REAL ESTATE INVESTMENT AND MANAGEMENT STRATEGIES IN NIGERIA: THE GLOBAL MELTDOWN CHALLENGE

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1. ABSTRACT

The Estate Surveyor and Valuer is a consummate professional with bias for investment in real property. Investments are only sustained by means of adequate management. Investment in real estate is capital-driven and as such requires good planning and cautious execution so as to meet the target and objective of such investment. The realization of the long term and overall purpose of real estate investment is the function of good management. An investment can only stand the test of time if it is properly managed. A colossal economic loss results whenever there is failure of real estate investment. This problem is usually management-related. It is merely wishful to talk about venturing into real estate investment without the requisite capital. This explains why a lull results in the real estate investment sector whenever there is an economic crunch or recession. This follows the natural order that someone cannot put something on nothing. It is believed that the global economic meltdown has further worsened the already poor state of investment in real estate in Nigeria. We continue to live with the demons of housing shortage, sub-standard construction, abandoned building projects, dilapidated properties, unplanned development and their likes. It has equally been found that the real estate sector constitutes the engine room and live wire of every economy. Virtually every other sector of every economy depends directly or indirectly on the real estate sector for functionality and sustenance. There is every need to encourage and guard activities in the real estate sector as the credible means of positively turning around our economy particularly at this season of crunch and dwindling. Essentially, government cannot be left out in this struggle which should involve all requisite professionals and championed by the Estate Surveyor and Valuer.
2. THE REAL ESTATE INVESTMENT CLIMATE IN NIGERIA

Investment in Nigeria’s real estate sector has remained chequered for a long while. This is as a result of the avalanche of problems it has continued to contend with. A commentator with The London Times (McVick, 2009) had remarked that the state of Nigeria’s real estate sector can summarily be described by what he termed the 3Bs – Bumps, Bonds and Bombs.

He noted that ‘Bumps’ depict the initial apprehension one is bound to entertain at the very time the idea to invest is conceived even at the mental realm. Apprehension at this level, according to him, is driven by the ordinary knowledge and awareness of the facts and factors associated with the proposed investment environment. In his words, suppressing fear is surviving halfway. On the second ‘B’ that denotes ‘Bonds’, he stated that it represents the various regulations, guidelines, rules, policies, benchmarks and their likes which ordinarily speaking, are usual, since there should expectedly be a referee for the purposes of effecting checks and balances. Then ‘Bombs’ he says, refers to the great unknown, the unpredictable, sometimes referred to as the Nigerian factor. It could land by way of a bombshell, a directionless and merciless blow, an attack by way of policy somersault, a sharp plunge in monetary value, exchange rate hazard, citizen/labour unrest, political upheaval, militant restiveness, faceless hostage-taking and such other jolting devastations. Recent studies have established a direct link between social vices and stunted productivity.

Investment in real estate is widely believed to be the pivot on which the economic wheel of every economy revolves. The worry then is that if our real estate investment climate is beclouded by these rather tall mountains, what will be left of it when the global cankerworm of economic meltdown is added? This opens an entirely new vista of discourse.

Investment in real estate is largely indispensable in any human society since the people must be sheltered and survive where they live and where they work. There is no doubting the fact that government at its level has put-in and continues to put-in quite much in the vital area of housing but the issue remains whether it has been gotten right.

In its working journal, the Federal Mortgage Bank of Nigeria (FMBN, 2004) observed as follows:

“Investment opportunities abound considering a large market created by Nigeria’s housing deficit put at 16 million units and a corresponding housing finance gap conservatively put at over ₦30trillion. Housing finance presently accounts for only 0.38% of Nigeria’s GDP but has the capability of contributing more than 40%.”

Nigeria requires an investment quotient of ₦1 trillion annually for the next 20 years to bridge this yawning gap of 16 million housing units deficit. This is almost an impossibility given contemporary realities.

The FMBN has articulated a number of measures aimed at encouraging and boosting investment opportunities in housing in Nigeria as follows:

- Legal and administrative reforms for a mortgage-enabling environment, particularly to make property transfer easy and efficient as well as encourage investment in housing-related capital market securities.
- Liberalization of primary loan organization as a means of abolishing entry barriers.
- Consolidation in the banking industry to enhance the capitalization level of banks.
- The institution of contributory pension policy with long term funds for capital market investment.
• Moulding Government policy thrust to encourage private sector participation in the housing industry.

