

Challenges of International Investment in Real Property Portfolio: Case Study of Developing Economy Using Nigeria Experience¹

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ABSTRACT

The global trend of investing in real property portfolios offers diversification, profitability, and a hedge against inflation. However, international investors encounter significant challenges in developing economies like Nigeria. Despite Nigeria's attractiveness due to its large population, rapid urbanization, and growing middle class, factors such as political instability, corruption, economic volatility, limited access to finance, and complex legal and regulatory frameworks inhibit foreign investment. Political instability and insecurity create an unpredictable environment, while corruption and bureaucracy further complicate business operations. Economic dependence on oil and infrastructure deficiencies also poses substantial risks. Addressing these multifaceted challenges is crucial for maximizing the investment potential in Nigeria's real estate market. Literature reveals both the opportunities and barriers for international investors, emphasizing the need for improved regulatory frameworks and infrastructure to attract and sustain foreign investment in Nigeria's real property sector. The study investigates the perceptions of respondents regarding various factors influencing foreign real estate investment in Nigeria, focusing on political instability, legal framework, economic fluctuations, infrastructure inadequacy, and potential improvements. Analysis of survey data, including histograms, ogive curves, and statistical metrics such as mean weight and standard deviation, reveals key insights. A significant proportion of respondents hold negative views on political instability and policy changes with the highest frequencies in Strongly Disagree and Disagree categories. The mean weight of 2.63 and a standard deviation of 1.49 indicate a general tendency towards disagreement with moderate variation. Respondents predominantly disagree that Nigeria's legal framework for property is clear and well-enforced, with a mean weight of 1.93 and a standard deviation of 1.34, reflecting a

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consensus on perceived regulatory inconsistencies and risks. There is prevalent disagreement that economic conditions and oil dependency positively impact the real estate market. The mean weight is 2.43, with a standard deviation of 1.52, indicating concerns about economic instability affecting investor confidence. The majority strongly agree that inadequate infrastructure is a major barrier to foreign real estate investment, with a mean weight of 4.53 and a standard deviation of 1.75, showing strong consensus on the need for infrastructure improvements. Respondents agree that improving political stability and legal regulations would boost investment, indicated by a mean weight of 3.6 and a standard deviation of 1.41, reflecting moderate agreement. There is strong agreement that diversifying the economy and improving infrastructure would enhance market stability and attractiveness, with a mean weight of 4.08 and a standard deviation of 1.60. The findings highlight significant concerns regarding political, legal, and economic factors, while emphasizing the importance of infrastructure improvements and economic diversification for attracting and sustaining foreign real estate investment in Nigeria.

Key words; Real property portfolio, Real estate market, Investment, Developing economy, Nigeria.

INTRODUCTION

Investing in real property portfolio has become a global phenomenon in recent years, as it offers diversification, profitability, and a hedge against inflation. However, international investors face numerous challenges in developing economies, such as Nigeria. This study seeks to examine the challenges of international investment in real property portfolio in Nigeria, using the country's experience as a case study.

The real estate sector in Nigeria is an attractive investment destination due to its large population, rapid urbanization, and growing middle class. However, several factors inhibit foreign investors from exploiting the opportunities in the sector. According to Anifowose et al. (2019), the key challenges of international investment in real property portfolio in Nigeria include: Political instability and insecurity; Nigeria has a history of political instability and insecurity, which creates a high level of risk for business operations, including real estate investment. Nigeria has experienced periods of political unrest, which can make the investment environment unpredictable (Akinyemi, 2020). Corruption; bribery and corruption are prevalent in Nigeria, and they affect business operations, including real estate investment. The bureaucracy and lack of transparency in the regulatory framework of the sector can also increase the risk of corruption. The legal system in Nigeria can be difficult to navigate, and property rights are not always clear or enforced effectively (Udoekanem et al., 2014). Economic factors also play a critical role. Nigeria's economy is heavily dependent on oil, making it vulnerable to global oil price fluctuations. This can lead to economic instability, affecting the real estate market (Okoro & Onu, 2013). Limited access to finance; the lack of access to finance is a significant challenge for real estate investment in Nigeria, particularly for foreign investors. The high-interest rates, inflation, and devaluation of the local

currency make it difficult to obtain affordable financing. Legal and regulatory framework; the legal and regulatory framework governing real estate investment in Nigeria is complex and challenging to navigate. Additionally, infrastructure deficiencies such as unreliable power supply and poor road networks can hinder real estate development and reduce property values (Adetunji & Odugbesan, 2019). The lack of clarity in land ownership and usage rights, as well as inconsistent enforcement of laws and regulations, creates uncertainty and increases the risk of investment.

International investment in Nigeria's real property portfolio faces numerous challenges that hinder its potential for growth and profitability. These challenges are multifaceted and deeply rooted in Nigeria's socio-political and economic environment.

One significant problem is the high level of political instability, which creates an unpredictable investment climate. Frequent changes in government policies and political unrest can deter investors and disrupt property markets (Akinyemi, 2020). Additionally, the legal and regulatory framework governing real estate in Nigeria is complex and often poorly enforced. This lack of clear property rights and regulatory inconsistencies can lead to disputes and loss of investments (Udoekanem et al., 2014).

Economic instability further compounds these issues. Nigeria's reliance on oil exports makes its economy vulnerable to global oil price fluctuations, which can lead to economic downturns and affect the real estate sector adversely (Okoro & Onu, 2013). Furthermore, inadequate infrastructure, such as unreliable electricity and poor transportation networks, limits the development and value of real estate properties (Adetunji & Odugbesan, 2019).

These challenges present significant risks for international investors, making it crucial to address them to attract and sustain foreign investment in Nigeria's real property market.

