed to deduct any unpaid rent or sum of money needed to repair the tenant's damages on the property.

In New York, USA, the law guiding the administration of SD is the General Obligation Law (GOL) which is supported by Real Property Law (RPL) and other relevant regulations. The Law provide that the SD amount should not be more than one month rent passing on a subject property. Property owners are meant to deposit the SD money in an interest-bearing account. Tenants are meant to receive the total interest accrued on the SD money deposited in an interest-bearing account. However, the property owner is entitled to 1% of the accrued interest as administrative costs. The Law permits property owners to use SD to reimburse unpaid rent by the tenant, appropriate cost of repairs of damages on the property caused by the tenant.

General Obligation Law (GOL) further stipulated that for non rent stabilized residential properties occupied by tenants, property owners must return the SD within 14 days from the

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date the tenant vacates the property. For rent regulated units, the landlord must return the SD to the tenant, after making any lawful deduction, at the end of the lease or within reasonable time thereafter, whether or not the tenant request for the SD. In vacating the property, the Law mandates tenants to leave the property in clean condition, taking away all their belonging and making minor appropriate repairs were necessary.

In South Africa, SD is backed by Rental Housing Amendment Act 43 of 2007, and Rental Housing Amendment Act 35 of 2014. Property owners and tenants agree on the amount that the incoming tenants would pay as SD before moving into the property, regardless of whether the tenant is on a fixed term lease or whether it is weekly or monthly (Sayed, 2015). After the SD is paid, the property owner invests the money in an account that bears interest and refund the deposit with interest (Sayed, 2015). The Law demands that property owners must tender evidence to the tenant that the SD was invested in a yield bearing account. SD related disputes are handled by provincial rental housing tribunal or small claims court. The Laws provides that tenant are entitled to their SD and interest accrued with no deduction or within the timeline of seven days of lease expiration where there is no liability in terms of owing the landlord according to the terms of the lease. The appropriated SD Laws in South Africa mandates property owners to refund the balance of SD to the tenant (with receipts reflecting the incurred costs) within the period of 21 days that the lease expires, were deduction are made by property owners due to the damage on the property caused by the tenant.

2.3 Empirical Review

This subsection reviews extant literatures on the application and administration of SD across the globe. The essence of this review is to derive relevant findings that would be vital to this study. Lorentzena (2025) investigated irregular deposit practices and legal breaches concerning tenancy deposits in Norway's private rental housing sector. The study asserted that irregularities in handling tenancy deposits adversely affected low-income families and students. The study analysed transaction data from DNB (the biggest bank in Norway) over the period of 1st January 2014, to 31st December 2023. It was revealed that 24.5–42.6 % of the housing units experience irregular deposit practices. Most deposits are not stored in legally designated accounts, and interest accrued on the deposits was often not paid back to tenants.

Ugonabo et al (2025) investigated the administration of SD on residential properties in Anambra State. Primary data was retrieved from 86 estate surveyors & valuers involved in the management of residential properties. The study revealed that conflicts frequently occur due to the assessment of damage on the property, delay in refunds of SD, unclear communication of terms of the SD, resistance by tenants to pay SD; property owners mishandling of SD funds; and difficulties in accurately assessing damages done on the property by tenants. Techniques for determining SD in the study area includes fixed percentage of rent, negotiation with tenants, market trends, and industry standard, and flat rate. SD are held by property owners, estate surveyors & valuers, and independent third parties.

Agboola & Olukolajo (2021) examined the selection criteria for prospective single and married tenants by firms of estate surveyors and valuers in Akure, Ondo State. Ability to pay SD was one of the tenant selection criteria in the study area. Wanie et al. (2017) investigated hostel management problems in the Buea Municipality, Cameroon. The research found that one of the management problems was non-refund of caution deposits by hostel managers to students. Deok-Seok & Ung-Kyun (2015) analyze the utilization rate of the SD for defect repairs of apartment buildings. The study analyzed the data on cases of enforced use of SD for defect repairs. The difference between the deposit amount specified and the enforcement amount actually disbursed was found to about 0.51%.

