APPRAISAL OF SOURCES OF REAL ESTATE INVESTMENT AND DEVELOPMENT FINANCE IN NIGERIAN PROPERTY MARKET

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Abstract

The key factor of real estate development success is finance. The truth remains that funding is an integral part of any project development. The complexity to an extent is financially tasking. This factor made it so vital to assess and ascertain means of funding to make such dream achievable. The modus operandi and modus vi vendi for obtaining fund will be directly proportional to it success, reason being that the presence of funds will skyrocket the real estate sector to its promise land in Nigeria.

Keywords: Appraisal, Real Estate, Investment, Development, Finance, Property Market

The investment in real property may be either in the form of finding important factor in real estate investment (the creation of new portfolio).Investment in real property involves acquiring land, buildings and similar estate assets in order to derive the rents or other annual income investments which do not differ greatly from other investments, such as the purchase of stocks or shares. They are comparatively simple to analyze in terms of yield on capital and easy to compare with other opportunities that may exist in investment. Far more specialized than financial investments, in property, is real investment or the creation of new assets which may be broadly indentified with property or changes in the management or use of premises can have effect on its usefulness and income earning capacity.

The term development' may apply to the whole range of innovation, however small. The Law of Nigeria, 1984 Cap 155, however, enacted that development in relation to any land includes any building or rebuilding operations and any use of land or any building thereon for a purpose which is different from the purpose the land or building was last being used. Thus, real
property development involves mainly putting, land into the more profitable uses by the construction of new buildings, alteration of existing buildings to enhance efficiency in their present uses or to meet changing needs tastes and demand.

Real property may be acquired by auction, by tender, by private treaty or by takeover bid, or by purchases through the operations of developers. Investment in real property can take the form of sale-and lease-back arrangement. The principle here involves the outright sales of one's interest in a real property as a means of obtaining finance. The same property sold is then taken on leasehold basis by the seller. The method has the advantage to the seller in the sense that he can get enough funds for his project and at the same time secure occupation. He can also obtain higher fund than in a mortgage transaction. The purchaser on the other hand can also rely on the income negotiated as secure one. He can also negotiate for a higher rent and his capital is thus secured. Emoh and Nwachukwu (2011).

Sources of Finance for Real Estate Development and Investments

There are many sources of finance for real property investment, may be either internal or external. A source of finance is said to be internal when it is an internally generated fund in the form of estate income. Rental incomes from properties are in this group. Sources of real estate finance external to the estate commodity include operator's equity capital, loan, consociate and adventitious wealth. Hines (1995) revealed that six major real estate financing methods are used across the world; namely mortgage financing, unsecured institutional lending, joint venture equity and debt financing, sale-and-leaseback financing, advance payment of key money, and sale of securities. Traditional funding of real estate is either by equity funding (equity funds), loan capital (debt funds) or a combination of both.

The well established and tested methodsof funding real estate are as follows:

1. Contractor financing (Omuojine, 1993)
2. Mortgage lending
3. Equity capital
4. Debenture
5. Loan capital

The traditional sources of real estate finance in Nigeria have always been negotiated fairly long term loans from specialized mortgage financial institutions, housing corporations, insurance companies, civil servants housing scheme, commercial banks, personal savings of individuals and reinvestment of the proceeds from developed properties. Traditionally real property development is based on equity funds.

Equity funds are funds wholly generated and owned by one and to which there are no lieu or attachment. Emenike (2016) narrated that the chief source of equity fund is savings and these savings arise out of that part of income of individuals or corporate organization. Equity fund sources could be private or public. Private equity may be drawn from individual or corporate savings i.e. retained earnings, asset stripping for cash or revenue reserves of companies over a period of time and accumulated savings of individuals from employment and/or profit from business enterprises. Ezeudu (2012) noted that the private sector is more favourably disposed towards providing the various investments and development required in the urban and rural towns. Other sources of private equity funds apart from savings include funds from family sources, friends, isusu system and thrift system. Public equity on the other hand, is derived from invitation extended to the public to subscribe to the equities/ownership of a real estate (property) company set up for that purpose. Some examples of this are capital issues, equity warrant issues, securitization and unitization. The funds so garnered are accordingly applied to:

- Develop a portfolio of real property
- Execute a specific property development objective.