LITERATURE REVIEW

The global real estate market has witnessed significant growth over the past few decades, with international investments playing a crucial role in this expansion. In developing economies, such as Nigeria, the real estate sector presents both substantial opportunities and formidable challenges for international investors. Understanding these dynamics is vital for fostering investment and enhancing the economic development of these regions. Nigeria, the most populous country in Africa, has a rapidly growing economy and an expanding middle class, which fuels demand for residential, commercial, and industrial properties. Despite these promising indicators, the country's real estate market is characterized by a complex array of challenges that can deter international investors. These challenges include regulatory hurdles, market volatility, infrastructural deficits, and socio-political instability.

Afolabi, F. (2016) examined the challenges and prospects of foreign direct investment (FDI) in Nigeria's property market. The findings revealed that Nigeria is still an attractive investment destination despite the challenges of corruption, political instability, and inadequate infrastructure.

The study recommends that the government should create an enabling environment for FDI and improve the regulatory framework to attract more foreign investors to the real estate sector. Aliyu, A., & Ismaila, A. (2019) identified the challenges and opportunities of real estate financing and investment in Nigeria. The findings revealed that limited access to finance, weak legal and regulatory framework, and political instability are the major challenges hindering real estate investment in Nigeria. Nevertheless, the study also highlighted the opportunities in the sector, such as the potential for high returns on investment, the growing demand for affordable housing, and the abundance of natural resources. Adegbite, E. (2017) critically reviewed the challenges and future prospects of Real Estate Investment Trust (REIT) in Nigeria. The findings revealed that the lack of awareness and knowledge of REITs, limited access to finance, weak legal and regulatory framework, and political instability are the main challenges hindering the development of REITs in Nigeria. However, the study also highlighted the potential benefits of REITs in Nigeria, such as increased liquidity in the real estate market, diversification of investment portfolio, and improved transparency in real estate transactions. Adamu, Y. I., Mohammed, R. Y., & Sani, Y. (2019) provides the overview of the challenges and prospects of foreign direct investment (FDI) in the Nigerian real estate industry. The findings revealed that the challenges of corruption, political instability, limited access to finance, and weak legal framework are the major impediments to FDI in the Nigerian real estate market. However, the study also identified the potential benefits of FDI in Nigeria's real estate sector, including increased employment opportunities, improved infrastructure, and urban renewal. Egbinola, C. A., & Eziyi, O. C. (2018) reviewed the challenges of property investment in Nigeria. The findings revealed that the challenges of property investment in Nigeria include the lack of access to finance, inadequate infrastructure, inconsistent regulatory framework, political instability, and corruption. The study recommends that the government should improve the regulatory environment and create incentives to attract more investment into the property market. Akinyemi, T. (2020) examined how political instability affects investment in Nigeria, focusing on the real estate sector. Findings revealed that Political instability is a significant deterrent for international investors due to unpredictability and risk. Udoekem, N. M., Adoga, D. O., & Onwumere, V. O. (2014) explored the evolution of land ownership laws in Nigeria and their implications for foreign investors. He revealed that Inconsistent and complex land ownership laws pose significant challenges to international investors. Okoro, E., & Onu, D. (2013) analyzed the structure of the Nigerian economy and its impact on the real estate sector. Findings revealed economic volatility due to oil dependency negatively affects the real estate market's stability. Adetunji, O. M., & Odugbesan, J. A. (2019) discussed the state of infrastructure in Nigeria and its implications for real estate investment. He revealed that poor infrastructure is a major barrier to attracting and sustaining international real estate investments. Aluko, B. T. (2016) evaluates how the regulatory environment in Nigeria affects real estate investments. He opined that regulatory uncertainties and inconsistencies are significant obstacles for international investors. Adegoke, A. (2018) examined the opportunities and challenges faced by foreign investors in Nigeria's real estate market. Findings revealed that despite opportunities, political and economic instability pose major risks for investors. Chukwu, O., & Eze, M. (2017) explored the risks associated with real estate investment in Nigeria from a foreign investor's viewpoint. Findings disclosed that political risk, legal challenges, and infrastructure deficiencies are highlighted as key

issues. Bello, O. M. (2015) reviewed how Nigeria's economic policies impact real estate investments, particularly for international investors. Findings revealed that unstable economic policies create an uncertain environment for real estate investments. Adeyemi, A. M. (2018) assessed how infrastructure challenges affect real estate development in Nigeria. Findings disclosed that inadequate infrastructure significantly hampers real estate development and investment. Olaleye, A. (2017) examined the level of market transparency in Nigeria's real estate sector and its effect on foreign investments. Findings revealed that low market transparency deters foreign investors due to the increased perceived risk. The literature on the Nigerian real estate market provides a comprehensive analysis of both the opportunities and challenges faced by international investors. Overall, while Nigeria's real estate sector holds considerable promise due to its growing economy and demand for properties, addressing the outlined challenges is critical for maximizing investment potential and fostering economic development.

Real Estate Investment Theory

Real estate investment theory provides a framework for understanding the dynamics of real estate markets, investment decision-making processes, and the factors that influence returns and risks associated with real estate investments. This theory encompasses various aspects, including market analysis, valuation, risk management, and investment strategies.

1. Market Analysis:

Supply and Demand: Real estate markets are influenced by the balance of supply and demand for properties. Factors such as population growth, economic conditions, and government policies can affect this balance (DiPasquale & Wheaton, 1996).

Market Cycles: Real estate markets go through cycles of boom and bust, driven by changes in economic conditions, interest rates, and investor sentiment (Geltner et al., 2013).

2. Valuation:

Income Approach: This method values properties based on the income they generate. Key metrics include net operating income (NOI) and capitalization rate (cap rate) (Brueggeman & Fisher, 2010).