Maletswa and Boshoff (2015) investigated the applicability of public sector residential property management as implemented by Department of Public Works (DPW) in South Africa. The study revealed that 53% of tenants did not pay a determinable SD, while 47% of the respondents paid SD. 45% of the property managers (PM) agreed that the tenants pay a SD, but that DPW did not have a mechanism of an interest-bearing account. 75% of the PM were aware that SD payable by the tenants is used to offset unpaid rents at the end of the lease, although it was not practiced in the department.

Oladokun & Ojo (2012) evaluated the problems associated with the management commercial properties in Lagos, Nigeria. Primary data for the study was retrieved via questionnaire from 159 property management firms. Improper handling of SD was one of the problems associated with the management of commercial properties. Hutchison, Adair & Park (2010) analysed the level of SD needed to mitigate risk associated with rental income in UK property market. The

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study revealed that SD protects rental income. During property market downturn, tenants decline paying SDs, which compels property owners to offer incentives to prospective tenants in other to let out their property although the downturn period is when a deposit system is needed the most. The study asserted that SD should be adequate to cover the probability of income loss in the down phase of the market cycle. The study recommended that the amount for SD should be equivalent to at least 15 months rent.

St James (2001) asserted that a SD is less useful than it seems. The author disclosed that according to California law, property owners may be required to return the deposit to the tenant's bankruptcy trustee-even though the landlord suffers damages and losses due to the "rejection" of the lease which exceed the amount of the SD; the very damages which the SD was intended to protect against. Allen, Buttimer & Waller (1995) argued that SD amounts are affected by the propensity of a property to be damaged, the propensity of a tenant to cause damage, and other characteristics of the landlord-tenant relationship.

Benjamin, Shilling & Sirmans (1992) examined the extent to which SD allow landlords to contract on the intensity with which tenants utilize office space. The study revealed that office rental contracts with large up-front SD are one way in which different tenant types can sort themselves out. Such contracts reduce landlord uncertainty and imply rental discounts in excess of the foregone interest on the deposit monies. The paper argued that security clauses in lease contracts create a contingent claim on the value of the leased property.

The review of extant literature shows that in developed countries such as United States and South Africa there are laws in place at either state or national level that regulate the administration of SD. In the United States, States such as Colorado, Illinois, Chicago, and New York all have state laws that regulates the administration of SD. The review of extant literature reveals that there is paucity of evidence that in Nigeria, there are laws at state or national level that regulates SD on landed properties. This somewhat void in statutory provision guiding the administration of SD has resulted in several issues in the rental housing market such as SD amounts, custodian(s) of SD, refund guideline for SD, issues that SD money is meant to address, and many other issues that is been experienced. Furthermore, there is an obvious gap in literature that has empirical examined the administration of SD in Nigeria rental housing market from a national perspective across the thirty-six (36) states in Nigeria. This obvious gap in literature is what this research seeks to address.

3.0 Methodology

This study adopted the survey research design to examine the administration of SD on residential properties in Nigeria. This study used primary and secondary data to investigate the subject research problem of this study. Primary data was retrieved via the administration of questionnaires to firms of estate surveyors and valuers that manage properties in cities across Nigeria. Record of Estate Surveyors and Valuers Registration Board of Nigeria (ESVARBON) Directory shows that there are 2,123 registered estate surveying and valuation firms, and there 5,302 registered estate surveyors and valuers in Nigeria.

Stat Trek's Sample Planning Wizard tool was applied to ascertain the sample size for this study:

$n \quad = \quad \frac{Z^2 pq}{e^2}$

$\underline{+ e^2}$

$+ (Z^2 pq/N)$

Where n = sample size

z = confidence interval of 95% (1.96 in the z-distribution table).

p= estimated proportion of an attribute that is present in the population (.5).

q= estimated proportion of an attribute that is not present in the population (.5).

e= tolerable error of margin of 5%

N = population size (2,123)

From the computations, an estimated sample size of 326 respondents was determined. This sample size of 326 firms of estate surveyors & valuers was drawn from the thirty-six states of Nigeria including the Federal Capital Territory (FCT). The retrieved primary data was analyzed using descriptive statistics.