According to Beaton- and Tevery (1977) leverage or trading on the equity is a basic financial concept which is employed in real estate. Investors in real estate seldom acquire for ail cash or free and clear. They always borrow to complete a transaction. Apart from the large capital requirement, the disproportionate debt character of real estate funding may be due to:

1. The clumsy opportunity for mortgage (providing escapes for debtors).
2. The fiscal prodding to borrow by making debt payment tax deductible.
3. The previous low cost of debts (debt was cheap
4. The dearth of equity funds (poor saving culture).

The monetary incentive to borrow than save occasioned by a negatively' skewed exchange volatility (Lawanson, 1997).

Debt funds are often sourced through instruments issued by any of the following institutions or economic sectors:

1. Employers/Associations/Unions
2. Non-bank financial intermediaries.
3. Bank financial intermediaries.
4. Others (largely informal).

The bank financial intermediaries referred to as depository institutions i.e. commercial, merchant and mortgage banks, and non-bank financial institutions i.e. pension funds, insurance companies, finance houses etc which are non-depository institutions, raise money through the instruments of deposits and investment notes and lend same through various risk asset creation vehicles.

Specialized Mortgage Financial Institutions

A mortgage financial institution is a corporate body established legally to provide mortgage finances or engage in mortgage financial transactions to the public. A mortgage financial institution can be a mortgage bank- or any other financial organization or outfit directly involved in mortgage financial transactions. The Federal Mortgage Bank of Nigeria (FMBN) and tile numerous Primary Mortgage Institutions (PM Is) in Nigeria are examples of mortgage financial institutions.

The Federal Mortgage Bank or Nigeria (FMBN)

The Federal Mortgage Bank of Nigeria Provides an important source of long-term finance for real estate development in the country. The bank which was established in 1977 is a successor to the Nigerian Building Society (NBS) which was incorporated in December, 1956. The establishment of the Bank in 1977 as a Federal government fully-owned bank under Decree No.7 of 1977 followed the dissolution of the NBS, whole assets and liabilities were taken over by the federal Mortgage Bank of Nigeria. Falegan (1982) stated that the basic functions, among others, of the Federal Mortgage Bank of Nigeria which is assumed as the apex mortgage institution in the country are spelt out in the bill which established it in 1977, the most important of which are: The provision of long-term credit facilities to mortgage institutions on the terms as may be determined by the Board in accordance with and terms designed to enable the mortgage institutions to grant comparable facilities to Nigeria individuals desiring to acquire houses of their own.

The Bank is also charged with the responsibility to invest in companies engaged in the manufacture and production of building materials, to furnish financial advice, provide technical assistance and to carry out mortgage financial activities for real property' development and construction industries in Nigeria.

The functions of the FMBN were enlarged and more strengthened by the Federal Government of Nigeria through the promulgation of the Mortgage Institutions Decree No. 53 of 1989. the Decree in effect set up a two-tier mortgage services structure with the Federal Mortgage Bank of Nigeria (FMBN) at the apex and the Primary Mortgage Institutions (PM Is) playing at the second tie. Chionuma (2000) noted that although the key function of the FMBN of encouraging the establishment of PM Is and supervising their operations is primarily derived from the enabling Act (Decree No.7 of 1977), the legal framework for the organization and execution of the function only became defined with the promulgation of Mortgage Institutions Decree.

