AN EVALUATION OF THE MATURITY OF THE NIGERIAN PROPERTY MARKET

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APPROVAL

This research report has been approved by the Department of Estate Management, and the School of Postgraduate Studies, University of Lagos

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CERTIFICATION

This is to certify that the thesis

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DEDICATION

To my late Grandma, Unenge Udon Chia (Nee Ifever) who longed to see me for the very last time but couldn’t because I was on this programme, and late Grandpa, Dugeri Akatu Idiege of Mbabuande. Rest assured that God has realised this one dream you last prayed for.

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T. T. Dugeri

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08.08.11

ABSTRACT

This research on the Nigerian property market is set to ascertain its maturity status and find out factors that may have constrained its growth with a view of identifying steps to be taken towards its re- positioning. This study employs the property market maturity paradigm suggested by Keogh and D'Arcy (1994) as a framework for analysing property markets using the six criteria of – extent of diversity of use and investment objectives catered for, flexibility, property profession, market information and research, standardisation of market practices and property rights. The population for this study comprised estate surveyors and valuers, property developers, public officers charged with land administration, land use and development control. Others include investment fund managers and analysts. The study covers the property markets of Lagos, Kano, Port- Harcourt and Abuja. A total of 247 estate surveyors and valuers in the four cities were sampled using the cluster sampling technique alongside 24 interviewees in a mixed methods research design that involved a questionnaire survey and semi- structured interviews. The questions posed mostly as Likert- scale in the survey instrument were analysed using means after been subjected to a Kruskal Wallis H Test. Other forms of data employed include historic rents and official exchange rates of the Naira against the US $, and rates of inflation analysed to test for stability of values within the property market. On the basis of a uni- dimensional maturity criteria classification metric –scale, developed in the course of this study, was employed to evaluate the maturity of the Nigerian Property market using the four cities. On the aggregate, the market is adjudged to be open. It has however failed to achieve on all the other criteria. There is a thin presence of property professionals which accentuates the difficulties in entrenching standardised market practices and hence transparency. It would appear that the two problems of market capital liquidity, and the information quality and flow would have been overcome but for an endless restructuring of the financial and banking sectors of the economy prior and after the 2008

global recession. Based on these findings, the market is adjudged to be immature. Nevertheless, the market exhibits potential to emerge from its current status but must be given the needed fillip through a well articulated mix of land use policies and property based taxation. Deliberate efforts must be made to boost the presence of property professionals in the market, entrench standardisation of market practices, and property market research must assume centre- stage in the business of the professional society and academia.

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CHAPTER ONE

GENERAL INTRODUCTION

1.1 BACKGROUND TO THE STUDY

The last quarter of the 20th century ushered in a radical change in investment practice across the globe generally, with real estate being among the most profoundly affected sectors. This phenomenon has been propelled by the forces of globalisation. Initiated by transnational entities and mediated through series of political and economic reforms in the latter part of the 20th century globalisation catalysed the transformation of economies affecting major cities and regions. This process impacted labour and capital movements across borders and caused unprecedented economic and industrial restructuring in the economic world.

The globalisation process has been propelled by rapid advancements and developments in the field of information and communication technology (McGreal, Parsa, & Kievani, 2002; Osuntogun, 2005). The resultant costs and benefits of a globalised world economy, accruing to various parts of the world which have allegedly been highly skewed and distortional, have since been subjects of heated debates which remain largely unresolved to date (See Goldin & Reinard 2007, McGreal, *et al.* 2002, Omirin 2007). However, it can be argued that globalisation has successfully created a new world economic order; one that favours a diminishing role for government by way of direct involvement in economic activity with a preference for her to partner with the private sector even for what was generally perceived as social and hence, government’s preserve. The public sector has since assumed the role of a facilitator in the investment arena playing behind the scene roles but whose form has come to determine the contour that directs investment flow.

Of significant relevance to all economies today is the impact that globalisation has had on investment practice. The unprecedented internationalisation of investment activities that came along with the lowering and removal of trade and investment barriers across nations and regions has led to several economic reforms opening up new markets within regions as nations position themselves to maximise associated benefits.

Towards the mid 1980s, the world's attention turned to the Asian region on account of its unprecedented economic growth just about when the industrialised world was experiencing economic hiccups. Even in the face of economic difficulties in their home countries, western institutional and major property investors were reluctant to venture into the emerging Asian property markets which they then considered risky. About the same time, the Maastricht Treaty of 1985 that ushered in the unification of Europe was signed and the disintegration of the former socialist states commenced, and property investors were considering opportunities in 'new markets' in both Asia and Central and Eastern Europe. The subject of market maturity level thus became central in explaining the state of affairs within property markets most of which were just emerging from non-capitalist and semi-capitalist systems to a market economy. Seek (1996) outlined in graphic detail, the Asian economic transformation process and compared market evolution stages between some Asian Pacific cities and the US. He had then contended that the benefits of property investments in the Asian region far outweighed perceived risks as the markets within the region were at various stages of evolution towards maturity.

The flow of internationalised investment activity has not been without direction. The direction of flow is set by investors' judgement on the existence and quality of markets. In the globalised investment world, a market's competitiveness is defined solely by investors' perception, relative endowment with infrastructure, and a favourable institutional environment. It is for this reason that markets are analysed in the investor/participants' context along with the opportunities and associated operational structures subsisting within an economy assuming centre stage. The criteria for measuring competitiveness of investment markets are therefore set by the interplay of subsisting opportunities and associated operational structures that enable and support particular forms of investment (Osuntogun 2005, McGreal, et al. 2002). The extent to which investment activity is facilitated operates to define a given market's level of maturity.

The property market is a major receptacle of foreign direct investment and the extent of its development determines the extent to which it can contribute and buoy a nation's economy. The Nigerian property market with its potential, like similar markets in several emerging economies in Africa, has not benefitted from internationalised property investment and remains poorly researched.

1.2 STATEMENT OF THE RESEARCH PROBLEM

The Nigerian property market in spite of its size and robustness appears not to have elicited commensurate attention from international investors. It has only recently managed to receive no more than a glimpse of industry based reviews and perhaps a handful of academic research which practice is even rarely sustained. It would appear that it may have been considered immature, yet no empirical study has been conducted to date on the Nigerian property market to reveal its state of maturity as has been done for similar property markets elsewhere (Keogh & D'Arcy, 1994; Armitage, 1996; Chin & Dent, 2005; Lim, 2006; Chin, et al. 2006). As such, views expressed on the market are not based on research. Consequently, investor perception about the market will remain hinged on myths rather than empirical evidence (Lim, et al. 2006).

The central role of real estate in the furtherance of economic activity accords it a prime place in the globalised investment world. Investment first flowed into property in line with emerging investment practice that necessitated providing 'standard' space for expanding firms entering new markets and later as an investment asset. The strategic role of real estate in this context soon operated to spur deep research interest on property markets in the last decades of the 20th Century (see Walker & Flanagan, 1991; Seek, 1995, de Malgaheas, 2002). The maturity of property markets has in recent time assumed topical relevance and generated research attention among real estate analysts, academics and practitioners. It is a cardinal requirement of prospective property investors and markets that are not measured to reveal their states of maturity remain shut out of their horizon. It would appear that the Nigerian property market remains shut out from benefitting from global property investment necessitating an evaluation of its state of maturity. Studies are needed to discover the real causes of its immaturity and how best to deal with them.

Research interests in investment property markets have varied along geographical lines. The issues of risk and return dynamics in emerging markets have dominated the research concerns of researchers in the developed world where markets are relatively more matured. In the emerging economies, attempts are being made to reveal factors that shape and constrain operations of real estate markets. The main concern has always been to show the extent to which these markets are evolving (Omirin, 2007); or matured with a view to comparing them with the mature markets of the United States (US), United Kingdom (UK), Singapore, and Hong Kong (Chin, Dent, & Roberts, 2006; Newell, Acheampong, & Duplessis, 2002; Liow, Adair, & Shi, 2006; Klienman, Payne, & Sahu, 2002), and in another instance, to correct erroneous perceptions of these markets where not based on empirical evidence. Market studies thus facilitate a deeper understanding of the markets particularly in emerging economies and, possibly a guide to woo reluctant cross border investors to emerging markets (Lim, McGreal, & Webb, 2006).

On the Nigerian scene, the bulk of contemporary research work on the property market has tended to concentrate on the factors underlying aspects of its operations rather than on its maturity (Aluko & Amidu, 2005; Babajide & Bello, 2005, Ogunba & Iroham, 2005; Babawale, 2005; Babawale & Koleosho, 2005). The bulk of studies undertaken since 2005 were disseminated at two conferences held in the same year and they possibly most probably marked the first local attempts to consider the impact of globalisation on the local real property market. However most of the studies were not empirical and they failed to consider the issue of market maturity which is central to globalisation. At present, there is hardly any local research work that has considered evaluating the Nigerian property market's level of maturity.

Also, the focus of researchers probing property market maturity has been on the emerging markets of Asia with Africa generally receiving little attention (Lim, 2006). Sub Saharan Africa, excepting South Africa, has even been adjudged to be outside the investment horizons of global property investors (Anim-Odame, Key & Stevenson, 2008). Nigeria in particular according to a recent study seems to have been entirely overlooked (Omirin, 2007).

In today's world economy, industry and academic research has come to assume the role of 'directing' the investing community. This is particularly so when markets are researched and reported by credible firms/ agencies, professionals, and scholars. For instance, the Global Real Estate Transparency Index published bi-annually by Jones Lang LaSalle since 2001 has become a popular measure of global competitiveness of property markets across regions and nations. In their last posted report on Global Real Estate Transparency (its 6th edition) of 2010, the Nigerian property market was not considered worthy of inclusion even though 82 countries across the globe were covered including 26 additional countries' property markets that entered the list in 2008 (JLL, 2010).

This study has been prompted by the need to fill this gap by empirically evaluating the level of maturity of the Nigerian property market and identifying the factors affecting its maturity so far. Real estate market maturity has continuously resonated on the discussion of similar real estate markets elsewhere and the Nigerian property market cannot gain any effective international relevance if its maturity status remains unmeasured.

1.3 AIM AND OBJECTIVES OF THE STUDY

AIM

The aim of this study is to determine the extent of maturity of the Nigerian property market with a view to determining factors that may be constraining it in its evolution path towards maturity.

OBJECTIVES

The following study objectives are therefore set to achieve the study's aim;

i. To identify from existing literature which factors determine maturity of property market.

ii To evolve a property market maturity classification scheme for the Nigerian property market.

iii To find out the extent to which the Nigerian property market exhibits characteristics of maturity.

iv. To determine characteristic(s) of maturity that maybe lacking in the Nigerian property market.

v. To determine which factors are most significant in determining maturity level in the Nigerian property market.

vi. To establish the level of maturity of the Nigerian property market

1.4 RESEARCH QUESTIONS

This study is therefore set to address the following research questions;

i. What factors determine maturity level in property markets?

ii. How is the extent of property market maturity to be rated?

iii. To what extent does the Nigerian property market exhibit such characteristics?

iv. Which characteristic(s) are lacking in the Nigerian property market?

v. What factor(s) is most significant in determining maturity level in Nigeria?

vi. What is the level of maturity of the Nigerian property market?

These broad research questions will be evaluated on the basis of established property maturity criteria.