4.0 Data Collection and Analysis

The collection of primary data from firms of estate surveyors and valuers across Nigeria spanned the month of December 2022 and January, 2023.

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Table 1: Questionnaire Given to Registered Firms of Estate Surveyors & Valuers

S/N	Number of Registered firms	Administered	Retrieved	Percentage (%)
1	326	326	280	85.9

Table 1 shows that questionnaire was administered to three hundred and twenty-six (326) firms of estate surveyors and valuers, out of which 280 questionnaire was retrieved. This indicates a high response rate of 85.9%.

Table 2: Firms of Estate Surveyors & Valuers that Manage Residential Properties

S/N	Number of firms	Frequency	Percentage (%)
I	Firms that manage landed properties	280	100

Table 2 shows that 100% of the respondent firms of estate surveyors and valuers are involved in the management of residential properties. This result is expected as property management provides a relatively stable source of revenue to firms of estate surveyors and valuers.

Table 3: Owners of the Residential Properties Managed by Property Firms

S/N	Property ownership	Frequency	Percentage (%)
1	Properties owned by clients	237	84.6
2	Both firm owned and clients'/landlords' property	41	14.6
3	Firm owned properties only	2	0.8
	Total	280	99.4

Table 3 shows 84.6% of estate firms manage properties owned by their clients; 14.6% of firms manage properties owned by clients and the firm's own properties; and 0.8% of the respondents manage properties owned by the firms. The result that firms manage their own properties indicates that these organizations are engaging in the investment and ownership of landed properties as a means to diversify their revenue base.

Table 4: Property Firms that Collect SD on Residential Properties

S/N	Firms that Collect SD	Frequency	Percentage (%)
1	Firms that collect always	185	66.1
2	Firms that sometimes do not collect	95	33.9
3	Firms that do not collect at all	0	0
	Total	280	100

Table 4 shows 66.1% of estate firms always collect SD, while 33.9% of firms occasionally collect SD. There are no estate firms that do not collect SD at all. This indicates that most of the respondents collect SD on residential properties that they manage.

Table 5: Inclusion of SD Clauses in Tenancy/Lease Agreement

S/N	Inclusion of SD Clause	Frequency	Percentage (%)
1	Yes	166	59.3
2	Not always	80	28.6
3	No	34	12.1
	Total	280	100

Table 5 indicates that 59.3% of the estate firms include SD clauses in the tenancy/lease agreement; 28.6% of the management firms do not always include SD clauses in the tenancy/lease agreement; and 12.1% of the respondents do not include SD clauses in the tenancy/lease agreement. This result shows that most of the respondents include SD clauses in the tenancy/lease agreement, while few estate firms do not include SD clause in tenancy/lease agreement.

Table 6: Determination of Amount Charged as SD

S/N	Determination of Amount as SD	Frequency	Percentage (%)
1	Agreement between property management firms and landlords	126	45

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2	Property management firms	112	40
3	Property owner	42	15
	Total	280	100

Table 6 shows that 45% of the respondents revealed that property firms in agreement with property owners determine the amount to charge as SD; 40% of the respondents determine the amount to be charged as SD; and 15% of the respondents revealed clients determine the amount to be charges as SD.

Table 7: Factors Considered in Arriving at the Amount Charged as SD

S/N	Variables Covered by SD	Frequency	Percentage (%)
1	Finishing of the building	73	26.1
2	Services provided	52	18.6
3	Property use	49	17.5
4	Type of building	45	16.1
5	Rent	40	14.3
6	Type of tenant/history of tenant	21	7.4
7	Location	0	0
	Total	280	100

Table 7 shows that 26.1%, 18.6%, 17.5%, 16.1%, 14.3%, 7.4% of the respondents considered finishing of the building, services provided, property use, type of building, rent, type of tenant/history of tenant respectively in deciding on the amount to charge as SD. None of the respondents considered location as factor in arriving at the amount charged as SD. This result shows that the finishing of the residential properties was the factor most considered by estate firms in arriving at the amount to charge as SD.