No.53 of 1989. The general functions of the FMBN as laid down by the Mortgage Institutions Decree 53 of 1989 (now Act) include:

1. To administer the system of regulation of PMls provided for by or under the Decree and to advise and make recommendations to the Honorable Minister of Works and Housing (now Federal Ministry of Power, Works and Housing) and/or the Federal Government on any matter relating to mortgage institutions.
2. To promote the financial stability of Mortgage institutions generally by setting up such guidelines and control measures that will enable the PM Is function efficiently and effectively in the housing finance market
3. To protect the shareholders as well as the depositors PMLs.
4. To process the licensing of Primary Mortgage Institutions (PM Is)
5. To ensure that the main function of PM Is remains that of raising funds primarily from their shareholders and the personal savings market for granting advances to individuals on first mortgages, i.e. advances secured on real estate;

Other functions of the apex mortgage institution include:

1. To developed of secondary market of housing for housing finance
2. To act as a guarantor for loan stocks that may be floated by the PMIS; and
3. To manage the National Housing Fund.

The Federal Government has not fared well in accordance with its mandate in housing development. There are many contributory factors responsible for the poor state of affairs as far as the performance of the National Housing Fund Scheme is concerned and they include:

1. The stringent terms and conditionality's for obtaining the National Housing Fund loans.
2. Improper documentation and processing of the NHF mortgage loan applications of the prospective borrowers by the Primary mortgage Institutions (PMIs)
3. Potential borrowers have no access to land due to the difficulties in obtaining legally recognized title document as security for mortgage lending and meeting other requirement of the Land use Act of 1978.

- High cost of building materials and construction which is not conducive to the growth of mortgage lending and less so for the affordability of the low and moderate income groups.
- lack of public awareness of the NHF scheme and its modus operandi Low income of workers who are contributors to NHF scheme .
- Use of block of existing mortgages as security requirement for the Primary Mortgage institutions that want to apply for the National Housing Fund loans

The Primary Mortgage Institutions (PMls)

The Central Bank of Nigeria Revised Guidelines for Primary Mortgage Institutions effective from 1st September, 2001 gives the following definitions:-

i. A primary mortgage institution shall be construed as any company that is licensed to carryout mortgage business in Nigeria.

ii. Mortgage business" (which by implication must mean primary mortgage business) shall include the following

1. Granting of loans or advances to any person for the building, improvement or extension of a dwelling/ commercial house;
2. Granting loans and advances to, any person for the purchase of a dwelling/commercial house;
3. Acceptance of savings and deposits from the public and payment of interest thereon;
4. Management of pension funds/schemes;
5. Offering of technical advisory services for the purchase or contraction of a dwelling house;
6. Performing estate management duties;
7. Offering of project consultancy services for estate development;
8. Engaging in estate development through loan syndication subject to the restriction imposed by the shareholders' funds unimpaired by loss;
9. Engaging in property trading including land acquisition and disposal;
10. Engaging in other activities which the Bank may approve from time to time"

A Primary Mortgage Institution is therefore a mortgage retail market and deals directly with the individual mortgagors. Primary mortgage transactions are therefore the first lending transaction between a mortgagee and a mortgagor. The role of the PMIs in the implementation of NHF Scheme is mainly that of financial facilitators and includes:

1. Receipt of loan applications from contributors to the Fund to build, buy or improve residential houses.
2. Process such application and in turn apply to FMBN for approval and disbursements from the fund.
3. To disburse the loan amount on approval by FMBN as follows: In the case of an outright purchase of property, in lump sum; In the case of building under construction, improvement or restructuring on a schedule to be agreed with the PMI; all disbursements shall be made by crossed cheque, marked "Account Payee Only".
4. To monitor the purchase/construction process such as to ensure that funds are properly utilized and avert diversion;

To recover funds loaned to contributors and remit same to FMBN, most PMIs have been hamstrung in participating effectively in the implementation of the Scheme generally because the disbursement process, terms and conditions are presently cumbersome and tend to inhibit early approval and by extension disbursement.