1.5 SIGNIFICANCE OF THE STUDY

A study of the Nigerian property market's level of maturity would meet the need for an empirical basis for situating it among comparable markets globally. This would enable a better appreciation of its strength and challenges by the investing community. It would also make for a better and more informed basis for investment advice and comparison. Notwithstanding its size and huge potential, the market has continually missed out of the investment compass of international fund managers and the research agenda of investment property analysts. Thus, it has remained relatively little researched. This study is therefore considered not just timely but relevant in several pertinent ways:

First, it will provide property and other investment analysts with the needed basis for a more meaningful comparison with other property markets. Second, it will help to redirect research interest on the market by both academics and industry-based researchers by providing basic empirical evidence on factors driving its maturity path; Finally, by revealing the market's strengths and challenges, the study will feed the local policy making process with strong basis through empirical data to re-position the market for global competitiveness. The Nigerian property market seems to have been shut out of the international property investment arena mainly by lack of empirical research on its character with respect to its maturity level. International investors' perception of the Nigerian property market is overwhelmingly anchored on wrongly formed perceptions rather than facts (Lim et al, 2006). This study will serve the need of reconstructing investor perception about the Nigerian property market. The perceived state of a property market maturity's level enables Investors to make reasonable judgement of the market's set of opportunities and risks. Generally, investors look out for markets that present 'familiar' operating conditions they are used to and a measure of state of maturity offers some statistics to compare activities and basic attributes between mature and immature markets.

1.6 SCOPE OF THE STUDY

This study targets major participants involved in the Nigerian property market, particularly Lagos in the South West, Port Harcourt in the South East, Abuja the Capital city, and Kano in the North. These four cities have been selected for this study for the following reasons:

Lagos, previously the capital city of Nigeria, is arguably the most vibrant property market in Nigeria. It remains the nation's commercial capital with over 80% of businesses having their head offices or at least a branch office in the city. The strategic and economic importance of Lagos issues from both its natural and political history. According to the 2006 census figures by the National Population Commission, metropolitan Lagos is populated by 7,557,050 people which translates to 82.9% urban population. It had previously served as a major slave trade post in the pre-colonial era and later assumed the status of a trading port city in the late 19^{th} century predating the birth of the nation. It combined these roles both as a commercial and political capital of Nigeria upon the amalgamation of the Southern and Northern protectorates by the British colonialists in the early 20^{th} century up to 1991 when the capital was relocated to Abuja. On account of its prominence as the foremost property market in Nigeria, it is estimated that over 50% of property professionals practise in this city (Babawale, 2008; Olaleye, 2004). Besides being the most populous city on the West

African coast, it also hosts the nation's busiest international airport the Murtala Mohammed International Airport, Ikeja.

Abuja, the second property market for this study, is the nation's capital. Purposely established in 1976 to serve as the nation's new capital city, it effectively assumed this role in 1991 and has ever since enjoyed tremendous investment in infrastructure. With its premier city status and state of the art infrastructure it has witnessed unprecedented expansion of its property market to accommodate emerged and ever-growing need for both commercial and residential real estate. Abuja by 2006 census has a population of 1,406,239 which is entirely urban. As at date, the Abuja property market is second only to the Lagos property market in terms of property values and size. It currently serves as the practice base of about 10% of property professionals in Nigeria (NIESV, 2009).

Port Harcourt is Nigeria's oil and gas business hub. Until recently, owing to the disruptive activities of militants which almost brought the property market in the city to a point of breaking, its status as an oil and gas city has driven her property market in terms of property values to a level almost comparable with Lagos. The Port Harcourt property market probably ranks next to those of Lagos and Abuja. Oil and gas firms as well as allied service organisations have their headquarters in this city. The city has a population of 1,000,908 according to the 2006 census figures and has recently enjoyed a boost in infrastructure deployment. This city is serviced by both sea and airports, and is home to several petrol-chemical and allied industries.

Kano is the commercial hub of the north of Nigeria. With an urban population of 2,826,307 by the 2006 census figures it ranks as Nigeria's second most populous city. With a long history of commercial activities predating the birth of the Nigerian nation in the West African region, Kano is arguably the biggest property market in the north of Nigeria.

Fig 1.1 Map of Nigeria Showing study areas

Within the city centre there is a notable presence of foreign property investors of Far East and Arab origin in its property market. These range from North Africans, Lebanese, and Asians who are reckoned to have established businesses and trading outlets in the city as early as the mid 18^{th} century. While not engaging directly in trading in property, they have come to own sizeable properties in some of the most prestigious neighbourhoods in Kano.
The subjects of interest for this study include professional advisors (Estate Surveyors and Valuers), financiers and fund providers, developers, and investment fund managers.

The main interest here is to sample their opinion and rating of the market's attainment of the market maturity criteria from an insider participatory perspective. It is also worth noting that international investors are not surveyed directly but by proxy through interviews with investment fund managers. This study is in the context of Nigeria exploratory and thus employs a combination of surveys and interviews and is directed at the commercial sector of the property market.

This study however cannot realistically cover the entire Nigerian property market for the obvious reason of need to achieve a meaningful depth. It is pertinent to note that the study is to a large extent novel and in that context, exploratory (given the wide set of measures required to study a given property market's evolution and operation). Therefore coverage is restricted to the named cities. Equally noteworthy is the fact that the selected case study cities represent the most vibrant in terms of property market activity in Nigeria. There is therefore the likely implication that the results of this study may not be globally descriptive of the entire Nigerian property market, and may differ within the context of other property markets that are comparatively less vibrant. This is to be expected on account of the relative stage reached by the various markets in their respective paths towards evolution and prevailing place-specific factors.

1.7 DEFINITIONS

The following terms adopted for purpose of this study have been used and applied in the work as defined hereunder;

Market Maturity- as applied to the property market refers to the extent to which a market attains/performs with respect to a set of criteria comprising:

i. Catering for the complex and diverse needs of users and investors by offering quality real estate products;
ii. Providing for flexible adjustment both in the short term and long term;
iii. Providing a large pool of skilled property professionals, with its associated institutions and networks;
iv. Providing for extensive information flow and research activity;
v. Its ability to facilitate market openness in spatial, functional, and sectoral terms; and
vi. Providing for standardisation of property rights, and market practices (Keogh & D'Arcy, 1994; Armitage, 1996, Chin, et al. 2006).

Property Market- defines the complex processes in which property rights of diverse forms are exchanged among owners, users, developers, and investors directly or through other media in a given society or state. It is thus a generic term describing several submarkets which can variously be grouped spatially, by sector, or functionally such as the Lagos property market referring to a specific area; the commercial property market which comprises offices, shops and retail space, etc by sector; the investment property market when functionally describing property primarily held for income; or Mortgage Housing Submarket referring to the market for properties acquired through mortgage for housing.

The commercial property sector is the focus of this work and is considered for investors traditional of sector for investment purposes (Wyatt, 2007).

Internationalised property market- The property market becomes internationalised with the entry of foreign investors seeking to achieve portfolio diversification and reap return benefits outside their states of domicile. While for some states it has come about with market maturation issuing from economic growth and consequent sophistication in investment practice bringing forth different products that are easily accessible, most other states have had to deliberately undergo restructuring of their institutional settings in a bid to be competitive in the emerged globalised economy.

Property Professionals **–** as used in this work are people trained and accorded legal recognition to offer the specialist services required to undertake the several intermediation processes of the property market. These services include agency, property valuation, investment property management, and like advisories. The complex nature of the property market intermediation process compels the involvement of diverse professionals like lawyers, bankers, property agents, and professionals of the building industry. The word is however used here to describe professional Estate Surveyors and Valuers as defined by the Estate Surveyors and Valuers Registration Act (Cap E13, Laws of the Federal Republic of Nigeria, 2004). This is informed not just because of the legal recognition accorded them in Nigeria but on account of the relatively more market-specific specialist services they provide and their rather deep involvement with the property market process.

Public Infrastructure- As employed here extends beyond the physical to cover the provision of a virile institutional setup that facilitates the efficient operation of the property market. This includes the laws and all government agencies that regulate, intervene, and control the processes and activities of the property market.

Stable Economic Environment – A stable economic environment derives from a functional and liberalised financial system that is moderated by government's economic and fiscal policies. Economic stability is desired by investors to facilitate achievement of investment plans besides planning. Instability in the economy typified by currency exchange fluctuations, unpredictable fiscal and other economic policies bordering on taxation impact investment performance and remains a key consideration for investors entering any market. It is pertinent to make a distinction between the current and similar global economic recession which though induces economic instability across all economies remains external. This should not be confused with internal instability which is commonly associated with political instability.

Standardised market practices- A standardisation of market practices issues out of an easily understandable set of requirements respecting conduct by property professionals and those dealing in the property market. It comes with some regulation of practice which can only be achieved by the existence of a professional society which members are qualified, knowledgeable, and experienced. The quality of standardised market practices is desired as it guides participants and removes opacity in all market processes. It thus requires some form of standard setting structure with capacity for compelling compliance with market rules and extending appropriate sanctions and redress for non conforming practices.

Standardised property rights- Since property rights are the 'products' the property market trades, the extent to which a market makes for their standardisation gives an insight into its level of maturation. Naturally, standardised property rights evolve through sustained market practices of proprietary interest fragmentation and unifications to meet use, development, and investment objectives of market participants. It is measured by the extent to which these rights assume a common form known to participants in the market. For most property markets, these would be defined by the subsisting tenure laws with the operative legal system specifying how they can be created and enforced.

Market openness- This relates the ease with which the property market can be penetrated by investors. Property investment is deeply regulated and in most markets restrictions in the form of non-entry to aliens, requirements for local participation and size of investment etc. are common. This requires of all investors to have a good understanding of available property investment vehicles and the associated legal and institutional requirements to make an investment. Openness is thus a major determinant of investment flow and is measured by the processes involved, ease and efficiency in transacting.

Diversity of user and investment objectives- Participants in the property market hold different objectives and thus require the market at each point in time to mediate their varying investment plans. A diversity of user and investment objectives is first initiated from the wider economic sphere where with increasing sophistication in business and investment practices imposes a corresponding provision of property forms that meet this demand. This is affected by the extent to which the property market is integrated with the capital and financial markets. This quality enhances investment switching and enables manoeuvrability in the investment asset re-allocation process. It measures the extent to which the property market provides a cocktail of use and investment options to meet participants' needs.

Availability of market data and research- All markets are information driven and the performance of any market is contingent upon how readily available relevant information on the demand situation, supply conditions, and policy measures affecting it feeds the decision making process. The property market is notoriously information inefficient a peculiar feature that confers strategic roles on agents whose performance in turn affects its efficiency. Market information rests with agents who must mediate the transaction process between investors, operators, and institutions. Availability of market data facilitates research activity and helps in explaining processes, behaviour, trends, and other market phenomena of interest. The research function is carried out by both the industry and academia and on account of associated costs involved requires sizeable transactions to be initiated.

1.8 STRUCTURE OF THE THESIS

The thesis is presented in six chapters which broadly segments the work into three parts. Chapters 1 and 2 comprise a background to the work, and its place in Nigeria. It presents the ongoing discourse on the subject of property market maturity to set out a framework for this research as detailed in Chapters 3. Chapter 4 give a description as to how the study is conducted and the character of the data employed for the research and analysis made, while the concluding part of the thesis Chapters 5 and 6 presents the results of the study and the conclusion reached from the research about property market maturity in Nigeria.

CHAPTER TWO

LITERATURE REVIEW

2.1 PREAMBLE

This chapter presents existing discourse on the theme of this work property market maturity. On account of the broadness of extant literature on property market analysis, a select review was made for the purposes of the work. It is drawn mainly on the events leading up to the market maturity debate and how it has come to shape the thinking of property market researchers concerned with its behaviour and state. The reviewed related literature for this study can be segmented into two parts. The opening is the study's theoretical framework and this is followed by a review of works on property market maturity.