Table 8: Custodian of SD

S/N	Custodian	Frequency	Percentage (%)
1	Firm	166	59.3
2	Property owners	114	40.7
	Total	280	100

Table 8 indicates that 59.3% of property management firms are custodians of the security deposit; while property owners (40.7%) are the custodians of SD. This indicates that property managers are mostly custodians of SD. This is not surprising as they are involved in the management of residential properties, and they are custodians of most of the revenues/money (rent, service charge etc) emanating from residential properties they manage.

Table 9: Payment of SD Prior to Occupation of a Property

S/N	Payment of SD	Frequency	Percentage (%)
1	Yes	182	65
2	No	54	19.3
3	Not always.	44	15.7
	Total	280	100

Table 9 shows that 65% of the respondents affirmed that tenants pay SD before moving into a property; 19.3% of respondents reported that tenants do not pay SD before moving into the property; while 15.7% of estate firms indicated it's not always that tenants pay SD before moving into the residential building.

Table 10: Issues Handled by SD

S/N	Issues	Frequency	Percentage (%)
1	Repair tenants' damages on the property	194	69.3

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2	Payment of outstanding bills (electricity, water, waster disposal etc.)	53	18.9
3	Any of the above	26	9.3
4	Outstanding rent payment	0	0
5	Others	7	2.5
	Total	280	100

Table 10 shows that 69.3% of respondents use SD to repair damages on the property caused by tenants; 18.9% use SD for payment of outstanding utility bills, and 9.3% use it repair tenants' damages on the property, and clear off outstanding utility bills. 2.5 % of the respondents use SD to handle other issues such as facility repairs, purchase of diesel for generating sets, cutting of grass and lawns etc (that is where tenant defaults in the payment of service charge on the property). None of the respondent uses SD to pay outstanding rent.

Table 11: Occurrence of Issues in the Refund of SD to Tenants

S/N	Issues in the Refund of SD	Frequency	Percentage (%)
1	Very often	187	66.8
2	Occasionally	79	28.2
3	No	14	5.0
	Total	280	100

Table 11 shows that 66.8% of the respondents very often experienced problems in refunding SD to tenants; 28.2% of the respondents occasionally encounter problems in refunding the deposit; and 5% do not encounter problems in refunding SD. Table 10 shows that most property management firms (66.8%) have problems in refunding SD to outgoing tenants.

Table 12: Challenges in the Administration of SD

S/N	Challenges in Administering SD	Frequency	Percentage (%)
1	SD amount suffers devaluation due to inflation	114	40.7
2	Noncompliance of the SD refund clause in the tenancy agreement by landlords	43	15.4
3	Strain in relationship between firms and tenant due to refund of SD	42	15.0
4	Inability of landlords to release SD when needed	14	5.0
4	Landlord's instruction not to refund SD	11	3.9
5	Others	56	20.0
	Total	280	100

Table 12 shows that 40.7%, 15%, 5%, and 3.9% of the respondents revealed devaluation of SD amount due to inflation; noncompliance of the SD refund clause in the tenancy agreement by landlords; strain in relationship between firm and tenant due to refund of SD; inability of landlords to release SD when needed; and property owners instructions to estate firms not to refund SD as the challenges faced in the administration of SD. 20% of the respondents mentioned other challenges they face in the administration of SD such as tenants' noncompliance/unavailability during pre-vacation inspection with the property manager; tenants' delay and inability to pay SD; difficulty in agreeing with tenants on cost of repairs regarding damages on the property caused by the tenant; landlords imposing very high amounts as SD; uncertainty about the amount to be collected as SD; tenants asking for refund of SD despite damages to the property caused by them with claims that they moved into the property in that condition, etc. All the challenges mentioned are linked also to the issue of no legal framework guiding SD in Nigeria.

Discussion

The study reveals insights regarding the application and administration of SD on residential properties in Nigeria by firms of estate surveyors & valuers. Of the three hundred and twenty-six (326) questionnaires administered to firms of estate surveyors and valuers; 280 questionnaire was retrieved; indicating a high response rate. All the surveyed firms of estate surveyors & valuers are involved in the management of residential properties. This is not

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surprising as they are well equipped with sound academic and professional training and experience to effectively and efficiently manage all types of landed properties.