Commercial Banks: The commercial banks are primary source by which many investors get funds to finance real property projects Commercial banks are money creating financial institutions that perform three major functions, namely acceptance of deposits, granting or loans and the operators of the payments and settlements mechanism. Commercial banks obtain their funds from two main sources:

a. Capital and reserves - bank's capital includes debenture and capital stock, while the Reserves include undistributed profits and surplus. Debenture is long-term debt instrument or security issued by banks in order to increase their capital. They represent debt not ownership; the debenture is specifically a subordinated debt. In the event of bank liquidation, debentures would be paid off only if and when all depositors had been paid In full. Hence, debenture bonds provide a cushion of protection for other creditors, just as the other capital accounts do.

b. Deposits - A bank's deposits are the amounts that it owes to its customers. Most individuals whom the bank owes at any particular moment will be individuals who have brought some sort of money to the bank. These monies then belong to the bank which may use them in any way it wishes - as a basis for lending or for paying current expenses or as a pool of idle funds.

There are different types of deposits accounts facilities offered by commercial banks which include:

1. Time Deposits
2. Savings Accounts Deposits
3. Demand Deposits or Current Account Deposits.

Commercial banks not only have short-term preferences but price their mortgages beyond the socio-economic realities of the majority. Historically, the degree of involvement of these banks in mortgage finance responded more to the Central Bank Credit Guidelines than the portfolio advantages associated with mortgages.

That is why mortgages have continuously declined in their portfolios since housing was removed from the preferred sector in 1986. Adegbenjo (2000) stated that banks and other financial institutions cannot grant very long-term credit facilities because of the nature of their operation, which places inhibiting factors on them in that regard. These factors include, among others the following:

1. The need to meet with the cash withdrawal needs of their customers/ depositors at short notice.
2. Central Bank's regulation requiring them to maintain a stipulated ratio of their total deposits as cash reserve with it
3. They are precluded from directly investing in real estate projects except for the purposes of running their own business or accommodating their staff.

Insurance Companies: An insurance company is one whose main business is in underwriting the risk faced by an individual, group or corporate organization. The nature of insurance business is such that there is usually a time lag between the payment ofpremiums and the settlement of claims. Therefore, vast sums of money are accumulated in anticipation of future liabilities of policy holders. Pending when these monies are needed to payout claims, they are invested in different ways.

1. For the purposes of the Insurance Decree No.2 of 1997 Section 2, insurance business in Nigeria are divided into two main classes, that is

a. life insurance business; and

b. general insurance business.

2. Life insurance shall be sub-divided into the following categories, that is

a. Individual life insurance business;

b. group life insurance business.

3. General insurance business shall be sub- divided into the following categories, that is

a. Fire insurance business;

b. Accident insurance business;

c. Motor vehicle insurance business; compensation insurance
d. Workmen's business;
e. Goods-in-transit insurance by road; water, air or rail;
f. Marine and aviation insurance business other than that specified in paragraph (e) of this subsection
g. Oil and. gas insurance business;
h. Contractors "all risks" and engineering risk insurance business;
i. Credit insurance, bond and surety ship;
j. Railway rolling stock insurance business, and
k. Miscellaneous insurance business;

The main sources of funds for insurance companies therefore are:

Premium from life insurance business: Life insurance is further subdivided into ordinary life insurance business and Insured Pension business.

Premium from non-life insurance business: Incomes from investments Insurance companies make available conventional loans as well as mortgage loans on most types of properties. The investment of an insurance company's funds when made available as loans in planned to meet future obligations of their policy- holders. The life insurance policy-holders benefit immensely from building loans.

Pension Funds: Pension funds as sources of financing real estate development are not yet well developed in Nigeria. Pension funds are significant providers of long-term finance for capital investments in developed societies. The income derived from such loan investment in accordance with the policy of the pension fund would be to cover the cost of servicing the funds and to meet the demand of the contributors when they retire.

Contractor Financing: The contractor financing is in the form of long-term capital provided by the contractor for the development or redevelopment of a piece of property. This type of arrangement frequently arises when the owner of the property is not in a position to raise enough capital for the development or redevelopment of the property.