   Again, these are lofty ideas and noble objectives. The worry remains: Who will bell the cat? When do we start seeing the dream come true so as to emancipate the Nigerian people?

3. HINDRANCES TO INVESTMENT IN REAL ESTATE IN NIGERIA

   This is usually drummed almost at every workshop of this nature. Yet, not much has been done in the much canvassed quest for a meaningful remedy.

   - Provisions of the Land Use Act, particularly as regards alienation, expropriation and compensation, does not help matters. The real estate investor is a prudent and rational businessman and as such will always desire the liquidity of his investment. At most parts of the world, real estate is treated as a liquid asset, thus transactions on it flow quite feely, easily and simply. This is far from what obtains in Nigeria.

   - Law and Policy inconsistency has continued to deal deadly blows on real estate venturing. In some cases, legislations and regulations conflict and the investor is pitiably left at the receiving end. It has been observed and rightly so, that we have quite enough housing-related legislations and policies here in Nigeria. What we clearly lack is enforcement. If we properly implement only 10-20% of the pro-masses provisions of our real property related laws, Nigeria will become a mini-heaven in that area. Yet, the only thing required to bring this situation to bear is mere overcoming of the spirit of selfishness, vested interest and mundane pursuits. Moreover, a number of other obsolete legislations stall real estate investment in Nigeria.

   - No real estate sector can actually excel without a well developed mortgage system. It is obvious that our mortgage practice here is unpopular and is almost driving towards extinction. How then will this sector progress?

   - Instability in virtually every sector of our polity has hunted us to an unfortunate extent. Nigerian politicians are empires unto themselves. It is difficult to believe that they have any positive stake in this country. Our Banks are steadily passing through one form of storm or another with the usual consequence of illiquidity and failure. We have experienced widespread stock crash, poor Naira value/monetary devaluation and exchange rate inferiority, rising interest/lending rates, high cost of building materials and soaring inflation. Public officials are battling with the unfortunate cankerworm of lack of confidence by the people. Insecurity has become part of our national life. The citizenry generally have grown used to the winner-takes-all syndrome. Nigeria remains a recurrent decimal in the global list of outstandingly corrupt nations. Corruption is almost becoming our culture and way of life here as it has eaten so deep into the fabric of our very existence.

   The list is far from exhaustive. Simply put, there is an urgent need for a sincere and radical overhauling of our system. We require a national rebirth and a total change of our value system.

   It is wondered whether meaningful investment can really thrive under such hostile conditions. Even the scripture records that anyone surrounded by enemies guards his life closely and jealously. We should really reflect deeply on this.
4. REAL ESTATE INVESTMENT MANAGEMENT CULTURE IN NIGERIA

The issue of management is yet another problem seriously staring our real estate sector at the face. Our management culture is obviously below acceptable limits. This accounts for why most real property at various parts of our country lie in states of disrepair with numerous others abandoned due to poor project conception and planning. Shanties, slums and sub-standard buildings abound. Added to these is the ill-wind called building collapse which drains and dries the scarce investment capital. The latest of this is the collapse of a six-storeyed building at Lagos last week in which no fewer than one hundred and fifteen (115) persons lost their lives.

The thinking is that it is better not to go into investing in real estate than to invest and not manage it properly. A cursory glance at the buildings at most neighbourhoods will paint a clear picture of widespread dilapidation of buildings everywhere. This ranges from private buildings to public ones; from residential properties to commercial ones, down to industrial, recreational, institutional and the rest of them. It appears our people regard investing on maintenance as a waste of resources without appreciating the fact that it is the livewire and safety valve of their investment.

Property Management ranks amongst the fastest growing areas of specialization within the real estate industry. It is emerging as a managerial science. Today, Property Managers must possess the communication skills and technical expertise required for dynamic decision making. Increasingly, more varied skills are required of the Property Manager who is called on to act as a market analyst, advertising executive, salesperson, accountant, diplomat, or even maintenance engineer. Moreover, the manager is expected to interact competently with many professionals in related fields, such as: attorneys, accountants, environmental inspection companies, etc. The manager must acquire and refine a wide range of inter-personal skills in order to work effectively with owners, prospects, tenants, employees, outside contractors and others in the real estate business (Kyle, et al, 2005).