The management of properties by firms of estate surveyors & valuers provides a stable source of revenue (unlike valuation briefs which sometimes is not frequent) for these firms via the annual management fee of between 5% to 10% of rent collected which they charge for managing landed properties. This finding goes to shows that the demand for the property management services of firms of estate surveyors & valuers by the public and private sector is increasing as property owners trust in the competence of estate surveyors and valuers in managing their land properties and ensuring maximum returns on investment.

The result that some of the residential properties managed by the respondents are owned by them. This indicates that property management firms are their diversifying their professional practice by investing in the ownership and operation of residential properties. This is probably done by the respondents due to viable financial returns presented by residential properties and the additional source of revenue it presents to property management firms.

Most property management firms in Nigeria collect SD on residential properties that the manage. This result is in close consonance with the findings of Hutchison et al (2010), Maletswa and Boshoff (2015), Ugonabo et al (2025), and Wanie et al. (2017). Maletswa and Boshoff (2015) revealed that SD is collected on public residential buildings in South Africa. Although most of the respondents collect SD on residential properties, some of the respondents occasionally do not charge SD on residential properties that they manage. This goes to shows that there is inconsistence in the collection of SD on residential properties managed by firms of estate surveyors & valuers. This can be attributed to the absence of statutory provision regarding the application and administration of SD on residential properties. Hence, it is let at the discretion of property management firms to decide whether or not to administer SD on residential properties under their property management portfolio.

This non collection of SD by some of the respondents could be due to their consideration of the financial challenges faced by tenants in taking up an accommodation on a residential property in the light other fees they are meant to pay such as rent, agency fee, legal fees and sometimes service charge. The non-collection of SD by some of the respondents could be to fast track the letting of residential properties under their management portfolio. Another reason that could be attributed to the non collection of SD by some respondents could be due to the fair/poor condition of some residential properties at the point of letting it out.

In Nigeria, most firms of estate surveyors & valuers include SD clauses in tenancy/lease agreement; while some other respondents don't include SD clauses in the tenancy/lease agreement. This result shows that there is no uniformity amongst the respondents in the inclusion of SD clause in the tenancy/lease agreement. This result can be attributed to the lack of established law guiding the application and administration of SD on built-up properties in Nigeria. The existence of statutory regulation guiding the administration of SD would have stipulated whether or not SD clause should be added in tenancy/lease agreements.

With regards to the determination of the amount to charge as SD, the study revealed that this is determined by agreement between property management firms and property owners, by property management firms, and by property owner. This result implies that in Nigeria property management sectors, there is absence of regulation that stipulates the entity that is meant to determine the amount to charge as SD.

The result that the type of tenant/history of tenant, finishings, and type of building are the factors considered by estate firms in arriving at the amount to charge as SD on residential properties is in close consonance with the findings of Allen, Buttimer and Waller (1995) which showed that the value of security clauses is higher for leases involving tenants with a greater propensity to cause damages and properties with a greater propensity to be damaged. The result showed that most respondent management firms are custodians of SD on residential properties, followed by property owners. This result is closely related to the statutory provision regulating SD in Chicago, which is the Chicago Residential Landlord Tenant Ordinance. The Law provides for a landlord to hold a SD, and the SD should be separate from the landlord's own funds, and kept in a federally insured interest-bearing account.

The result that SD is not always paid before a tenant moves into a residential property could be attributed to the fact that sometimes tenants plead for more time so as pay the SD which is sometimes granted by estate firms; however, some new tenants default in payment of SD after moving into the property. This becomes a serious challenge to property firms when there are liabilities on the part of a tenant when vacating a property. This is probably while most of the

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respondent property management firms insist on tenants' payment of SD before occupation of properties under their portfolio.

The result showed that property management firms face challenges in refunding SD paid by tenants back to them. This result is close consonance with the findings of Lorentzena (2025), Ugonabo et al (2025), and Wanie et al. (2017). Wanie et al. (2017) revealed that non-refund of caution deposits by hostel managers to students was one of hostel management problems in the Buea Municipality, Cameroon. Similarly, Lorentzena (2025) revealed that and interest accrued on the deposits was often not paid back to tenants. Lorentzena (2025) revealed that the non payment of interest accrued on the deposits back to tenants was a practice in Norway's private rental housing sector.