It appears that except for South Africa and a handful of some North African states, none of the other African property markets in Sub Saharan Africa have elicited any serious investor attention (Lim, et al. 2006). While it would appear that a lot of literature on property markets abounds for European, American, and Asian markets, it is not the case with African states. To achieve the objective of this study, reliance is therefore made on literature on property market maturity generally, while selected works on the Nigerian property market are reviewed. This is informed by paucity of literature on the continent's property markets and the focus of the study. The goal is to obtain an understanding of the property market maturity concept and the state of the Nigerian property market to enable a conceptual framework for the study to be drawn in the next Chapter. The brief theoretical framework that follows explains *the concepts of Property, Market, and Property market.* This serves as background necessary to set the context for exploring the connected issues of Property Market Behaviour and Performance; and Property Market Research in an Institutional Perspective. These two issues are considered fundamental to the understanding the place of the Property Market Maturity Paradigm in the study of markets.

2.2 THE CONCEPTS OF PROPERTY, MARKET, AND PROPERTY MARKET

Property- originally a legal concept is a cardinal subject in the operation of the market economy. In simple terms, the term property describes specific rights attached to an object or matter which may be real or fictitious. It is these rights, which derive from the wider institutional framework, that accord the holders recognised powers to transact that particular object or matter by putting same to use, manage, and or dispose. It would necessary then follow that property rights, in their widest form comprising ownership, operate to dictate how they are traded and the agencies roles of the various participants involved with it. As used in this work the term property combines its economic and legal connotations. Economists have categorised property rights to distinguish between those that are held in common and those that pertain individuals and thus excludable from other persons in what is commonly referred to as commons or public goods, and private property rights. The system of property ownership permitted by the laws and customs of any society ultimately determines the form and behaviour of the property market.

When related to real property, property rights are as varied as the motives for holding them. The emergence of a sophisticated modern economy which permits the separation of property ownership from physical occupation has made property rights easily tradable. It has also given it an investment status almost similar to capital. And like most economic goods real property units are capable of several property rights co-existing simultaneously. The hallmark of developed economies is the sophistication and diversity of property rights which are easily tradable. Besides providing or serving as a basic economic resource, ownership of property rights give claim to profits by way of rents or dividends, access to credit as collateral, and also with other non-pecuniary benefits and opportunities.

Market – the term market is commonly associated with places or institutions coordinating exchange of economic goods and services. Economists have come to define markets as 'the voluntary exchange between individual buyers and sellers for other goods and services or money' ((Groenewegen, Spithoven, & Van Den Berg, 2010). Markets exist mainly as media for exchange of goods and services and provide means for price-making and allocation of resources in modern societies. The emergence of free market economies in capitalist societies has accorded markets a special place in the provision and consumption of goods and services. According to Groenewegen *et al*. (2010) Adam Smith in 1776 provided the basis of our modern understanding of the market. Neoclassical economists conceive of the market in an idealised state of perfect competition where prices provide information for the optimal behaviour of participants. The authors further argued that the idealised perfect competition quality of the market was called to question only as recently as the 1930s by Ronald Coase who posited that exchange of property rights involved transaction costs to provide a basis for his explanation of the existence of a firm (Groenewegen *et al.* 2010). As contemporary events (the global economic recession triggered by sub-prime lending in the US and the numerous cases of failed mega-corporations like Enron, Parmalat etc.) have come to show, in reality markets are hardly efficient and market failure or distortion could prove fatal not just to the firm, a particular economy but to the whole world.

According to economists, market imperfections arise when markets do not fulfil the basic assumptions of the standard neo-classical model of perfect competition and inefficiencies are introduced into the market. Market imperfections have been classified into six comprising:

i. Imperfect competition,

ii. Market power,

iii. Pure public goods,

iv. Externalities,

v. (de) merit goods, and

vi. Natural monopolies. (See Cohen, 2009, Groenewegen *et al.* 2010 for a detailed elucidation). While the issue of market imperfections is too broad for a detailed coverage in this thesis, it is noteworthy that the property market is one typical example of an imperfect market. Several institutions are required to coordinate the transaction costs of dealing in the market.

The **Property market** can be described as a set of several submarkets where property rights are traded, and unlike other forms of markets such as the Stock Exchange for instance, it has no central dealing spot though it is usual to speak of a property market with a geographic character. For instance there exists the Nigerian property market comprising all the property markets within Nigeria, like the Lagos property market, Abuja property market. Like all markets, it mediates the transaction needs of the numerous participants engaged in it. Participants can be broadly categorised as users, developers, investors and land owners. Owing to the very nature of the product dealt in the property market- real property, it trades specific rights that are attached to particular physical space together with any improvements thereon rather than the physical improvements on the land even though the word property is often loosely used in ordinary parlance to refer to physical developments on land.

Property markets besides being capable of being categorised spatially as earlier explained are equally segmented functionally into commercial property markets - comprising offices, shops, and industrial properties being premises where private sector business and production is mainly conducted. Residential property markets – involving property devoted to housing accommodation, and Agricultural property market which involves all property employed in agricultural production. It is equally noteworthy that these classifications sometimes overlap and are capable of further sub-classifications within the various property markets. For instance, within the commercial property market, there is a property market for offices, shops, or retail (Wyatt, 2007). Commercial real estate is usually the most intensively developed and capitalised, and often times the most regularly transacted in any economy.

Given the peculiar features of real estate, property markets are noted to be information inefficient and the processes involved in dealing relatively complex. For this reason transactions involve a cocktail of agents and intermediaries with whom information on the market reside. The role of agents and intermediaries – predominantly property professionals as agents, who give valuations, undertake development appraisals, negotiate leases, seek permits, and other related advice is strategic and together with other urban dynamics affects a property market's performance.

2.3 THE COMMERCIAL PROPERTY MARKET

The commercial property market is that segment of the property market that deals in commercial property. This comprises offices, shops, retail, and industrial property. Depending on the quality of the subject property under consideration it may command a local market as in the case of a lock-up street shop, a national or international market in the case of a retail centre or office complex. Commercial real estate occupies a prime place in the property market as it commands a sizeable chunk of property investment either as direct or indirect investment into real property. According to Wyatt (2007) about 52% of the total investment in real estate in the UK is in the commercial property sector. It is noteworthy too that international direct investment into real estate is significantly made into the commercial property sector which is usually required to provide the needed space for new business and industry in emerging economies. Across capital cities worldwide, investment by corporate institutions into this sector outlines the city's urban form standing out as iconic symbols of major firms.

Underlying the beautiful skyscrapers that adorn a city's centre, are a set of complex rarely noticed social and institutional dynamics directing the shape and character of the property market. It is generally held that the property market moves with the prevailing wider economic conditions as rents and capital values of real estate units are dependent on the prevailing demand for accommodation space, which demand is in turn, dictated by overall performance of the economy. It is the demand for space that spurs new development, sets the tone for rent bids and consequently capital values but it is observed that supply of real estate units will always lag demand and is relatively less elastic (particularly for commercial property) most times outstripping demand when the market adjusts in the face of a rising demand for commercial property.

2.4 THE PROPERTY MARKET AND THE CAPITAL MARKET

The capital market is a major feature of all modern free market economies providing a means for the trading in 'capital' for the smooth operation of public and quoted entities engaged in the production of goods and service within the economy. Its main function is to coordinate the exchange of capital assets between those with surplus investible funds and those requiring funds for their productive activities. The increased sophistication in investment practice in property has revolutionised the property market with serious consequences for national economy. The diverse property needs within the economy requires constant capital flows into the property market for the creation of new units and also for a mechanism that permits investors to exit as their business plans necessitate. Often times the capital outlay involved in terms of quantum and time horizon involved with real estate investment falls outside the capacity and short term operational mode of traditional finance institutions. The capital market has thus come to play the strategic role of bridging the funding requirements of large scale property investors, particularly for those economies that have embraced securitisation and unitisation of real estate investments. However it is observed that the link between property market and the capital market comes with serious implications to the capital market and the economy generally.

Ball, Lizieri, and MacGregor (2002) have accounted for several interactions of the property market and the financial system of several economies that experienced a 'shock' following a property boom. While the linking of the property market with the capital markets gives the market the needed leverage for funds which can equally flow from international investors, it brings with it the added risk of enhanced exposure of the economy to the vagaries and distortions that exist in the property market. As exemplified with the current global recession, which has been blamed on the over valuation of sub-prime mortgages in the US property market. The Nigerian capital market is yet evolving and has yet to develop special vehicles for property investment through it and as such besides funding finding its way into real estate as assets of non-property entities, there is at present no linkage between the property market and the capital market in Nigeria. This is considered a severe limitation to the market (Babwale, 2005).

2.5 PROPERTY MARKET BEHAVIOUR AND PERFORMANCE

There is a swelling and vast body of knowledge in property economics that deals with the subject of property markets generally and how it should be researched. For the purposes of this research however, a selected review is undertaken. The review draws mainly from an emerging corpus of property market research that incorporates the social and institutional aspects with the economic in the study of the property market processes - in what is today referred to as the institutional perspective (Arvanitidis, 1999). The debates leading up this, which detailed coverage is considered outside the scope of this work, are well documented in property economics literature and can be found in the following articles (see van der Krabben & Lambooy, 1993; Ball, 1998; Arvanitidis, 1999; Keogh & D'Arcy, 1994, 1999;

Levy & Henry, 2001; Levy, 2006; and Small, 2006). The complex nature of the property market has only recently forced a holistic consideration of market processes rather than the earlier research practice of anchoring property market analysis only on its outcomes in the context of wider economic conditions.

The events leading up to the end of last century saw to the transformation of property markets particularly in the economies of several European states as forces of economic globalisation leveraged on political transformations within that continent to open up markets (Kievani, et al. 2002; de Malgaheas, 2002). Beyond Europe, a host of Asian states having experienced sustained rapid economic growth were set to latch into the emerged opportunities and benefit from international investments and had commenced a re-positioning of their property markets (Armitage, 1996). This unfolding transformation that came up introduced a need for deeper understanding of property market processes, and some effort at *ranking* by extent of maturity to enable a comparison of market performance to anchor the emerged internationalised property investment practice (Seek, 2005).

The quest for a more holistic understanding of the property market processes or behaviour had caused a re-think as to how property research should be conducted particularly as it relates to the property market (Keogh & D'Arcy, 1994; Arvanitidis, 1999; Levy, 2006). It would appear that this need became more apparent on the onset of cross border property investment upon the European unification. According to de Magalheas (2001) the formation and consolidation of trans-national property markets in Europe was spurred by the progressive integration of national economies. It first impacted the offices and retail sectors causing a surge in demand for international quality property as foreign direct investment flowed into different cities (McGreal, et al. 2002). The investment opportunities soon endeared international investors into these markets seeking to achieve portfolio diversification and higher returns (Kievani, et al. 2000). However, entry into new markets posed several challenges to property investors as they had to contend with constraining location-specific factors and this forced the critical need to study market processes and institutions (de Malgaheas, 2002).