Comparative Market Analysis: This approach involves comparing similar properties that have recently been sold to determine a property's value.

Cost Approach: Cost approach is a method of determining the value of a property based on the cost of rebuilding or replacing it. This method works by estimating the cost to construct a similar property from scratch, factoring in the current market prices of labor and materials.

3. Risk Management:

Diversification: Investing in a diversified portfolio of properties across different regions and property types can reduce risk.

Hedging: Using financial instruments to hedge against market fluctuations and interest rate changes can protect real estate investments (Eppli & Shilling, 1995).

4. Investment Strategies:

Core Investments: Focus on stable, income-generating properties with low risk.

Value-Add Investments: Target properties that require improvements to increase their value and generate higher returns.

Opportunistic Investments: Involve higher risk and potential for higher returns, often through significant redevelopment or market timing (Geltner et al., 2013).

Application to Real Estate Investment in Nigeria

Market Analysis: Understanding local market conditions, including economic indicators, population trends, and regulatory environment, is crucial for making informed investment decisions in Nigeria.

Valuation: Accurate property valuation considering local market conditions, rental yields, and potential for capital appreciation.

Risk Management: Identifying and mitigating risks specific to the Nigerian market, such as political instability, economic volatility, and infrastructural deficiencies.

Background on Nigeria's Real Estate Market

Nigeria is considered a hub of economic growth and development in West Africa, with a population of over 200 million people and abundant natural resources. Despite the presence of several challenges, such as political instability, corruption, and security concerns, the country remains an attractive destination for international real estate investors due to its vast development potential and growth opportunities. This section provides a detailed overview of the economic climate of the Nigerian real estate market and its potential for investment.

The Nigerian real estate market is a significant contributor to economic growth and development in the country. According to a report by PwC (2020), the real estate industry contributed 6.4% to Nigeria's GDP in 2019 and is projected to grow at a compound annual rate of 6.4% from 2020 to 2024. The sector is expected to continue to grow due to increasing demand for affordable housing, rising middle-class income, and the government's efforts to attract foreign investment.

However, the Nigerian real estate market faces several challenges. One of the most significant challenges is a lack of basic infrastructure, such as roads, electricity, water, and sanitation, which

is essential to building a sustainable real estate industry (Dangote, 2019). Additionally, high transaction costs and taxes, a complex and uncertain legal system, political instability, and corruption continue to hinder the growth of the industry (Akintoye & Skitmore, 2019).

Despite these challenges, international real estate investors are beginning to see the potential of Nigeria's real estate market. The country has a large and growing middle class, urbanization is rapidly increasing, and demand for affordable housing is high. Furthermore, the Nigerian government has introduced policies aimed at improving the infrastructure and business environment, such as the National Housing Fund and the Land Use Act (Adeniran & Adeleke, 2018).

Nigeria's real estate industry is a critical sector for the country's economic growth and development. While the industry faces several challenges, such as a lack of infrastructure and political instability, it remains an attractive destination for international real estate investors due to its vast potential for growth and development.

BACKGROUND INFORMATION OF RESPONDENTS

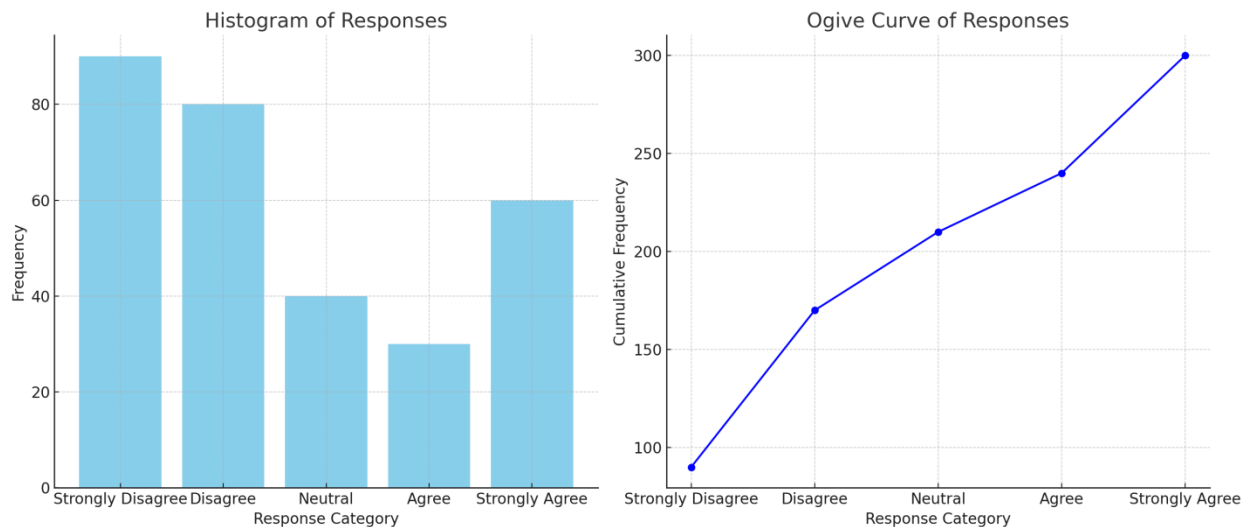


Fig 1. The histogram displays the frequency of each response category: Strongly Disagree: 90; Disagree: 80; Neutral: 40; Agree: 30; Strongly Agree: 60. The ogive curve shows the cumulative frequency distribution of the responses: Strongly Disagree: 90, Disagree: 170 (90 + 80), Neutral: 210 (170 + 40), Agree: 240 (210 + 30), strongly Agree: 300 (240 + 60). Statistical Calculations Mean Weight: (2.63). Standard Deviation: (1.49). The analysis of the questionnaire data reveals the following insights: Majority Disagreement: The highest frequencies are in the "Strongly Disagree" and "Disagree" categories, indicating a significant proportion of respondents have negative perceptions about political instability affecting foreign real estate investment and changes in government policies. The standard deviation of (1.49) suggests a moderate spread in responses,