Real Estate Development and Portfolio through the Capital Market

A financial market can be defined as simply a place or mechanism for the exchange of financial assets. These financial assets are sold for or bought with money. In contrast to goods and services, financial assets are not consumed. They are simply claims which holders can use at a future date to obtain consumable goods and services; but the .holders must first of all dispose of them for money, before or at maturity of the financial assets in order to finance consumable goods.

The financial market is therefore described as an institutional arrangement that facilitates the mobilization of financial resources from the surplus units and the channeling of such funds to the deficit units, for productive investment and the generation of assets or securities in the process The financial market performs four major functions in any economy, vis-à-vis:

i. Pricing securities
ii. Liquefying securities arid
iii. Discounting the future and allocating funds and economic resources.

iv. Shifting funds from suppliers to users

The commonest classification of financial markets draws a distinction between a money market and a capital market. The market for short term loans and securities i.e. those maturing in one year or less is called the money market. The capita! market deals in long term debt instruments or equity shares.

The Capital Market: A capital market may be defined as a financial market in which lenders provide long-term funds in exchange for financial assets issued by borrowers or traded by holders of outstanding negotiable debt instruments, the capital market is regarded as the forum for the mobilization and allocation of medium and long term investible funds to numerous investment outlets. Emoh and Nwachukwu (2011)

The major roles of the capital market are to:

1. provide a means for raising long-term finance to assist governments and companies to execute their development projects, modernization and expansion;
2. enable existing investors to sell their investments should they want to do so;
3. provide a means for allocating the nation's real and financial resources between various industries and companies;
4. provide for the investment from the standpoint of individuals for the economy
5. act as a measure of confidence in the economy and serves as an important barometer for the economy:
6. through its pricing mechanism, provide industrial management with some idea of the current cost of capital and this can be important in determining the level and rate of investment, and
7. act as a reliable medium for broadening the ownership base from erstwhile family dominated firms.

The Stock Exchange: The stock exchange is the pivot or the fulcrum around which the entire capital market operates. It is the market for the sale and purchase of securities (i.e stock and shares) and a market where those individuals and institutions who have surplus funds in relation to their immediate requirements can employ them profitably, its major significance is that it is the machinery for the mobilization of a nation's resources for productive investment and economic development generally.

Investment Mechanism in the Capital Market

In the capital market, they exist mechanism by which investments could be achieved. These mechanism represent financial claims. The various mechanism include:

Common equity: These are equity shares which entitle holders as part owners of the business venture. As the common shareholding confers on investors' ownership privileges, they also enjoy collective and specific rights. The collective rights allow this category of investors to amend the articles and memorandum with the approval of the appropriate authority, to elect the directors of the company, to authorize the sale of fixed assets of the company, to enter into mergers, to change the amount of authorized common share with Securities and Exchange Commission approval and to authorize issuance of other securities.

Preference stocks: These are fixed income securities, holders of which have claims and rights ahead of common stock holders in terms of entitlement to incomes. They are said therefore to have a prior claim on assets in the event of liquidation. Also they exercise preferential position with regard to the earnings and assets of the company. However, the holders of these stocks are not entitled to vote and exercise the collective and specific right of common stock holders.

Bonds: This type of stock could be simply described as a .long-term promissory note or debt instrument.
The various types of bonds are:

a) Mortgage bonds

These represent long term debt instrument, holders of which enjoy the security of the instruments being secured by a lien or legal right on specific assets of the company, especially plants and machinery.

b) Subordinated debentures

These are unsecured bonds, holders of which receive a claim on the issuing company's assets that rank below holders of senior debt securities such as secured bonds, bank loans, etc, but have priority over common and preferred stock holder"

c) Debentures

These are long-term debt instruments secured only by the issuing company's earning power rather than by a pledge of any specific property. Therefore an investor buying the stock must have thoroughly analyzed, understood and have confidence in the corporation's earning power.

d) Mortgage debentures

corporate bodies can borrow fund from financial institution thereby using their assets (real estate) as collators

e) Income bonds

They represent debt instruments which are mostly used to effect corporate reorganization and which earn specific interests for the holder only when the issuing company has sufficient earnings.

f) Convertible bonds

These are long term debt instruments (securities) which the holder has the privilege of exchanging for a specific number of shares of common stock at his option.