The sustained inflow of international investment into new property markets no sooner forced adaptation processes within these markets as the ensuing changes transcended the physical landscape to a restructuring of the local markets' social and economic dynamics (Kievani, et al. 2000; de Malgaheas, 2002). A re-arrangement in the property development processes, use, and mechanism for the regulation and use of urban space was triggered at the local market place and a new perception about property was created (de Magalheas 2001; McGreal, et al. 2002). In the bid to take strategic positions in these markets and achieve a better understanding of the markets, research interests on new and evolving markets soared. This is where concern about market processes and a truly meaningful basis for performance comparison assumed centre stage. Academics, investment analysts interests turned in to consider various approaches to studying markets and a number of studies were funded or commissioned by both professional organisations and regional bodies to unravel the behavioural aspects of new markets (see Adlington, Grover, Heywood, Keith, Munro-Faure, & Perrotta, 2000; McGreal, et al. 2002). It would appear that it was at this stage that the debate on the issue of methodology for property market research climaxed. The works of Keogh and D'Arcy (1994, 1999) bear special relevance here as the authors have explored the issues of market behaviour, efficiency, and hence competitiveness with particularly useful institutional economics constructs in the context of the property market.

Drawing from institutional economics literature, and contextualising the institutional frame in the property market stance, Keogh & D'Arcy advocated a three-level hierarchy for the institutional analysis of property markets (Keogh & D'Arcy (1999) cited in Keogh & D'Arcy (1999a). (See Figure 2.1 on the page 26). At the top of the hierarchy is the wider

Institutional environment comprising political, social, economic, and legal institutions that make rules governing the society. Next, in order is the *Property Market Institution*. Considered an institution in itself, the property market institution operates within the wider institutions environment. Following this is the *Property market organisations* where operational activities are held. The property market, they further contended, possesses a range of characteristics such that, 'its scope and structure reflect dominant interests within a society' (Keogh & D'Arcy 1999 p.2408). The *property market institution* is characterised by market and non-market aspects, decentralised and informal processes, legal and conventional aspects of property rights, legal and conventional aspects of land use and development.

Beneath the Property market institution and last in the hierarchy is the *Property market organisations* made up of Users, Investors, Developers, property services providers, financial service providers, professional bodies, and Governmental and Non-governmental agencies (Keogh & D'Arcy 1999). The hierarchy as shown in Fig.2.1 on page 27 is interactive as the wider institutions setting. It generally defines the structure of all the other institutions within the society and thereby also influences operations of the property market institution. The property market institution, through property market organisations, in turn impacts the wider institutions that initially gives it its form and scope.

Institutions, in which perspective the property market is viewed, have been defined by Keogh and D'Arcy (1999) as the rules, norms and regulations by which a society functions and citing Eggertsson (1990), they further observed that 'institutions emerge to reduce frictions and uncertainties, collectively regarded as transaction costs'. As human creations, institutions reflect influence and power within society implying an inherent partial transaction cost minimisation outcomes. On this basis, they reasoned that the scope and structure of the property market equally reflects dominant interests within the society both in scope and form and thus operates to reduce transaction costs for certain groups and activities but not for others (Keogh & D'Arcy, 1999a). In analysing the property market institution, Keogh and D'Arcy (1999a) pointed out the imperative for understanding the both market and non-market processes that generate the economic outcomes associated with the market.

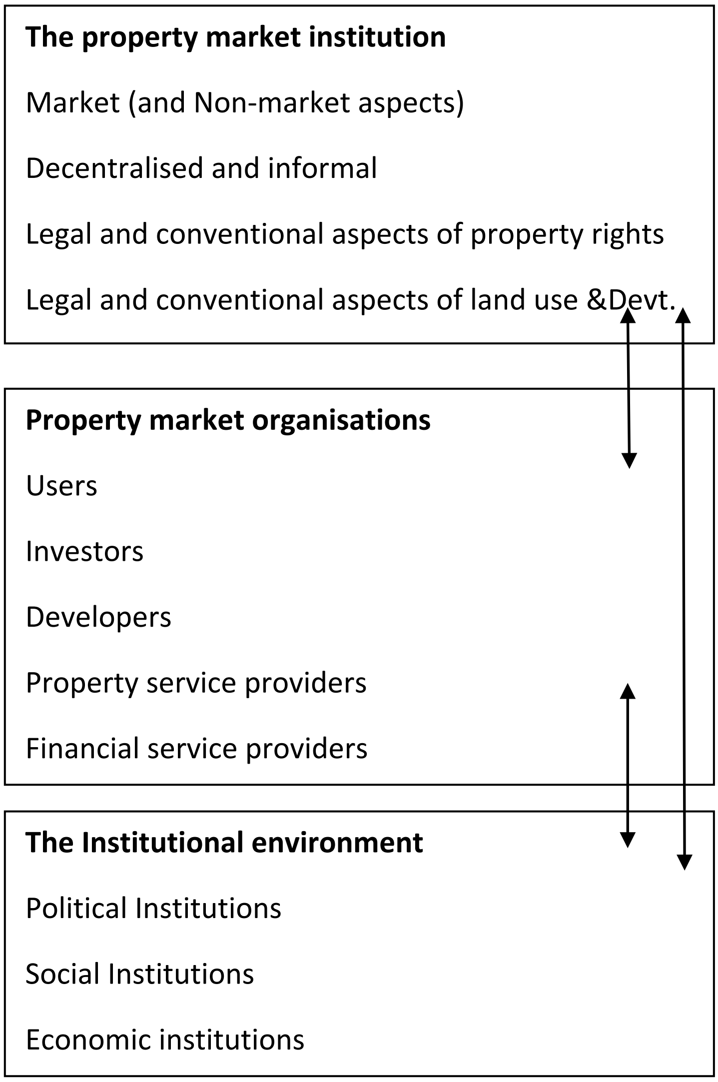

Figure 2.1 Institutional property market analysis

Source: Keogh & D'Arcy (1999)

They revealed that the property market is neither, on account of its institutional characteristics, a neutral allocator of resources nor arbiter of values. Employing the UK property market, they listed a range of characteristics to include a mix of market and non-market mechanisms through which the market operates, its decentralised and informal nature, high degree of professionalism, the legal framework and market conventions all operate to specify how property is held and traded (Keogh & D'Arcy, 1999).

It is on account of this that Keogh and D'Arcy (1999) submitted that an assessment of market efficiency can only be usefully constructed to capture efficiency 'for a purpose' or 'efficiency for a person'. Efficiency as conventionally measured in the context of the financial assets model will bear limited relevance in the property market context. It is more appropriate in this context to consider *allocative efficiency* and *adaptive efficiency* forms of information efficiency when viewed from the property market perspective (Keogh & D'Arcy, 1999). This compels an institutional analysis of property markets to understand the forces and factors underlying its form and scope to meaningfully conclude on behaviour and performance.

2.6 PROPERTY MARKET RESEARCH AND THE INSTITUTIONAL PERSPECTIVE

Property research in the context of a globalised market economy has never been pursued with more vigour than in the last three decades. The sustained research interest was first spurred by the rapid physical transformation of urban centres that came along with economic globalisation (see Kievani, et al. 2000; de Malgaheas, 2002). The commencement of globalisation saw to the formation of regional economic blocks with firms and investors seeking to enter new markets, and its impact on the operations of the property market soon became marked, and property market research/analysis assumed centre stage. Just as the effect of globalisation began to impel serious research into property market forms and processes property economists commenced the debate into appropriate methodology for the study of property markets (see Keogh & D’Arcy 1994, 1999a, 1999b; Arvanitidis 1999; Guy & Hennebery 2000; Small 2006; Levy 2006). The thrust of the emerged debate rests on appropriateness of method fed by the need to understand the behavioural aspects of the property market process. It is contended that the peculiarity of the market character imposed by the several institutions impacting it had all along been left unaccounted for in previous market studies that employed the traditional urban economics methods within the positivist plane of the parent discipline of economics (Keogh & D’Arcy, 1994, 1999; Small, 2006; Levy, 2006).

It would appear that property research practice has until recently followed the positivist economic culture and the pervasive role of social and institutional dynamics working on the property market had been taken for granted. It had rather been taken as given that the property market would, as usually assumed in the classical economics perspective, always operate in the long run to achieve equilibrium through the price mechanism modulated by forces of supply and demand for real estate products. Hence the attention of property research was overwhelmingly pitched on the demand side without adequate consideration given to the supply aspects of the property market. A focus on the end result rather than the process that yields the results blurs any meaningful understanding of the realities of the property market, a market that deals in a heterogeneous product, is information inefficient, and in which the *homos economicus* is hardly a participant (see Small, 2006; D'Arcy, 2006; Arvanitidis, 1999; Levy, 2006).

As it has turned out the events of the last three decades have called to question the positivist approach to the study of property markets as researchers sought for answers on what factors inform the behaviour of property market participants. The composite issues of the property market participants, real property and its market, bears strong institutional characteristics that cannot be wholly explained in the positivist economic context without due account of the strong social forces underlying its form and which determines how it is to be dealt with. According to Levy (2006), citing several works, recent research across disciplines in the social sciences have revealed difficulties in studying human behaviour within the confines of traditional conceptions of science. Citing her earlier co-authored study (Levy & Henry, 2001), which suggested a preponderance of quantitative techniques in academic property journals, she faulted over-reliance on quantitative approaches when seeking understanding of a phenomenon or the factors related to particular phenomena. She contended that 'rigorous research can extend the boundaries of property knowledge without taking a positivist approach', and suggests the adoption of interpretive methods for some aspects of property research particularly where the researcher intends to discover perception and experiences of participants (Levy, 2006).

In an earlier study, Arvanitidis (1999) in reviewing the recent surge in urban studies and research perspectives, categorised these approaches into conventional theories, and structural and neo-institutional approaches. According to him traditionalists adopt mainstream economic approaches that focus on changing determinants of urban location decisions of firms and households, urban agglomeration economics, and changing economic function of cities. Acknowledging a drift towards a behavioural approach by the traditionalists upon the radical changes introduced by changing world economic trends, Arvanitidis submits that the traditional approach had failed to provide a complete understanding of the property market process. This is due to its unrealistic assumptions and idealised concepts. Positivist economic methods tend to misinterpret the relationship between real estate market and the urban economy (Arvanitidis, 1999). Arvanitidis therefore isolates structuralist approaches but holds that the institutional economics perspective, which has developed incrementally, offers a more holistic view of the property market processes on account of its capacity to appreciate the complexity involved with property market operations and urban transformation (see for a more detailed elucidation Arvanitidis, 1999).

2.7 THE NIGERIAN PROPERTY MARKET

The pertinent literature for this study would appear to be extensively foreign the bulk of which is also on European and the South-East Asian property markets. This can be explained by the scant attention the African property markets have received from international property investors relative to their European and Asian counterparts. These markets particularly in the Asian cities have continued to attract investors on account of those economies' steady growth and consequent command of attention of researchers (Lee, 2001). There however exists some literature on the Nigerian property market which though segmented gives some insight into the market. The first group consists mainly of proceedings of conferences held in 2005 and 2009, which broached the impact of globalisation and the Nigerian market and the second issuing out of doctoral theses (Olaleye, 2004; Babawale, 2008) that studied aspects of the Nigerian property market. These works can be broadly categorised into two groups. The first is the commentary on the wider institutional aspects of the market (Ojo & Bello, 2005; Aluko & Amidu, 2005; and Olaleye & Aluko, 2007), and the second group deals specifically with practices and performance of property professionals operating in the market. A review of these selected works is considered relevant to this work to properly contextualise the discussion on applicability issues with the market maturity paradigm in the Nigerian property market.

Ojo and Bello (2005) in a study on globalisation and the Nigerian property market noted that the market was gradually witnesing an increased level of institutional participants which primes it for global property investment. They however outlined a number of legislations bordering on real property and investment which they contend constitute constraints towards opening up the market. They further advocate training of property professionals and specialisation within the industry and a need for the property professionals to embrace membership of the Royal Institution of Chartered Surveyors (RICS) for a more global exposition. The study derives mainly from previous works and did not directly measure any statistics of the subjects reported–property professionals, and it is arguable if non-subscription to the membership of the RICS has only to do with the burden of financial obligations of membership as Nigerian estate surveyors and valuers belong to several other international bodies. Specialisation in professonal practice issues out of abundance of practice jobs and it is contradictory to allege a thin practice market for practitioners on the one hand and on the other decry lack of specialisation. This study is set to measure these issues empirically.