with some polarization as there are also notable frequencies in the "Strongly Agree" category. Neutral Responses: The "Neutral" category has a smaller, yet substantial number of responses, indicating some respondents are indifferent or unsure about the impact of political instability and policy changes. Mean Weight Analysis: The mean weight of (2.63) shows that on average, responses tend towards disagreement, though not strongly, which supports the observation of significant negative sentiment with a mix of other opinions. This distribution and analysis provide a comprehensive understanding of the respondents' views, showing prevalent concerns about political instability in foreign real estate investment amidst varied opinions.

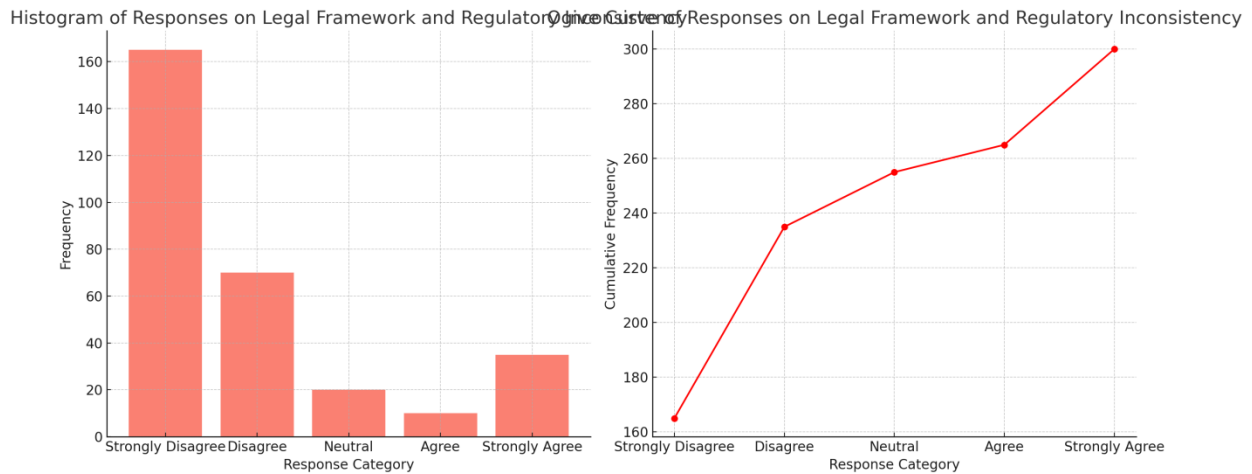


Fig 2. The analysis of the questionnaire data reveals the following insights: Strong Negative Sentiment: The highest frequencies are in the "Strongly Disagree" and "Disagree" categories, indicating a significant proportion of respondents believe that the legal framework for property in Nigeria is neither clear nor well-enforced, and that regulatory inconsistency poses a substantial risk to foreign real estate investment. Moderate Dispersion: The standard deviation of (1.34) indicates a moderate spread in responses, suggesting a general consensus towards disagreement, though there is still some variation. Limited Agreement: The "Agree" and "Strongly Agree" categories have much lower frequencies, highlighting that only a small portion of respondents have a positive view of the legal framework and its enforcement. Mean Weight Analysis: The mean weight of (1.93) clearly leans towards disagreement, indicating that on average, respondents perceive significant issues with the legal framework and regulatory consistency in Nigeria. This distribution and analysis suggest a prevailing concern among respondents about the legal and regulatory environment for property in Nigeria, highlighting the need for improvements to attract and secure foreign real estate investment.