Federal Government Development Stock: This type of stock is a long term debt instrument floated by the Federal Government for purposes of financing development projects within the economy. This category of debt instruments is highly secured being backed by the total assets of the Federal Government. As a result of low risk attached to the instrument, they are not as attractive as other instruments which carry much higher interest returns to compensate for the high risk attached thereto. In certain occasions, the government might even use of the stock to mop up liquidity within the economy.

State and Local Government Development Stocks: State governments as well as local governments also do go to the capital market to source funds for their development projects. Usually, these long term debt instruments are backed by the Federal Government guarantee by virtue of its assets backing of the loan stock.

Benefits Derivable from the Capital Market: There are numerous benefits which accrue to investors in the capital market. These benefits make investments in the market very attractive and actually enhance the favorability of this market against some other areas of investments. These benefits include:

i. **Safety of investment:** The capital market is well organized and controlled by regulatory agencies to ensure safety of the investment of individuals in the market. Therefore, any investor venturing into.

ii. **Liquidity:** The liquidity of investments made possible through the secondary market is another benefit enjoyed by investors in the market. This implies that equities are easily convertible into cash.

iii. **Possibility of income and capital appreciation**: Income gain is accruable to the investors in form of company declared dividends while the investor enjoys capital gain by means of bonus issues or through the relative appreciation of the market price per share which he/she can trade in. The investor can however make much profit from shares if he can monitor the market regularly and actualize income 'from the following key sources

a. Dividend paid in cash to the investor annually or half - yearly

b. Bonus shares, these may be sold for cash in the open market at any time

c. Trading profits/capital gains arising from sufficient upward movements in stock prices. An investor may take advantage of the rise in price and sell his stock at a huge gain.

d. A combination of the above operators/activities. (Woychuck, 2012)

Methods of Investing In Real Estate: Through the Capital Market: The capital market provides a forum for mobilizing long - term funds for real estate investments. The various vehicles/devices available in the capital market for funding real estate projects include property unit trusts, property bonds, loan stock and debenture stocks as well as purchase of shares in property companies.

Property Unit Trusts: The purchase of units in a unit trust enables smaller investors to obtain the benefits of full portfolio diversification and specialist management without requiring the expertise and financial resources which would be necessary for such investment direct the Units issued by unit trust's are legal claims to a fractional part of the trusts total portfolio, enabling the investor to benefit from performance of the trust's portfolio as a whole.

Property Unit Trusts are of two distinct categories, one is **Authorized Property Unit Trust (APUT)** which is an arrangement whereby the private investor can invest indirectly in commercial; industrial, agricultural or residential property, as well as in other property - related assets including property company shares. The second one **Unauthorized (or (Unregulated) Property Unit trust (UPUT)** which serves the investment needs of tax exempt institutions. Both types of trust provide an indirect way of investing in property and both follow the unit trust concept of being low-geared open ended funds, where the value of the units will closely reflect the value of the property assets held by the trust.

Property Bond: Property bond provides another method by which the general public can invest in commercial and industrial property.Bond is a device for raising prime property investment finance from small investors (individuals or companies) who ordinarily cannot realize their investment dreams due to insufficient funds to buy prime property.