In another study, Babawale and Koleosho (2005) studied the state of property valuation practice among Lagos based estate surveyors and valuers in the context of a globalising investment economy. The survey covered 179 (41%) practice firms. They conclude that given the high entry qualifications for professional membership of the local society (Higher National Diploma or Bachelors Degree), the crop of practitioners are relatively better positioned to embrace valuation challenges of globalised investment practice. Furthermore, the authors argue that the size of practices is not small as hitherto believed as more practice firms are growing or have grown to some extent; but that research is considered essentially an academic activity. That valuers have yet to adopt contemporary techniques of valuation, a practice they contend issues out of a lack of local valuation standards. They conclude that the absence of such valuation standards is constraining the achievement of standardisation in valuation practice. This study was run for six months and may have possibly suffered the effect of sample maturation particularly that the authors employed students to administer the questionnaire as it is not apparent what measures were taken to check for this. Besides, not addressing the other aspects of market maturity, this study was limited to the Lagos area and may not give a complete picture of what obtains in other markets thus limiting the extent to which its findings can be generalised for the Nigerian property market. This study is planned to cover more markets in a design that is more representative of the Nigerian property market.

In another article, Aluko and Amidu (2005) explore the issue of land tenure practices on land market transactions. They contended that there exists, as is the case with most developing economies, a duality of tenure systems under the subsisiting tenure law – The Land Use Act (1978), and that certain provisions of the Act such as that requiring the Governor’s consent for all transactions have constituted an impediment to land based transactions. They questioned the rationality of nationalising land holding as intended by the Act as it runs contrary to the spirit of a market economy. They advocated a flexible approach that reverts onwership to customary titleholders as obtained prior to the promulgation of the Act. It is however difficult to percieve the workability of their suggestions as they equally submitted that legitimisation of land titles could be abused. Besides the wide diversity of customs would see market participants dealing with a myriad of forms of tenure. While this study details the problems of land market operation traceable to land tenure legislation, it is largely descriptive and does not provide a detailed measure on how it has constrained the land submarket nor shaped agents behaviour. Evolving land market processes may have been formed and become established since the law was passed over three decades ago. It would be necessary and more meaningful to show how operation of this law impedes the market in specific measures of time lost, forms of delays, attendant supersession costs, and consequently constrains maturity of the market.

Another study on the Nigerian Property market is Olaleye and Aluko (2007). Owing to the growing number of institutional investors in the Nigerian property market, the authors sought to measure empirically the diversification strategies of property portfolio managers. They thus collected return data from three Lagos-based property companies and analysed same using the Constant Correlation Model to represent the covariance structure of assets' return. Working on the premise that the assets are held long, their study showed that diversification of managers and property type improves portfolio performance in the Nigerian market. They further indicated the possibility that an efficeint portoflio built using constant correlation analysis may not be more efficient from one that is naively divesified and that some of the naïve diversification strategies have proved to be effectively efficient. This work is a follow up to Olaleye (2004) which studied divesification strategies in the Nigerian property market. In that study Olaleye (2004) had found out that Nigerian property portfolio managers were adopting naïve diversification strategies, that property portfolios were poorly diversified, and that the majority of managers lacked proficiency in Modern Portfolio Techniques. It would appear that the findings of the 2007 study proved that the portfolio management practices albeit naïve could in some instances be effective given the state of the market's level of development.

In 2007, Ogunba and Ajayi undertook a study to examine Nigerian property professionals' response to the increasing sophistication in investors requirements. In the study, they traced the evolutionary path of valuation practice in Nigeria and sampled 30 valuation practices. The study issued out of concerns that arose from previous works that reported a prevalence of valuation inaccuracy in the industry (Ajayi, 2003; Ogunba, Ajayi, & Aluko, 2005) and use of naïve diversification by investment managers in Nigeria (Olaleye, 2003). Upon a six-stage mapping of the evolution of the UK valuation practice from which the Nigerian practice emerged, they submitted that the Nigerian valuation practice is in the second stage of evolution following after the UK evolution path.

Ogunba and Ajayi (2007) reported an increasing sophistication of Nigerian investors and a consequent scrutiny of the estate surveyors and valuers' reports which have failed to match investor expectations. They recommended a standardisation of valuation practice that employs the Investment method anchored with risk analysis through the adoption of common national valuation standards, and a society instituted databank. They put the responsibility of arresting the growing dissatisfaction with the quality of reporting on the regulatory bodies. The findings of this study are quite revealing. It is to be noted however that this study had relied on a small sample size (30), and most probably like previous studies by other authors, have been centred only on the city of Lagos. It equally addresses just one function of property professionals –valuation. Thus the findings may not give a complete picture of the Nigerian property professionals' activities in the property market. The current study is planned to cover a wider set of major cities and other market-related practices like agency practices from a more representative sample of practising valuers.

The work of Babawale (2008) which examined factors influencing inaccuracy in residential property valuation in Lagos metropolis of Nigeria is considered significant to this study for two reasons. First, it represented a major step in conclusively arriving at the factors impacting property professionals' delivery of valuation advice and second, unlike previous works on the subject it draws from a larger and more representative sample of professionals. Premised on established prevalence of inaccuracy in valuation practice, the study findings revealed a high level of training for practitioners but atrributes the observed inaccuracy on Nigerian valuer's practice environment. Major factors discovered include poor market information, low research activity, strong client influence, lack of specialisation, an inclination to adopt conventional valuation methodology and a weak regulatory framework. This work's findings corresponded with Ogunba and Ajayi (2007) and recommendations are similar as it calls for improvement of capacity building, formation of bigger practices to forster effcient service delivery and boost research activity, a systematic building of a property databank, and institution of a national valuation standard (See also Ojo & Bello, 2005). It is noteworthy that this work refuted some of the findings of an earlier work (Babawale & Koleosho, 2005) which had argued that the Nigerian practice firms were small-sized. This work however suffers the disadvantage of non- representative coverage of the Nigerian property market just like other previous works on this theme, it covers only practitioners in the Lagos property market.

CHAPTER THREE

CONCEPTUAL FRAMEWORK

A conceptual framework for this study evolves from the theoretical discourse and the reviewed literature on property market maturity. The objective here is to establish a basis for anchoring this study's empirical analysis of the factors affecting market maturity in Nigeria. Issuing out of a basic need to facilitate a holistic consideration of the factors that shape and direct property markets, which could not be captured from a strict economic perspective, Keogh and D'Arcy (1994) defined and drafted a property market maturity framework. This framework has gained prominence over the years for studying the property market evolution process and maturity (see Armitage, 1996; McGreal, et al. 2002; Chin & Dent, 2006; Chin, Dent, & Roberts, 2006).

The market maturity framework was developed incrementally (Armitage, 1996) and evolved out of concern to fully incorporate all factors economic as well as socio-political underpinning the evolution, structure, and scope of property markets considered necessary to understanding market behaviour and performance. This requires a treatment of the institutional aspects of property that drive property markets alongside the wider economic factors that impact their operations.

3.1 THE PROPERTY MARKET MATURITY PARADIGM

The property market maturity paradigm has evolved from the seminal work of Keogh and D'Arcy (1994) who in 1993 conducted a comparative study of the behaviour and performance of London and two emergent European property markets -Barcelona and Milan (see Keogh & D'Arcy, 1994). Considered central to the focus of this study, this review of literature seeks to establish how property market maturity has come to be studied and measured. Since 1994 when it was first advocated it has been mostly applied to the emerging markets of Central Europe and South East Asia.

3.2 CHARACTERISATION OF MARKET MATURITY

In their seminal work, Keogh and D'Arcy (1994) suggested the market maturity framework, they had characterised *a priori* maturity factors in the context of the London property market which is generally considered mature relative to other emergent markets. On the basis of their analysis of the qualities of these markets from the findings of their work they reconsidered each factor's place in determining maturity. The exemplar status accorded the London property market in that study issues out of the market's:

a) historical background- a private property culture spanning decades, and grown tradition of commercial property market practice;

b) function – as servicing an established world's financial centre, hosting the London Stock Exchange, headquarters of leading financial institutions; and

c) Also, most probably serving as the home of the oldest and biggest body of property professionals in the world –the RICS.

Table 3.1: Rethinking property market maturity characteristics

Initially Suggested Maturity Characteristics	Reconsidered Maturity characteristics
Accommodation of a full range of use and investment objectives	-The wider business and financial environment -Investment culture
Flexible market adjustment in both long and short run	-Overshooting -Market decision rules
Existence of a sophisticated property profession with its associated institution and networks	-Problems of over-specialisation -Knowledge base
Extensive information flows and research activity	-False consensus
Market openness in spatial, functional, and sectoral terms	-Market distortions -Destabilisation
Standardisation of property rights and market practice	-Role for local real estate culture

Source: Keogh & D'Arcy (1994) p.230.

After their study, they characterised a mature market as one that exhibits the forms of behaviour listed under the initially suggested six principal factors as shown in Table 3.1. The authors upon post study examination of the six key elements as true measure of market maturity concluded that;

1) The ability to cater for a wide range of use and investment objectives indicates market maturation. The existence of wider business and financial activities within an economy will create demand for a diversity of needs, and investment motives. This is however contingent on the stage of development of the economy of the nation.

2) A flexibility in property market operations is premised on fluidity of capital to finance development proposals of the various property market participants and is aided by a facilitative planning practice which though is reflective of grown economy could pose challenges of market overshooting.

3) While the existence of a sophisticated property professional society could be seen as an attribute of maturity, Keogh and D'Arcy (1994) caution that professional property societies exhibit a tendency to be conservative and protectionist in practice such that while they can afford the property market sound advice given their wide knowledge base, the requirement of different specialisations and consequent involvement of different professional groups could prevent the formation of a consensus among professionals.

4) They also reasoned that the formation of information networks and a virile research practice are true attributes of maturity. This again, they however observe may not be accurate even where extensive, and could also be misinterpreted.

5) Openness of the market in terms of supporting participants need for switching use, investment, and development motives. Where this obtains it indicates market maturity as in the case of the London property market being linked to 'an extensive international market system'. While this is a desirable quality, Keogh and D'Arcy

opine that it could be notional, and it has the other disadvantage of causing instability induced by flexibility in capital flows between markets.

6) The authors also agree that with internationalisation of the local property market, standardisation of property rights and trading practices would ensue as an indication of market maturity.

On the basis of the maturity characterisation by Keogh and D’Arcy (1994), a graphic depiction of the paradigm as applied to study property markets can be explained as shown in Fig. 2.1 The six property market attributes identified as characterising market maturity broadly fit into three sources. A diversity of user and investment opportunities and the related attribute of flexibility of property market operations are dependent on the type and state of the economy. In a similar vein, the Institutional set up within which the property market operates would complexion the market’s attributes of openness and standardisation of market practices and property rights. The existences of vibrant self regulating property professional society and its capacity to offer the market research support and needed information is directly a function of the property professional society’s level of development. It is observable that the wider economic setting is shaped by the institutional system which is also affected by the economy.

The six attributes taken together and on the basis of how much of each of attributes existing in a given property market will determine the level of maturity i.e. whether it is matured, emerging or immature. Furthermore, recent studies have linked extent of maturity to the level of transparency of the wider economy. This is expected as more transparent systems offer easier environment for conducting business with the public agencies being more facilitative.