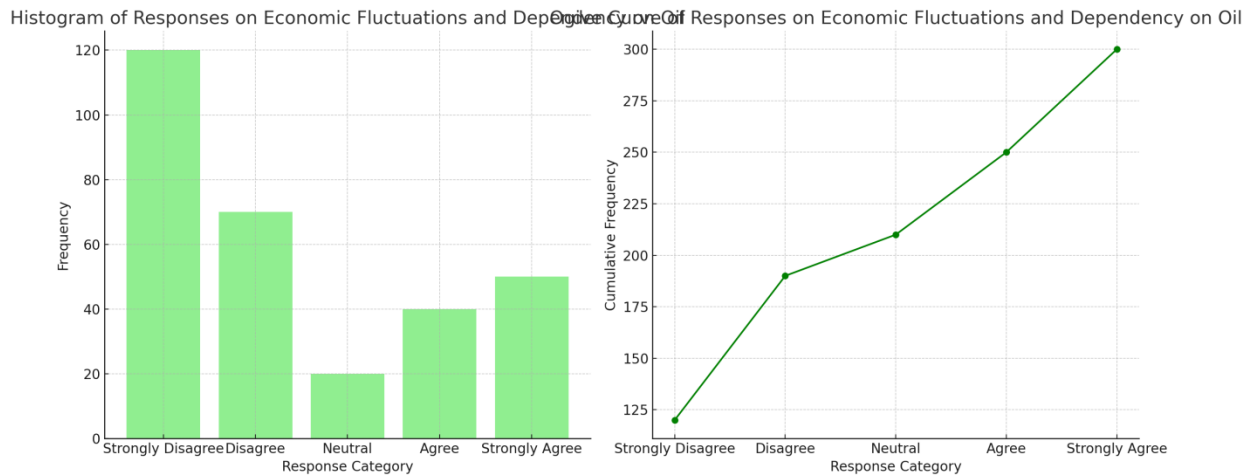


Fig 3. The analysis of the questionnaire data reveals the following insights: Prevalent Disagreement: The highest frequencies are in the "Strongly Disagree" and "Disagree" categories, indicating a significant proportion of respondents disagree that economic fluctuations make the real estate market attractive to international investors and that the dependency on oil makes real estate unstable. Moderate Dispersion: The standard deviation of (1.52) suggests a moderate spread in responses, indicating some variation in opinions, though the general tendency is towards disagreement. Limited Agreement: The "Agree" and "Strongly Agree" categories have fewer responses compared to the disagreement categories, indicating that a smaller portion of respondents view economic fluctuations positively or believe that dependency on oil does not significantly impact real estate stability. Mean Weight Analysis: The mean weight of (2.43) leans towards disagreement, suggesting that on average, respondents are more likely to perceive economic fluctuations and oil dependency as negative factors for the real estate market's attractiveness and stability. This distribution and analysis highlight the prevalent concerns among respondents about the impact of economic instability and oil dependency on the real estate market, suggesting these are significant factors affecting investor confidence in Nigeria's real estate sector.

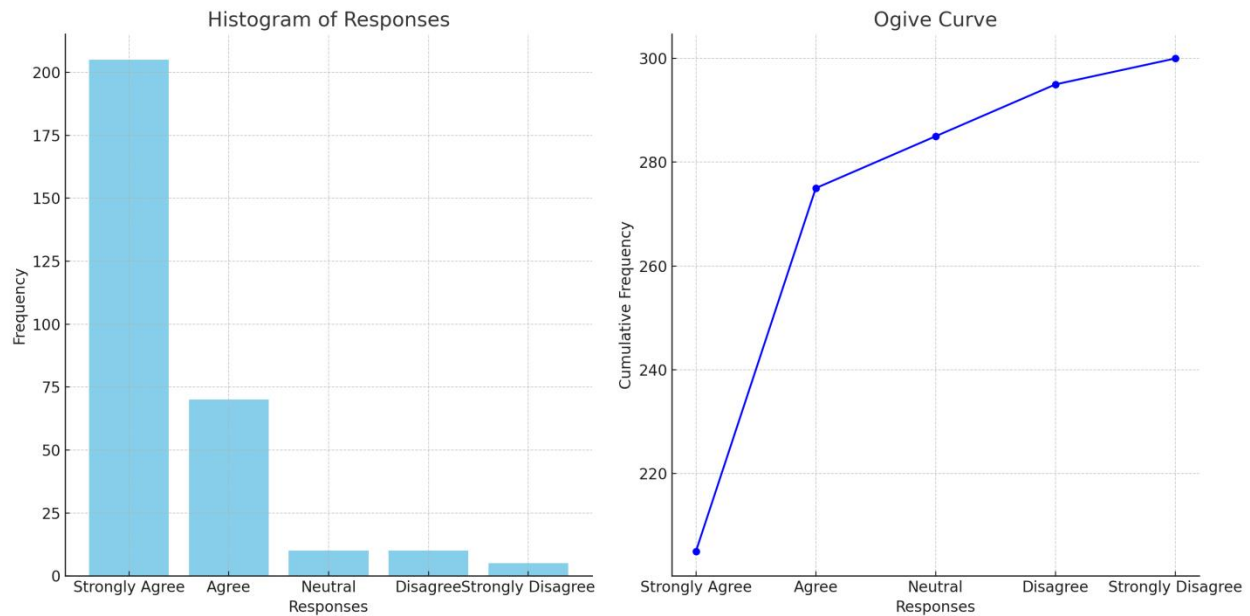


Fig 4. The histogram shows the distribution of responses regarding the inadequacy of infrastructure in Nigeria for supporting international real estate investment. The majority of respondents strongly agree or agrees that poor infrastructure is a major barrier to foreign real estate investment. The ogive curve (cumulative frequency graph) indicates a steady increase, especially around the "Agree" and "Strongly Agree" categories, highlighting a strong consensus among respondents. The mean weight of the responses is approximately (4.53). This value is close to "Strongly Agree," indicating that on average, respondents tend to strongly agree that the current state of infrastructure in Nigeria is inadequate for supporting international real estate investment and that it is a major barrier to foreign investment.

The standard deviation of the responses is approximately (1.75). This suggests a moderate spread of responses, with most responses clustered around "Strongly Agree" and "Agree." It is evident that the majority of respondents believe that the current state of infrastructure in Nigeria is inadequate for supporting international real estate investment and that poor infrastructure is a major barrier to foreign real estate investment. This is supported by high frequency of "Strongly Agree" and "Agree" responses. A weighted mean of approximately (4.53), indicating a strong tendency towards strong agreement. A moderate standard deviation of (1.75), indicating that while there is some variation in responses; the majority are clustered around strong agreement. Therefore, the results suggest a strong belief among respondents that significant improvements in infrastructure are necessary to attract and sustain foreign real estate investment in Nigeria.