Loan and Debenture Stocks: Long term credit paper or loan capital such as debenture stocks and loan bonds that can last for the life of a project or property company, or even for ever can be acquired by investors. Loan stock is a means of raising real estate development finance through the stock exchange market by [he governments or their agencies. Debenture stock (Debentures) is more or less a loan stock which is issued by companies as against governments to raise money from willing members of the public

Purchase of Shares in Property Companies: Real property investment can be achieved by acquiring shares in a property company whose assets are wholly or largely made up of real estates. By this means, property management problems are avoided by the investor and his risks as spread over the whole range of property assets held by the company. A property company, public quoted or private limited, may be a property trading or a property investment company. The company buys or constructs with a view to sell its stock of properties is usually included I the balance sheet as a current asset. The first property company in Nigeria to be quoted on the Nigerian Stock Exchange is the UACN Property Development Company (UP DC) PLC
The main features of a property company which would be considered by an investor would be:

- Sources of income'
- The quality of management
- The quality of assets

Capital Structure and Financing
The price of property shares of public companies may fluctuate daily according to the operations of buyers and sellers on the Stock Exchange. Experts in such shares may be prepared to speculate on these short-term movements but the investor will normally be content to hold his shares on the basis of his judgment on the worth of the underlying property assets and of the management skill of the company concerned.

Securitization and Unitization
Securitization and Unitization are recommended panacea for restructuring and improving real estate investment funding through the capital market.

Securitization
Securitization has been defined by Godwin (1995) as the creation of tradable paper interest in underlying assets like property as an alternative to direct ownership of the asset. Securitization entails the conversion of assets (illiquid assets i.e. bank loans) into readily tradable financial assets i.e. securities.
The property bonds and unit trusts are forms of securitization of real property investment funding which can be expanded through the creation of special purpose vehicle. According to Lawanson (2000), there are very significant advantages and benefits derivable fromsecuritization, prominent among which are:

- Enhances Market Efficiency
- Reduction in the Cost of Lending by the Financial Intermediaries
- Helps regulators to reduce low skilled excess capacity
- Conforms with regulators wish to deploy capital in a way that covers risk effectively; and

Bank failure rate is low relative to traditional credit because of the multiple level of scrutiny that securitized credits undergo.

Unitization: A research report on unitization carried out by the Centre for Advanced Land Use Studies

College of Estate Management, Reading, England: (1988), described unitization as a form ofsecuritization, a process of turning an illiquid asset into marketable or tradable security. It is the method of securitizing a single massive property such that the unit holder can participate directly in the rental and capital value performance of the' property in which units are held.

Unitization will require that a vehicle should be created to manage the process of marketing and managing its programme as obtainable in the UK and other more advanced economies.

Finance as a Barrier to Real Estate Development Project and Investment in Nigeria

There are many barrier facing real estate development projects and investment in Nigeria ranging from shortage of finance, institutional factors such as the effect of the Land Use Decree and Rent Control Edicts, shortage and high cost of building materials, manpower, technology and management problems.

The most serious problem affecting the real estate investment market in Nigeria is scarcity of development funds. (Walter, 2015)

Many factors determine the amount of savings in Nigeria. These factors include:

i. The level of total income in the country
ii. The marginal propensity of every individual to save
iii. The magnitude of the amount saved by business companies arising from their undistributed profits.
iv. Government positive policy to make a budget surplus and provide reasonably adequate saving facilities
v. Attitude of individuals or the nation or both to future needs as opposed to present needs.

Conclusion

Equity funds are limited in supply as a result of malsaving attitude of the citizenry in this country, but that not with standing, the gross level of commitment rendered by financial institutions to the real estate development industry is not encouraging, some times, the modus operandi for securing the loan keeps the average income earner at a disadvantage state. Again the loan granting institution are concentrating on urban areas as very little concentration is geared toward the rural areas.

Housing corporation at the state level should be accorded with multiple responsibility of construction, financing and management for proper efficiency. The federal government should encourage the use of internally sourced building materials as this factor will encourage both small scale and large scale developers with their development funds to build more estate.

The federal state and government should revamp our mortgage financial institutions and make policies that will make fund for real estate development accessible.

The government should play and intermediary role between the investors and financial institution in the area of lending rate for estate development and enact rental laws so as to allow developers to build, manage and repay the borrowed loans.

The government should extend the payback period of loan borrowed from mortgage financial institution as this will encourage the developer to borrow for real estate development projects.

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