It is noteworthy that while previous works have considered transparency within the wider economic set up, it is viewed in this work as a major constraining feature of the market place and is measured. This is achieved through a test of the interface between market players and public agencies, and among the market participants themselves.

3.2.1 The Maturity Construct

The market maturity construct did not appear in the property literature discourse until the early 1990s. According to Armitage (1996), the construct emerged from a successive investigation of property markets. She cited Walter and Flanagan (1991) and Seek (1995) to demonstrate that the adoption of the market maturity paradigm was incremental. Walker and Flanagan had in the reported study of Hong Kong property market identified the characteristics of a high level of institutional investment; a sophisticated practice structure; regulation of the financial market; the size of market in terms of foreign investment, quantity of opportunities, diversity of interest and measured these to qualify the property market of Hong Kong as increasingly maturing (Armitage, 1996). Armitage (1996) further observed that the subsequent work of Seek (1993) not only relied on the earlier identified characteristics by Walker and Flanagan (1991) but extended them to include strength and type of economy; foreign investment levels and control; market size; and infrastructure to indicate maturity of the Singaporean property market.

Keogh and D’Arcy’s (1994) work is credited with presenting the most comprehensive treatment and characterisation of the market maturity paradigm (Armitage, 1996). In the said work, Keogh and D’Arcy (1994) had used the London property market as an exemplar to characterise a mature property market with which the property markets of Milan and Barcelona were studied and compared. Keogh and D’Arcy thus defined market maturity as the attainment of a set of desirable characteristics, which the authors identified from the London property market. They however refrained from specifying a qualifying definition of market maturity, suggesting that maturity is relative, and contingent upon the state of development of the economy. Keogh and D’Arcy (1994) specified the following six principal factors as characterising maturity of a property market;

1. Accommodation of a full range of use and investment objectives,
2. Flexible market adjustment in both the short term and long term,
3. Existence of a sophisticated property profession with its associated institutions and networks,
4. Extensive information flows and research activity,
5. Market openness in spatial, functional and sectoral terms, and
6. Standardisation of property rights and market practices.

3.3 APPLICATIONS OF THE PROPERTY MARKET MATURITY FRAMEWORK

Upon its suggestion by Keogh and D’Arcy in 1994, the property market maturity framework has been employed variously in a number of studies including Armitage (1996), de Malgaheas (2001), McGreal, et al. (2002), Chin et al (2006), Chin and Dent (2005), and Lim, et al. 2006). These works are reviewed along with subsequent works by Keogh and D’Arcy as they sought to further contextualise the paradigm in the property market debate sequel to its suggestion. Other related works that focused on market competitiveness like Falkenbach (2009), etc are also reviewed.

Armitage (1996) was probably the first to apply the property market maturity paradigm upon its suggestion by Keogh and D’Arcy (1994). In a study on the constraints to the operation of commercial property markets in South-East Asia, she cross referenced previous works by other authors and employed secondary data from a number of studies on the South-East Asian markets of Singapore, Hong Kong, Jakarta, Kuala Lumpur, Vietnam, and Bangkok to reach decisions respecting maturity states of these markets. Given the focus of the work, she did not employ any exemplar as was done by Keogh and D’Arcy (1994), and besides restating the framework as postulated by Keogh and D’Arcy (1994), she did not elaborate on her methodology. She however, with the aid other published works, provided a model of property market evolution and market development phases (see Seek, 1995). It is thus difficult to reach conclusions on her study’s population representativeness as no mention was made of respondents’ composition and size and there appears to be over-reliance on secondary sources.

de Magalhaes (2001) studied the role of British consultancy firms in shaping the evolution of property markets in the Central European cities of Madrid, Spain and Milan, Rome. British property consultants had moved into these markets in the wake of European unification in the mid- 80s, and had met with uncommon challenges as they sought to establish themselves in these markets. This study relied solely on structured interviews (33 sessions with senior staff of 10 leading chartered surveying practices). The findings are accordingly reported in descriptive prose.

In a related study McGreal, et al. (2002), examined the extent to which capital cities in Central Europe have adapted to globalisation forces through development of commercial property markets. Specifically they worked on Budapest, Warsaw, and Prague to identify opportunities and constraints within these markets. Though not primarily focused on market maturity, McGreal, et al. (2002) had *inter alia* relied on D’Arcy and Keogh (1994) framework and subsequent study (D'Arcy & Keogh, 1998) to justify and adopt a qualitative approach in their study. The authors employed focus group discussions, structured interviews, and a questionnaire survey and complimented these methods with secondary data. They identified constraints to include administrative structures, planning policies, land ownership, information sources, valuation methods, and the absence of effective city marketing. Of significant relevance to this work is their theoretical considerations which drew significantly from the market maturity paradigm. Specifically, they concurred with Keogh and D'Arcy (1998) on a number of issues that the property market exists within a broad institutional framework defined by political, economic, social and legal systems and market maturity could be established through examination of these four of the six characteristics suggested by Keogh and D'Arcy (1994). Reiterating Keogh and D'Arcy's submission, they agreed that market maturity is not an absolute end achievement in itself but rather to be seen as a relative and evolving concept determined by future market development and perception (McGreal, et al. 2002, p 217). In their words,

> *Adopting the market maturity paradigm as a basis for study does not necessarily entail the systematic examination of all identified factors, depending on available information certain factors or derived aspects maybe chosen to assist in the examination of the property market process.*

On this basis, they cited Keogh and D'Arcy (1999) to buttress that the four principal factors of real estate service provision, market information, the property investment market, and the importance of non-domestic actors and funds could be analysed for establishing the level of maturity.

In another study Chin and Dent (2005) analysed the level of maturity in the property markets in South-East Asia namely Hong Kong, Kuala Lumpur, Bangkok, and Taipei. In this study which was relied on a questionnaire survey purposively targeted at senior research executives of property consulting firms, interviews were also employed to compliment the survey. Chin and Dent (2005) extensively reviewed extant literature on the property markets within the region which is shown to have established a link between maturity and level of transparency within the economy. On the basis of the survey of market maturity derived criteria, they rate the Hong Kong and Singaporean property markets as mature while, those of the other three cities as emergent. Two issues arising from this work are however considered worthy of special mention. First, Chin and Dent (2005) relying on Lee (2001) added 'the quality of property product, market information standardisation, and presence of intermediaries to further sub-classify the primary six principal factors named by Keogh and D'Arcy (1994) as characterising a mature market into 14 factors as:

1. Offers a sophisticated and sound finance structure
2. Accommodates a full range of use and investment objectives
3. Provides the extensive property information and property intermediaries with high level of property professionals
4. Offers a wide range of investment objectives
5. Provides a liberalised financial market environment,
6. Updated and developed public infrastructure,
7. Low risk and return,
8. Provides high quality property products,
9. Provides accurate financial and market practice,
10. Standardisation of property rights and market practices,
11. Flexible market in both the short and long run,
12. Stable economic environment,
13. Stable development environment, and
14. Large pool of skilled workers."

They however only measured nine of these characteristics as it appeared that some of the characteristics were actually extensions of other listed characteristics. For instance, a sophisticated and sound financial structure will only issue out of a liberalised financial market environment, though these are listed separately. To the same extent, it is not easily measurable what constitutes an updated and developed infrastructure. A second and important point of note is that the authors proffered a clearer method of measurement which had remained undefined in previous works. The method was by adopting a 5-point Likert scale technique to elicit respondents' perception of the markets measured characteristics.

They however did not analyse any economic statistics of the studied city's economies even though they had incorporated wider economic characteristics in their review of market maturity characteristics. They had equally employed a rather small sample size for a study of this nature and magnitude on a regional scale.

Chin, et al. (2006) explored investors' perception of maturity of South-East Asian cities. They contended that 'inward investment into property has been slow to take off' due to lack of research on maturity level of the property markets. The study was thus set to achieve three aims: first, to measure perceptions of investors on these markets' maturity employing Keogh and D'Arcy (1994) market maturity paradigm to plot their evolution; second, measure investor perceptions on a range of institutional factors; and finally to consider factors viewed as important determinants for investing among local and international investors. They concluded that a sound financial and economic structure were perceived to be the most significant factor in making a market attractive, while restrictions on foreign investment was the most important factor influencing investment inflow. Their conclusions on the maturity levels of the markets are as revealed in the earlier study (Chin & Dent, 2005). The study extended the market maturity paradigm empirically by incorporating an assessment of the institutional factors within which the property market functions thus enabling a comprehensive appreciation of the studied markets. Furthermore the study sample was small relative to the size of the region surveyed and was limited to investment company researchers. It would have been more revealing and complete if the opinion of the public sector, and academia conversant with the markets had been taken into consideration. This study further adds to the collection of research efforts focusing on the South-East Asian property markets which same research is yet to be complimented with similar efforts on the African or Nigerian property market.

Perhaps the only study that brings Africa into the property market discourse is that of Lim, et al. (2006). This study, which also brings into context the little or hardly explored Central/South America property markets, had as its objective the examination of perceptions of American and Europeans property investors regarding these markets. Employing a mailed questionnaire survey, they reached out to 1,067 institutional investors drawn from a single directory and only elicited responses from 50. The major findings of this study were that investors are sensitive to high returns and political stability. This sensitivity puts African property markets alongside their Central and South American counterparts in a high risk category. Significantly, this study revealed that 'lack of expertise in terms of local information and knowledge are reasons for perceived high risk', and that the Nigeria property market was considered the second most risky even as it is also reckoned to be among those commanding highest returns on the continent. On the basis of this study, the authors concluded that globally 'the lack of knowledge in the Central/South America and African real estate, together with the perception of high risks and low returns, whether real or not, seem to pose a major psychological barrier to potential investors'. Though bringing the Nigerian property market into focus, the comparative treatment of several markets alongside Nigeria by this study does not give a complete picture. It is expected that this present research, which focuses solely on the Nigerian property market, will bring out the market's quality and provide clearer understanding while helping to de-construct unverified perceptions with empirical evidence.

Falkenbach (2009) is perhaps the most recent study and has as its focus factors determining market selection for international real estate investments. The study is on the European property markets and is conducted through questionnaire survey. The survey questions are close ended but sequenced for additional information on related issues. The sample size is

21 drawn from a single source. The analysis is made by percentages which is understandable on account of the small sample size for the study.

3.4 CRITICISMS OF THE MARKET MATURITY PARADIGM

It is considered pertinent for an informed application of the property market maturity paradigm, especially to the Nigerian property market, to review the criticisms that may have been raised sequel to its suggestion by Keogh and D'Arcy (1994). There is, rather surprisingly, a dearth of direct criticisms on the market maturity framework itself. It seems to have been generally agreed by property market researchers that the logical approach towards a complete understanding of property market processes lies in 'digging' into the scope, structure, and dynamics that underlie its evolution and behaviour (See Armitage, 1996; Arvanitidis, 1999; de Malgaheas, 2002; Kievani, et al. 2002, Chin & Dent, 2005; Chin, et al. 2006; and Lim, et al. 2006). This necessitates enquiry into a process that is laden with a strong social and institutional flavour not fully explained by strict economic analysis alone. The property market's dealing in a heterogeneous, immobile, and somewhat indivisible product suffers the peculiarities of being information inefficient, localised, and involving relatively high transaction costs. Practices within the market are therefore majorly institutionally prescribed and reflect agency roles of several participants whose activities are often times socially constrained, and whose motives may not necessarily be profit maximising nor economically prudent and rational.