Devaluation of the SD sum due to inflation was identified as one of the challenges affecting the administration of SD. This is not unexpected as Nigeria economy is mostly plagued by high inflation rate which is mostly attributed to the mismanagement of the economy by government officials in power. Noncompliance of the SD refund clause in the tenancy agreement by landlords was another challenge associated with the administration of SD. This particular challenge could be attributed to the absence of statutory provision regulating SD administration, which mandates that property owners or property manager should deposit SD money in an independent interest-bearing account strictly for SD. In the State of Illinois and New York City, USA, existing legal provision guiding the administration of SD namely The Illinois Security Deposit Return Act; and General Obligation Law (which is supported by Real Property Law) provides that SD sum paid by tenants should be paid in an interest-bearing account.

Repair of tenants' damages on the property, and payment of outstanding bills (electricity, water, waster disposal etc.) where the issues which the SD sum collected by property owners/managers were used to address in Nigeria. This result is in consonance with the provisions of Residential Tenancies Board (RTB) of Ireland (2023). Residential Tenancies Board (RTB) of Ireland (2023) outlined that the grounds on which SD can be withheld from a tenant's includes arrears of rent, damages on the property by tenants and outstanding utility bills, amongst others grounds on withholding SD. The non-usage of SD to clear of outstanding rent payment is probably because the SD sum is relatively little to offset outstanding rent payment.

Conclusion and Recommendation

This research quantitatively examined the administration of SD on residential properties in Nigeria addressing issues such as the inclusion of SD clauses in tenancy/lease agreement, determination of amount charged as SD, factors considered in determining the SD amount, custodian of SD, payment of SD prior to occupation of a property, occurrence of issues in the refund of SD to tenants, challenges in the administration of SD, and issues handled by SD. A key finding of this study is that there are no statutory provision in Nigeria at federal and state level that guides the implementation and administration of SD on landed properties.

The study revealed that most property management firms in Nigeria collect SD on residential properties that the manage. Most firms of estate surveyors & valuers include SD clauses in tenancy/lease agreement; while some other respondents don't include SD clauses in the tenancy/lease agreement. The determination of the amount to charge as SD is based on agreement between property management firms and property owners, by property management firms, and by property owner. Type of tenant/history of tenant, property finishings, and type of building are the factors considered in arriving at the amount to charge as SD on residential properties in Nigeria.

The study revealed that property management firms and property owners are the custodians of SD money in Nigeria. The issues which the SD money is used to address includes repair damages on the property caused by tenants, payment of outstanding utility bills etc. The research revealed that the challenges associated with the administration of SD includes devaluation of SD money due to inflation, noncompliance of the SD refund clause in the tenancy agreement by landlords; strain in relationship between firms and tenant due to refund of SD; and inability of landlords to release SD when needed

Based on the findings of this research, the following recommendations are proffered:

i. A law should be enacted at either state or national level that would regulate the implementation and administration of SD on residential properties. This would significantly reduce the arbitrariness, discrepances and conflicts that is prevalent in the administration od SD. The law that would regulate the implementation and administration of SD should stipulates the issues that SD should cover, the

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determination of the amount to charge as SD, the custodian(s) of SD, SD refund guideline and timeline, SD dispute resolution channel, conditions for forfeiture and other important provisions.

ii. SD money should be investment in an independent interest-bearing bank account in other to reduce to a minimal level the devaluation of the money due to inflation. This would also reduce the incidence of non remittance of SD money (where relevant and appropriate) to the tenant.

iii. SD clause should be included in residential tenancy and lease agreements as this would strengthen the administration of SD and compel property owners and tenants to comply to the SD clause.

The implementation of the above proffered recommendations would enhance the implementation and administration of SD in the management of residential properties in Nigeria and it would reduce the challenges and conflicts associated with the administration of the deposit and ensure cordial relationship between property management companies/property owners and tenants.

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