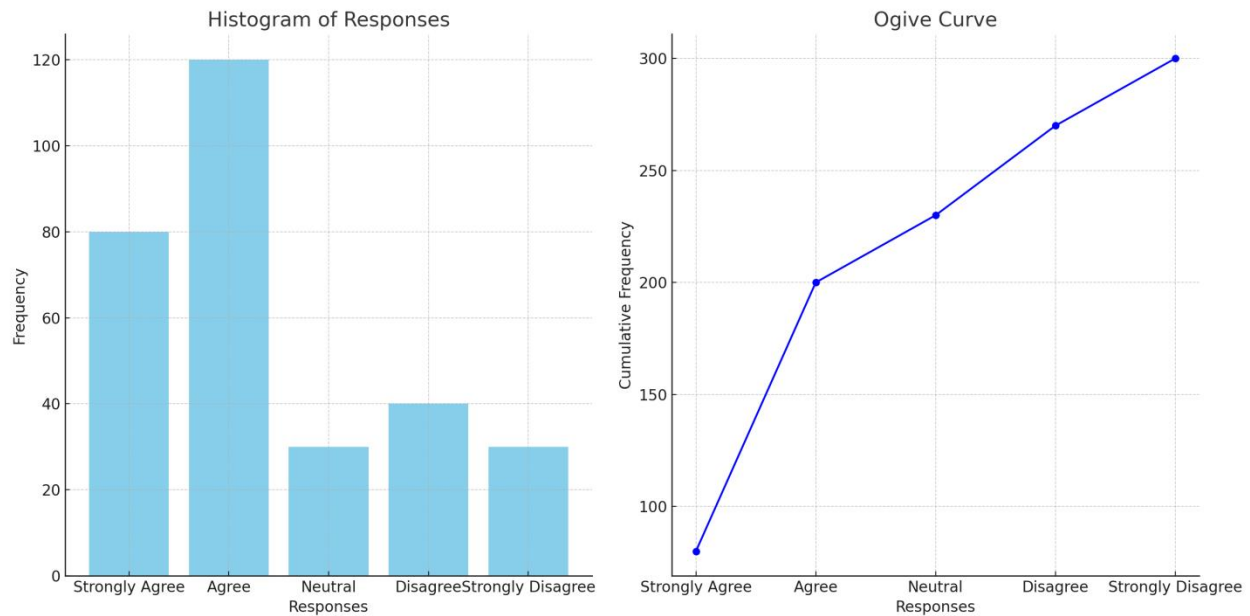


Fig 5. The histogram shows the distribution of responses for the statements on improving political stability and clearer legal regulations. The majority of respondents agree or strongly agree that these factors would significantly boost foreign real estate investment in Nigeria. Fewer respondents are neutral, disagree, or strongly disagree. The ogive curve (cumulative frequency graph) shows a steady increase, particularly around the "Agree" and "Strongly Agree" categories, indicating a strong consensus among respondents. The mean weight of the responses is (3.6). This value is between "Agree" and "Strongly Agree," indicating that on average, respondents tend to agree that improving political stability and legal regulations would boost foreign real estate investment. The standard deviation of the responses is approximately (1.41). This suggests a moderate spread of responses, with most responses clustered around "Agree" and "Strongly Agree".

It is evident that the majority of respondents believe that improving political stability and clearer legal regulations would significantly boost foreign real estate investment in Nigeria. This is supported by high frequency of "Agree" and "Strongly Agree" responses. A weighted mean of (3.6), indicating a strong tendency towards agreement. A moderate standard deviation, indicating that while there is some variation in responses, the majority are clustered around agreement. Therefore, the results suggest a strong belief among respondents that enhancing political stability and legal clarity would attract more international investors to Nigeria's real estate market.

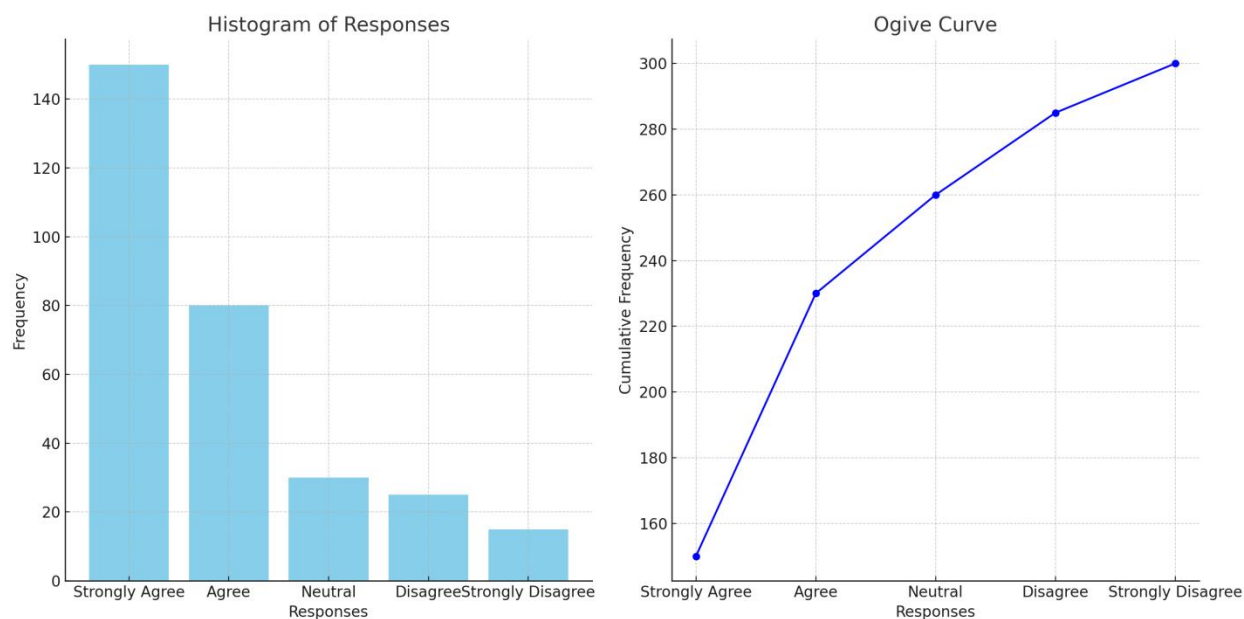


Fig 6. The histogram shows the distribution of responses for the statements on diversifying Nigeria's economy away from oil and improving infrastructure. The majority of respondents strongly agree or agree that these actions would make the real estate market more stable and appealing to international investors. Fewer respondents are neutral, disagree, or strongly disagree. The ogive curve (cumulative frequency graph) shows a steady increase, particularly around the "Agree" and "Strongly Agree" categories, indicating a strong consensus among respondents. The mean weight of the responses is approximately (4.08). This value is between "Agree" and "Strongly Agree," indicating that on average, respondents tend to strongly agree that diversifying the economy and improving infrastructure would boost foreign real estate investment. The standard deviation of the responses is approximately (1.60). This suggests a moderate spread of responses, with most responses clustered around "Agree" and "Strongly Agree."