Facility Management as a practice and profession is continuing to evolve to provide management services that meet strategic long-range and short-term corporate requirements. These business practices combine proven and innovative methods and techniques with the most current technical knowledge to achieve humane, productive and cost-effectiveness work environment. Facility professionals must look ahead with minimal knowledge and be able to both perform and improve routine tasks. The desire and ability to work well with people in a service capacity, to be practical, economical, available, tactful, flexible, persuasive, responsive and timely are additional Facility Management traits and requirements (Rondeau, et al, 2006).

Facility Management is fundamental to all organizations. Without the buildings, equipment, services and environment being delivered to best practice standards, the organization could not produce its core product with optimum efficiency and effectiveness. The provision of buildings, the environment within which people work and the equipment they use constitutes a large portion, if not the majority, of the organization’s capital assets. The services provided to enable the core staff to operate probably constitute the second largest operating cost after staff costs. It stands to reason that the protection and maintenance of the physical assets and the control of service costs are essential to the good management of the organization. The Facility Manager, being responsible for this field of activity, therefore has a crucial role to play within both the strategic long-term planning and the day-to-day operation of the establishment. In simple language, this means that the Facility Manager should be responsible for delivering a variety of support services to the staff of the organization in a way that enables them to maximize their effectiveness (Paxman, 2007).

Why is it not possible for the Estate Surveyor and Valuer to takeover the routine management of our public buildings such as Ministries/Secretariats, Court buildings, Hotels, Banks, Petrol filling stations, School buildings, Sports stadia, Airports, Seaports, Markets, even Churches, etc. The overall objective of such investments will be better realized if it is left in the hands of safe, informed
and effective management. It would be recalled that investment in real estate is recognized as an ideal investment (Richmond, 2004). Management is the key to sustainable investment. Investments are sustainable when they stand the test of continuity, survival and other long term incidences.

5. ENHANCING REAL ESTATE INVESTMENT AND MANAGEMENT IN NIGERIA: SALIENT ISSUES

Economic meltdown is not really as demonic as many of us think. It is only an economic caution. Here in Nigeria, we had gone through even more daring situations like the austerity measure era, the structural adjustment programme, the Banks and Insurance Companies re-capitalization period, etc. This perhaps follows the Scriptural exposition that there is no new thing under the sun – Ecclesiastes 1:19. Despite our economy’s harsh peculiarities, international agencies, blue chip organizations, the World Bank (IBRD), the IMF, IFAD, HSBC and their likes continue to regard Nigeria as an investment heaven.

A former Nigeria’s Minister of External Affairs during one of his international press briefings described Nigeria as an investment paradise (Ikimi, 1998). Our rulers have at one time or the other assumed different postures regarding our economic standing at the global level. One observed that our problem was not money but what to do with it. Another stated that our economic problems defile all known economic theories and solutions. Yet others launch one form of economic programme or the other such as the National Development Plans, National Rolling Plans, Operation Feed the Nation, the ‘magical’ programme of everything for all by the year 2000, the Vision 2010 blueprint, the National Seven-Point Agenda, the national transformation programme, Vision 20-2020, etc.

The Budget office of the federation (2010) had reported that the nation lost the sum of ₦205.238 billion to the global meltdown.

Almost all tiers of government are embarking on supplementary appropriation to square up with the challenges. It is pertinent to reiterate that the situation does not present the level of apprehension we seem to have attached to it. We only require wisdom, good counsel and cautious trading. Even the Scripture draws attention to situations of this nature when it says at Job 5:22 that:

*At destruction and famine, thou shalt laugh……All things work together for good to them that love God – Romans 8:28.*

The people that love God are those that do things well, for God Himself hath done all things well… *Mark 7:37.*

Our great consolation draws from the injunction at Isaiah 65:21 to the effect that despite all odds, we shall build houses and inhabit them and plant vineyards and eat the fruits thereof. The Lord says we should not fear, for He is with us – Revelation 1:17.