It would however be possible to locate concerns within its propositions from the wider debate and gaps that first warranted its suggestion and most specifically those that followed after its suggestion by Keogh and D'Arcy (1994). The objective of undergoing this aspect of review, it must be stated however, is neither to enter the classical economics cum institutional analysis debate on property research nor to rekindle it. Rather it is the object of this critique to examine the extent to which the paradigm's propositions are balanced and to find out where they are anchored. It is for this reason that the views of Ball (1998) are considered most relevant here. Reacting to the growth of institutionalism in property market research in Britain, Ball (1998) contended that institutionalism has been and remains an aspect of economics even though 'little has been applied to the property world' leading to the assumption that it has not been there. While recognising the shortcomings of classical economists' treatment of property research particularly as related to property market behaviour, on account of the prescriptions of the usual idealist assumptions inherent in economic models, Ball (1998) saw institutional analysis as a continuum of issues rather than as an opposition. Ball (1998) thus identified four specific institution-related theories as Technical production characteristics; Transaction Cost Minimising; Game theory; and Information theory which he argues have offered plausible explanation of firms and organisation behaviour. He further categorised institutional economic analysis of property markets into two

a) Power approaches to institutionalism as comprising 1) General or ad hoc Institutional analysis, 2) Conflict institutionalism, and 3) Behavioural institutionalism; and
b) Structure-agency institutionalism.

Ball (1998) contended that none of these approaches each alone, plausible as they may seem, better explains property market behaviour. They equally suffer from failing to define causality and would prove weaker than main stream economics notwithstanding its neglect of institutional behaviour. Ball (1998) concluded by proffering a Structure of Provision (SoP) as a more workable institutional model even when he submits that it equally suffers the problem of being historically contingent in nature. Ball (1998 p.1515) argued that 'those who wish for more institutional input, however, have to demonstrate the greater explanatory power of doing so', emphasising need 'to understand what conditions require an institutional perspective and what do not'.

It would appear that the proponents of the property market maturity paradigm, Keogh and D'Arcy, along with others in subsequent works (See Arvanitidis (1999), D'Arcy and Keogh, (1999), Keogh and D'Arcy (1999), Kievani, et al. (2000), de Malgaheas (2002), D'Arcy (2006), have stood up to the challenge of proving the institutional locus of analysis of property market behaviour and performance. For instance, D'Arcy and Keogh (1999) explains the rational for the property markets information inefficiency and justifies a consideration of the market's *allocative* and *adaptive* efficiency instead of the evaluation of the property market strictly through the lens of economic informational efficiency postulations. Efficiency in the context of the market would only be meaningfully applied in the context of a specific user or purpose. The works of Kievani, et al. (2000), de Malgaheas (2002), empirically demonstrated the value of institutional analysis of property markets. The issue, it seems is not so much that of methodological stance but of a concern for a more complete understanding of market's processes and hence behaviour. As it has turned out, property market researchers have in recent times combined both economic analysis and institutional analysis (See Chin, et al. (2006), Falkenbach (2009). Keogh and D'Arcy (1999) equally subscribed to Ball's (1998) structure of provision and capture the impact of economic factors within the wider institutional environment of their 3-stage model of institutional analysis of the property market. It can thus be summarised that while the peculiarities of the institution of the property market lend support for an 'institutional probing' to understand its processes and behaviour, this approach must be combined with an economic analysis of the wider environment as depicted in Figure 2.1 by Keogh and D'Arcy (1999).

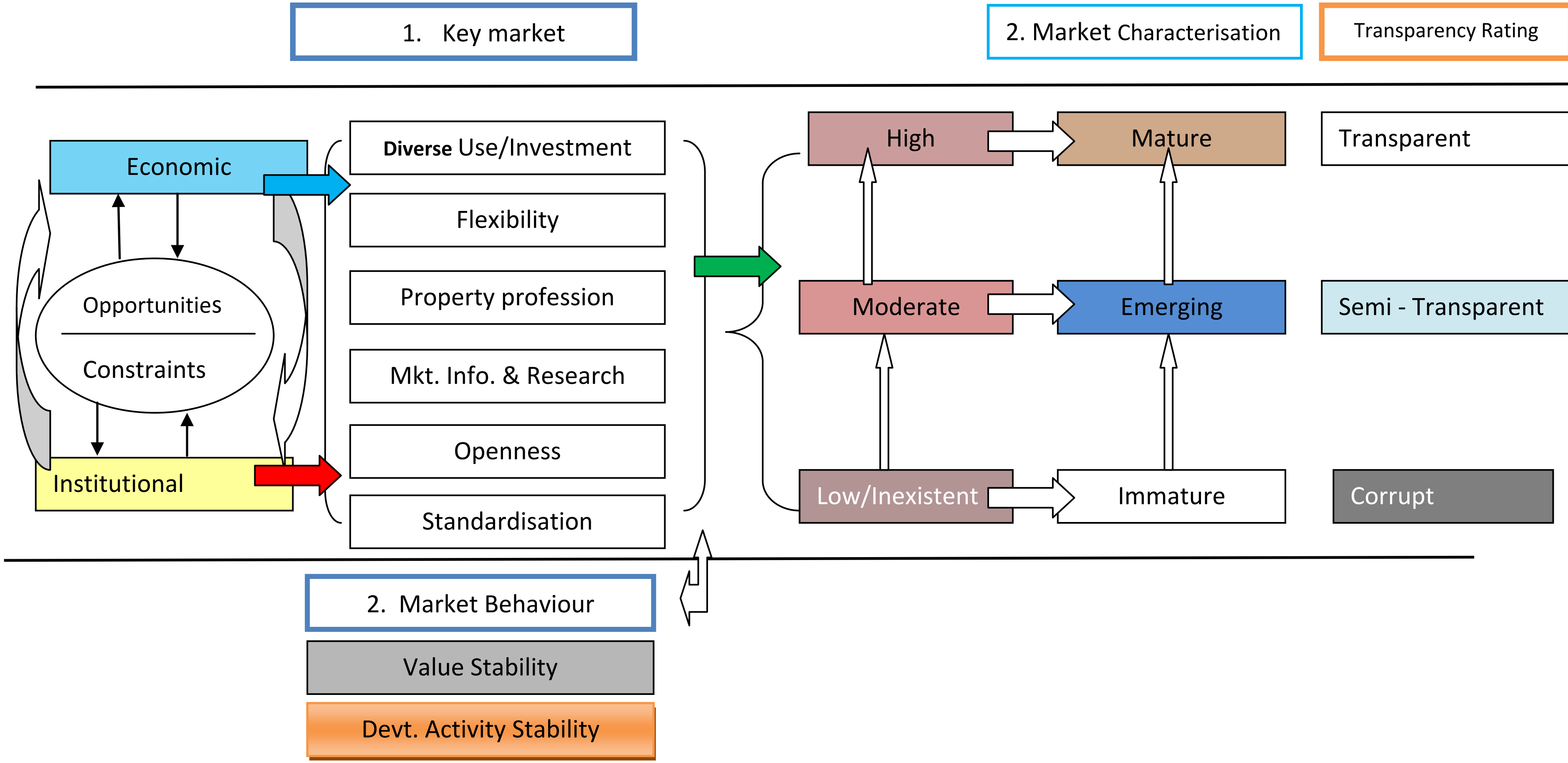

Fig. 3.1 GRAPHIC DEPICTION OF CONCEPTUAL FRAMEWORK FOR EVALUATING MARKET MATURITY

Adapted by author from Keogh & D'Arcy (1994, 1999) and Lee (2001).

3.5 SUMMARY

Events of the last two decades of the 20th century have imposed a new economic world order where investment practice has become globalised with property assuming a strategic role both as an asset and investment. The process has caused a transformation of property markets worldwide particularly in Central and Eastern European, and Asian nations as many economies seek to remain competitive and relevant in the emerged practice.

The entry into new markets by property investors has meant dealing with new challenges imposed by local factors and dealing with market-specific risks. This in turn compelled need for a more deepened understanding of property market processes and behaviour. The issue of market maturity has emerged a critical issue as investors require a basis to compare markets and measure performance. Studies on property markets have as a consequence soared but the issue as to how markets should be studied remains topical as property markets are heavily influenced by local institutional forces with practices within them being shaped, and their forms determined by social forces besides the easily observed economic factors. It becomes imperative to study their evolution and institutions driving them to understand market behaviour. The concept of market maturity as a new paradigm for studying property markets evolution and behaviour was therefore suggested by Keogh and D'Arcy (1994).

Keogh and D'Arcy (1994) had characterised market maturity in the framework of six factors comprising-accommodation of a full range of use and investment objectives; flexible market adjustment in both short term and long term; existence of a sophisticated property profession with its associated institutions and networks; extensive information flows and research activity; market openness in spatial, functional, and sectoral terms; and standardisation of property rights and market practices. This market maturity framework has come to be popular among property market researchers (Armitage, 1994; de Malgaheas, 2001; McGreal, et al.2002; Chin & Dent, 2005; Chin, et al. 2006; and Lim, et al. 2006). Recent applications of the market maturity framework have extended study factors to cover a full range of economic factors such as -the existence of a sophisticated and sound finance structure; the existence of a liberalised financial market environment; existence of low risk and return; and provision of accurate financial and market data.

There is a dearth of local and regional literature on property market maturity issues. However some research has been done on the Nigerian property market. These relate to aspects of institutions and property professionals operating in the market. It is however pertinent to note that these works are segmented, based mostly on findings in the Lagos property market, and mostly draw a relatively small sample as they are usually exploratory.

It is therefore become exigent to cover a wider range of markets and other factors specified as characterising property market maturity in the Keogh and D'Arcy (1994) framework to make more meaningful generalisations about the state of the Nigerian property market. It is observed that the property market maturity paradigm had been refined over time and its application in recent works have seen an elaboration on wider institutional factors, and a supplementation with independent competitiveness rankings and socio-economic data.

CHAPTER FOUR

RESEARCH METHOD

4.1 PREAMBLE

This chapter presents the approach adopted for this research together with relevant justifications and is outlined in five parts viz: Restatement of the research questions; Research Design; Study population; Data requirement; Data analysis procedure; A maturity classification scheme; and Pilot study findings.

An assessment of the level of property market maturity has required obtaining data that captures market participants' perception on the various factors suggested in the reviewed literature as affecting maturity together with other socio-economic data on the local economy. The process thus involved identifying the relevant subjects (market participants), designing appropriate data collection instruments to sample their perceptions and gathering relevant socio-economic data on the economy.

The reviewed literature on property market study suggested an institutional-driven shift towards an increasingly qualitative approach. Methods such as grounded theory, interviews, and field surveys are mostly used by authors studying property markets in consonance with increasing emphasis for an increased institutional focus to fully understand the forces that underlie any given markets' form and structure hence behaviour (Kievani, et al. 2000). On the specific subject of property market maturity, the initial work of Keogh and D'Arcy (1994) relied extensively on qualitative approaches through interviews of market participants in the London, Barcelona, Milan, and Madrid property markets and other socio-economic data on the markets studied to draft a framework for measuring property market maturity. In the subsequent works of Lim et al (2006), Chin et al (2005, 2006) and Falkenbach (2009) it appeared that with the direct factors that complexion the institutional aspects of property markets having become established, property market maturity scholars are now integrating socio-economic data obtained largely from related quantitative studies in their works for robustness. Clearer measurement specifications used in some of these works have equally enabled some randomisation of aspects of the market maturity studies in what could be rightly termed as a mixed methods approach in market analysis.