It is evident that the majority of respondents believe that diversifying Nigeria's economy away from oil and making significant improvements in infrastructure are necessary for attracting and sustaining foreign real estate investment. This is supported by high frequency of "Strongly Agree" and "Agree" responses. A weighted mean of approximately (4.08), indicating a strong tendency towards strong agreement. A moderate standard deviation of (1.60), indicating that while there is some variation in responses; the majority are clustered around strong agreement. Therefore, the results suggest a strong belief among respondents that both diversifying the economy and improving infrastructure are crucial for making Nigeria's real estate market more stable and appealing to international investors.

Challenges of International Investment in Nigeria's Real Property Portfolio

1. Legal and Regulatory Framework

Complexity and Ambiguity: The Nigerian legal system governing real estate is complex, with multiple layers of federal, state, and local regulations. Investors often face difficulties navigating these laws, which can be ambiguous and inconsistently enforced. The Land Use Act of 1978, for instance, centralizes land ownership under state governments, leading to bureaucratic delays and complications in acquiring land titles.

Property Rights: Unclear and disputed property titles are common issues in Nigeria. The process of verifying land ownership can be cumbersome and prone to fraud, making it risky for international investors who may not be familiar with local nuances. Disputes over land ownership can lead to protracted legal battles and financial losses.

Regulatory Compliance: The requirement to comply with numerous regulations and obtain various permits can be daunting. The process is often slow and cumbersome, involving multiple agencies and levels of government. This complexity increases the cost and time required for real estate development.

2. Economic and Financial Factors

Currency Risk: The Nigerian Naira (NGN) has been subject to significant volatility, impacting the value of returns on investments. Currency depreciation can erode profits for international investors who must convert earnings back to their home currencies. This exchange rate risk is a major concern for investors seeking stable returns.

Financing Difficulties: Securing financing for real estate projects in Nigeria can be challenging. Local financial institutions may offer high-interest rates and stringent lending conditions. Additionally, international investors may find it difficult to access local credit markets or may be required to provide significant collateral.

Market Volatility: The Nigerian economy is heavily influenced by global oil prices. Fluctuations in oil prices can lead to economic instability, affecting the real estate market. Economic downturns result in reduced demand for properties and lower rental yields, making the market unpredictable for investors.

3. Political and Social Issues

Political Instability: Nigeria has experienced periods of political instability, including changes in government, policy shifts, and regional conflicts. Such instability can affect investor confidence and the overall investment climate. Political risks are particularly pronounced in regions with separatist movements or insurgencies.

Corruption: Corruption remains a significant challenge in Nigeria, affecting various sectors, including real estate. Bribery and unethical practices can impede the smooth execution of real estate transactions, increase costs, and pose legal risks for international investors who must adhere to anti-corruption laws in their home countries.

Security Concerns: Security issues, including terrorism, kidnapping, and armed conflicts, particularly in the northern and central regions of Nigeria, pose significant risks. These security challenges can deter investment and affect the attractiveness of the real estate market, particularly for residential and commercial properties.

4. Infrastructure and Development

Poor Infrastructure: Inadequate infrastructure is a major barrier to real estate development in Nigeria. Issues such as unreliable electricity supply, poor road networks, and inadequate water and sanitation facilities increase development costs and reduce the attractiveness of potential investment locations.

Urban Planning Issues: Poor urban planning and zoning regulations can lead to haphazard development and inefficient land use. Inconsistent enforcement of planning regulations can result in legal disputes and additional costs for investors trying to comply with local requirements.

5. Cultural and Local Practices

Negotiation and Business Practices: Business practices in Nigeria can differ significantly from those in more developed markets. Negotiations often take longer and may involve informal processes that are unfamiliar to international investors. Understanding and adapting to these local practices is essential for successful investment.

Local Market Knowledge: A deep understanding of the local market dynamics is crucial for successful investment. International investors may lack the local knowledge necessary to identify the best opportunities and mitigate risks. Partnering with local experts or firms can help bridge this gap, but finding reliable partners can be challenging.

Case Study: Nigeria's Real Property Market

Residential Real Estate: Eko Atlantic City is a large-scale, mixed-use development project on reclaimed land off the coast of Lagos. It aims to provide high-end residential, commercial, and retail spaces, addressing the need for modern infrastructure in Lagos.

Challenges: The project has faced several challenges, including delays due to regulatory hurdles, financing issues, and initial skepticism from potential investors about the viability of such a large project in Nigeria.

Opportunities: Despite these challenges, Eko Atlantic City has attracted significant foreign investment and interest, showcasing the potential of Nigeria's real estate market when modern infrastructure and clear regulatory frameworks are in place.

Commercial Real Estate: The Office Market in Lagos, Nigeria's commercial capital, has seen substantial growth in demand for Grade A office spaces. The city's financial district, Victoria Island, and Lekki have become prime locations for commercial real estate.

Challenges: Investors in the Lagos office market face challenges such as high construction costs, difficulties in securing financing, and regulatory complexities. Additionally, the economic downturns and currency fluctuations have affected occupancy rates and rental yields.