The most credible strategy to enhancing investment and management of real estate is the development of the will to do things right at all times and in all situations. Let square pegs go into square holes. For how long shall the authorities in Nigeria continue to dwell in wrongdoing? Shall we continue in sin for grace to abound? The Estate Surveyor and Valuer has been set out statutorily as the champion of all real estate related issues, particularly as regards their investment and management. Why has he continued to be side-tracked?

There have been calls for a representative action or at least approaching the Court for a declaration but the thinking in some quarters rather is that this is a hard option. Recall that in August 2007, a 15-man Presidential Committee on the implementation of the policy on affordable housing delivery in Nigeria was constituted without a single Estate Surveyor and Valuer as member. Yet the laws of our land say he is in charge once it comes to matters of such nature. Moreso, we are operating a democracy. It is difficult for all things to work together for good for a people that do things to the distaste of God.
The Estate Surveyor and Valuer is not trained to operate only in times of boom. As an expert, he is equipped to equally consult in times of doom. He cannot afford to fail. There is no alternative to consulting him particularly in this era of global economic challenges so as to invigorate the real estate sector which will trigger a multiplier effect on every other sector of the economy.

Understandably, investment in real estate usually has an urban bias due to the projection of urban surge in human population across the globe by the year 2025 (WUP, 2004). See the Table below.

### Percentage of the Population Living in Urban Areas (by region)

<table>
<thead>
<tr>
<th>Region</th>
<th>1970</th>
<th>1995</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>23.0</td>
<td>34.4</td>
<td>53.8</td>
</tr>
<tr>
<td>Asia (excluding Japan)</td>
<td>21.0</td>
<td>34.6</td>
<td>54.0</td>
</tr>
<tr>
<td>Latin America</td>
<td>57.4</td>
<td>73.7</td>
<td>84.7</td>
</tr>
<tr>
<td>Oceania (excluding Australia &amp; New Zealand)</td>
<td>18.0</td>
<td>24.0</td>
<td>40.0</td>
</tr>
<tr>
<td>Developed</td>
<td>67.5</td>
<td>74.7</td>
<td>84.0</td>
</tr>
<tr>
<td>Australia &amp; New Zealand</td>
<td>84.4</td>
<td>84.9</td>
<td>89.1</td>
</tr>
<tr>
<td>Europe</td>
<td>64.4</td>
<td>73.3</td>
<td>83.2</td>
</tr>
<tr>
<td>Japan</td>
<td>71.2</td>
<td>77.5</td>
<td>84.9</td>
</tr>
<tr>
<td>North America</td>
<td>73.8</td>
<td>76.1</td>
<td>84.8</td>
</tr>
</tbody>
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### 6. RECOMMENDATIONS

The following recommendations have been put forward drawing from the issues canvassed here.

1. There is need for enlightenment on the fact that the issue of global economic challenge only calls for cautionary dealing and nothing more. It does not in any way spell doom for anybody or any economy.
2. Governments across the globe should embrace propriety by using the appropriate professionals for adequate results in every sector of their economies.
3. Every real estate investment project should have a maintenance/management plan running in parri passu. This will go a long way in ensuring that such projects stand the test of time at eventualities.
4. The Estate Surveyor and Valuer should continuously engage in capacity building as a means of remaining adequately equipped for the ever increasing practice challenges.
5. The salient provisions of real estate related legislations should be conscientiously implemented. Also, government should develop the positive will to stamp out all barriers hindering investment in real estate in Nigeria, particularly the ones that discourage external participation.

7. CONCLUSION

The Estate Surveyor and Valuer remains in charge of events in the real estate sector. This fact can no longer be wished away. It will remain a waste of time for anyone to continue pretending or thinking that the Valuer’s position does not exist. The best bet is to allow him a free and co-operative hand to enable him deliver and save the people from their long standing shelter quagmire. Notwithstanding the hostile environment in which he is operating, the Valuer should not be deterred given that he is under oath not to fail the society in this calling. Poverty anywhere is a threat to prosperity everywhere (Jhinan, 2006).

Investment in real estate remains the springboard on which our economy relies for survival. Every necessary step should therefore be taken to ensure that the stakers and stakeholders are encouraged to as much extent as possible. Global meltdown and recession challenge should not dissuade anyone. Of course the battle is stiff but victory surely is ours. It is better to stumble to heaven than to walk pleasurably into hell. The time to act is now.

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