Opportunities: The demand for high-quality office spaces remains strong, driven by the growth of the financial services, technology, and telecommunications sectors. International firms continue to seek office spaces in Lagos, highlighting the city's role as a business hub in West Africa.

Retail Real Estate: The Palms Shopping Mall in Lagos is one of Nigeria's first modern shopping malls, offering a range of retail, dining, and entertainment options. It has set a benchmark for retail development in the country.

Challenges: Retail developers in Nigeria face issues such as high land acquisition costs, inadequate infrastructure, and competition from informal retail markets. Security concerns and economic instability also pose risks to retail investments.

Opportunities: Despite these challenges, the success of The Palms Shopping Mall demonstrates the potential for high returns in the retail sector. The rising middle class and increasing consumer spending power continue to drive demand for modern retail spaces.

Hospitality and Leisure: The Transcorp Hilton Abuja is one of Nigeria's leading hotels, catering to business travelers, tourists, and government officials. It has been a significant player in the Nigerian hospitality industry for decades.

Challenges: The hospitality sector faces challenges such as high operating costs, competition from newer hotels, and security concerns. Additionally, the economic downturns have affected the disposable income of potential guests, reducing occupancy rates.

Opportunities: The Transcorp Hilton Abuja's ongoing success highlights the potential for investment in the hospitality sector. The hotel's ability to attract a diverse clientele, including international guests, underscores the demand for high-quality hospitality services in Nigeria.

Common Challenges across Sectors

Regulatory Hurdles: All sectors face significant regulatory challenges, including complex land acquisition processes and inconsistent enforcement of property laws.

Economic Instability: Currency fluctuations, inflation, and economic downturns impact investment returns and market stability across all real estate sectors.

Infrastructure Deficits: Inadequate infrastructure, including unreliable power supply and poor road networks, increases development costs and hampers real estate growth.

Strategies for Mitigating Challenges in Nigeria's Real Property Market

1. Mitigating Legal and Regulatory Challenges

Comprehensive Due Diligence: Conduct thorough due diligence to verify land titles, understand local laws, and assess any legal risks associated with property acquisition. Engaging experienced local legal counsel can help navigate the complexities of the Nigerian legal system and reduce the risk of encountering fraudulent transactions.

Streamlining Compliance Processes: Work closely with regulatory bodies to streamline the compliance process. This may involve lobbying for more transparent and efficient regulations and working with industry associations to advocate for reforms that simplify land acquisition and property development processes.

Leveraging Technology: Use technology to manage compliance and streamline documentation processes. Implementing digital platforms for record-keeping, title verification, and regulatory filings can enhance transparency and reduce bureaucratic delays.

2. Mitigating Economic and Financial Challenges

Currency Risk Management: Employ financial instruments such as forward contracts, options, and swaps to hedge against currency risk. These instruments can protect against adverse currency movements and stabilize returns on investment.

Diversifying Investments: Diversify real estate investments across different sectors (residential, commercial, retail) and regions within Nigeria to spread risk. This approach can help cushion the impact of economic volatility on the overall investment portfolio.

Securing Favorable Financing: Explore various financing options, including international development finance institutions (DFIs), to secure more favorable loan terms. DFIs often provide lower interest rates and longer repayment periods compared to local banks.

3. Mitigating Political and Social Challenges

Engaging with Local Communities: Build strong relationships with local communities and stakeholders to gain their support and mitigate social risks. Investing in community development projects and maintaining open communication channels can enhance the social license to operate.

Political Risk Insurance: Purchase political risk insurance to protect against losses resulting from political instability, such as expropriation, political violence, or currency inconvertibility. Insurance can provide a financial safety net and increase investor confidence.

Active Monitoring and Risk Assessment: Continuously monitor the political landscape and conduct regular risk assessments to stay informed about potential risks. Engaging with political analysts and consulting firms can provide valuable insights into emerging risks and help develop proactive mitigation strategies.

4. Mitigating Infrastructure and Development Challenges

Public-Private Partnerships (PPPs): Partner with government agencies and other private sector entities to invest in infrastructure development. PPPs can help share the financial burden and leverage public resources for infrastructure projects, improving the overall investment environment.

Investing in Infrastructure Projects: Invest directly in infrastructure projects that support real estate development, such as power plants, water supply systems, and transportation networks. These investments can enhance the attractiveness of real estate properties and reduce development costs.

Phased Development Approach: Adopt a phased development approach to manage infrastructure deficits. By developing projects in stages, investors can ensure that infrastructure is gradually built out in tandem with the project, reducing upfront capital requirements and minimizing risk.

5. Mitigating Cultural and Local Practice Challenges

Local Partnerships and Joint Ventures: Form joint ventures with reputable local partners who have a deep understanding of the market and regulatory environment. Local partners can provide valuable insights, facilitate smoother transactions, and help navigate cultural nuances.

Cultural Sensitivity Training: Provide cultural sensitivity training for expatriate staff to ensure they understand and respect local customs and business practices. This can enhance relationships with local stakeholders and improve the effectiveness of negotiations.

Building Local Expertise: Invest in building a local team with expertise in real estate, finance, and legal matters. Local staff can provide critical market intelligence, facilitate compliance with local regulations, and enhance the overall efficiency of the investment process.

In conclusion, mitigating the challenges associated with international investment in Nigeria's real property market requires a multifaceted approach. By conducting thorough due diligence, leveraging technology, engaging with local communities, and forming strategic partnerships, investors can navigate the complexities of the Nigerian market. Employing financial instruments to manage currency risk, securing favorable financing, and investing in infrastructure projects are essential strategies for ensuring sustainable and profitable investments. Additionally, cultural

sensitivity and building local expertise are crucial for successful operations in Nigeria's dynamic real estate landscape.

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