4.2 RESTATEMENT OF RESEARCH QUESTIONS

To set out an appropriate research plan for the study it is considered necessary to re-state the research questions which include:

i. What factors determine maturity level in property markets?
ii. How is the extent of property market maturity to be rated?
iii. To what extent does the Nigerian property market exhibit such characteristics?
iv. Which characteristic(s) are lacking in the Nigerian property market?
v. What factor(s) is most significant in determining maturity level in Nigeria?

It is considered appropriate to approach this work from the perspective of maturity characteristics such that by applying the measures of property market maturity and suggested market behaviour indicators on the Nigerian property market, answers to Research Questions 2 through to 5 could be procured. The following specific questions have guided the evaluation; six of these are to evaluate maturity attributes, while the other three are reflective of market processes/or are behaviour-related:

Evaluation criteria 1

To what extent does the Nigerian property market exhibit openness?

Evaluation criteria 2

What is the level of presence of property professionals in the Nigerian property market?

Evaluation criteria 3

What is the state of information on the property market respecting availability, standardisation, and quality to enable research?

Evaluation criteria 4

What is the level of capital liquidity in the property market?

Evaluation criteria 5

What types of real estate products exist in the Nigerian property market?

Evaluation criteria 6

What are the forms of investment activity practised in the property market?

Evaluation criteria 7

What is the level of stability of market values in the Nigerian property market?

Evaluation criteria 8

What is the level of transparency in the property market?

Evaluation criteria 9

What are the factors constraining the maturity of the Nigerian property market, if any?

4.3 RESEARCH DESIGN

The study was set to measure the perception of market participants on the level of maturity in the property market and the constraints that may exist within it. To achieve some reasonable depth, four property markets comprising Lagos, Port Harcourt, Abuja, and Kano which constitute the most vibrant in Nigeria on account of activity, function, stature and historical significance are considered representative of the Nigerian property market and are chosen as study areas. The research approach considered appropriate for this work adopted both qualitative and quantitative techniques. To cover the study areas effectively a field survey was conducted with structured questionnaires for the major study population and anchored with semi-structured interviews for the secondary population and other relevant secondary data.

4.4 STUDY POPULATION

Previous works of this nature elsewhere have sampled the views of Property consultants (Chin, et al. 2006) or Investment Fund Managers (Lim, 2006) distinctly. The Nigerian property professionals, besides being of a relatively small size for the market they service, have been shown to exhibit reluctance to participate in research surveys (see Babawale, 2005). It was necessary therefore to sample opinions of other relevant participants like developers and financiers in the property market to reach meaningful conclusions.

For the purpose of this research, significant reliance was made on published socio-economic data on Nigeria's economy by the Central Bank of Nigeria, The National Bureau of Statistics, and a host of other secondary sources. These, together with data generated from field surveys, was utilised to define the extent of maturity of the Nigerian property market. This was achieved within the Keogh and D'Arcy (1994) maturity framework as further reviewed by subsequent studies on property markets.

The first target population for this study comprised Estate Surveyors and Valuers, while public officers charged with land administration and Land Use and Development Control, property developers /investors operating in the Nigerian property market constitute the second population for this study. These alongside the main study population were studied within the select study markets of Lagos, Abuja, Port Harcourt City, and Kano.

The choice of these groups of property market participants was informed by a number of reasons. First, Estate Surveyors and Valuers for instance are the most active and visible group of market participants as they have serviced the property market both as specialist advisors and agents for developers, users and investors in the Nigerian property market. Unlike the other professionals like builders, architects, engineers, lawyers, etc. whose activities always concern a singular function like an aspect of the property development process within the development part of the market, Estate Surveyors and Valuers' roles permeate all facets of the Nigerian property market. In some instances they even assume developer roles of recent. Property developers and identified notable foreign investors are, in the peculiar Nigerian property market setting where direct investment dominates, considered to have formed a good experience of the market through their property development and investment activities to express judgement on aspects of its maturity and institutional constraints within it. A second reason is the existence of listing frame by way of a membership directory for both the Estate Surveyors and Valuers. Also public officers charged with land management and property development activity oversights are considered on the strength of their constant interface with other market participants to be in a vintage position to advance reasons for whatever challenges that may exist within the markets.

The first group i.e. Estate Surveyors and valuers was studied through survey questionnaires, while the other group property developers, public land administration and development control officers as well as assets/fund managers were reached through semi-structured personal interviews. This approach is informed by their small sample size and on the need to obtain deeper understanding of their roles and specific challenges which necessarily must vary from one market to another. Thus two forms of data were obtained primarily – quantitative data from the questionnaire survey and qualitative data from the interviews, while the remainder was sourced through secondary sources.

4.4.1 Sampling design and sampling technique

The sampling for this study was of a multi-stage design. First, Estate Surveyors and Valuers practices (i.e. having practice offices located) in the selected study markets of Lagos, Port Harcourt City, Abuja, and Kano were identified for each market and marked out to yield a listing frame for that particular market. Next, on the basis of each market's list of Estate Surveyors and Valuers practices, a cluster sample was drawn for survey. The other population comprising developers, Fund/Assets managers are sampled using the snowballing process.

The target respondents are senior surveyors i.e. Estate Surveyors holding decision making positions and with good knowledge of the property market working in these firms. The second group of respondents comprising developers, directors or senior personnel charged with development activity, research, marketing and property management functions are also surveyed. These are personnel who interface in the market regularly and responsible for decision making. They are thus adjudged competent to express a realistic opinion on its state of maturity and institutional constraints that challenge its performance.

The approach is preferred for this study because of the desired coverage, to minimise bias by way of randomisation, and owing to the fact that while the NIESV directory lists Estate Surveying firms by location, the REDAN has a regional grouping of members.

4.4.2 Sample Size

The determination of a sample size for any survey is contingent on a whole lot of issues that cannot be strictly answered as certain factors must be assumed or prescribed. Issues such as required precision for the sample results, preferred method of analysis of results of the survey, and the adequacy of the sample to measure all variables satisfactorily where more than one variable is to be measured must be specified (Nachmias & Java-Nachmias, 2007) .

For the purposes of this study, the mean of the first population of study comprising Estate Surveying practices is assumed to be normally distributed such that, the sampling error technique can be applied to determine the sample size.

S. E. = ($\boldsymbol{\delta}/\sqrt{n}$), Where S. E. Is Sampling Error, $\boldsymbol{\delta}$ = standard deviation of the variable under study, and n = sample size.

Upon inverting, we have

$n = s^2/(S.\ E.)^2$

thus for this study, a Sampling error of 0.016 is adopted with a sample variance (s^2) of 0.1.

Thus with a population of 978 firms,

$n = (0.10)/\ (0.016)^2 = 390.625$ which is rather large for the population being studied.

This is transformed by adding the finite population model (Nachmias & Java-Nachmias 2007)

$n' = (n/(1 + (n/N))$

where

N = Population size

n = Sample size

n' = Optimal sample size

Given that N = 978,

$n' = \{390.625/[1 + (390.625/978)$

n' = 279.13 say, 279 firms is the Optimal sample size.

The derived sample size is for the population, this is therefore proportioned among the four study areas according to number of practices in the area such that the following distribution is obtained in Table 4.1.

Table 4.1: Distribution of Practice Firms and Sample Size

S/No.	Property Market	No. Of Practice Firms	Sample size
1	Lagos	460	196
2	Abuja	102	44
3	Port Harcourt	55	24
4	Kano	37	16
	Total	654	280

For the other groups comprising Public officers, Property developers, and Asset/Fund Managers whose sample is drawn using the snowballing method, the distribution according to study areas is as shown in Table 4.2.

This group is studied through interviews. It is considered sufficient for this work that only two Asset/Fund Managers are studied and only within the Lagos study area. This is because Lagos is where the head offices of most investment/fund management firms are based. It necessarily follows though these firms may operate branch offices in other towns they do retain their core staff in Lagos on account of the city’s primate status as Nigeria’s main financial and commercial centre.

Table 4.2: Proposed Sample of Secondary Population

	Land Admin officers	Use/Devt. Control Officers	Property Developers	Assets/ Fund Managers	Total
Lagos	3	2	3	2	10
Abuja	3	3	3	-	9
Port Harcourt	1	1	2	-	4
Kano	1	1	2	-	4
Total	8	7	10	2	27

4.5 DATA REQUIREMENT

For purposes of achieving the study's objectives, it was considered necessary to obtain two forms of data. The primary data for this study was sourced by the researcher through a questionnaire-based survey, personal interviews, and other secondary forms of data, comprising published statistical data and relevant literature. The basic data which were obtained from the target population addressed their judgements on factors suggested by literature as indicative of market maturity, and also information on the character of the respondents and the firms/organisations they represent. Relevant related socio-economic data were needed to triangulate respondents' volunteered opinions, views, and experiences sampled through questionnaire and interviews.

4.5.1 Data Collection Procedure

The primary data for this study is sourced primarily through a questionnaire survey and personal interviews:

Questionnaire administration:

The questionnaire administration process involved use of Research Assistants, RAs, (3 for the Lagos property market, 2 for Port Harcourt, 2 for Abuja, and 1 for the Kano property market). The RAs were trained and briefed on finding the target respondents for the survey. The issues for training include: explaining the study objectives, handling questionnaire item enquiry, where required, by respondents, and tackling any field issues that may arise in the course of the survey. Designed for self-administration, the desired approach was for respondents to complete and hand in the questionnaire, but where not practicable, the RAs picked up respondents' mobile phone contacts for follow-up procedures until the questionnaire is picked. RAs have to document the process noting time taken to return a questionnaire and specific difficulties expressed by respondents.

Interviews:

Further information for this work was obtained through interviews had with public officers working in government agencies with direct interface with property market operations like Land Officers, Town Planners, and Deeds' Registrars in the study area. The process involved first identifying specific senior officers with responsibility in a specific area, scheduling interviews, and holding the interview. The interviewing was done with the aid of a RA through structured questions which were recorded by both writing and electronic media.

The other data were gathered through the internet from several sites including The National Bureau of Statistics (NBS), The Central Bank of Nigeria, The World Bank, Transparency International, Jones Lang LaSalle, etc.

4.5.2 Data Collection Instruments

The dispersed nature and size of the study population necessitated the use of questionnaire, and a few interviews to be conducted on select persons and officials.

4.5.2.1 Self-administered Questionnaire

The questionnaire (see appendix) is divided into four parts. The opening part is a letter of introduction which seeks to explain to the respondent the study's objective and solicits his cooperation, and ends with a commitment to maintaining respondent's confidentiality for participating in the survey. The second part is the first set of questions addressing respondent's personal attributes with the aim of determining their profile hence suitability of the respondent for administering the questionnaire. The third part in like manner addresses the respondents practice firm to establish the firm's age, staff strength, activity scope etc. to determine their areas and extent of involvement in the property market. The last part of the questionnaire comprises questions directed at the study specific objectives. The questionnaire is then closed with a final salutation and an expression of willingness to share the findings of the study with respondents who wish to know the outcome of the study by requesting them to fill their email addresses in boxes provided at the end part of the questionnaire.

The format adopted for respondents and their firm's descriptions is close ended questions with respondents being required to select one from specified options, and in some cases being permitted to choose multiple responses to a query. For the objective-specific part of the questionnaire, a combination of single and multiple response questions, opinion rating (Likert-style) questions, and ranking (measuring direction of expressed attitude) questions are given. This style suggested by reviewed literature is used to test respondent's perception of the measurement attributes (see sample questionnaire at page 161-168).

4.5.2.2 Interviews

The interviews were audio-taped and later transcribed into narratives. The duration spans between 14 and 42minutes. The interviews cover specifically issues relating to government policy for accommodating emerging needs of the property market; approvals and procedure for property development activities; extent of involvement and compliance by property market professionals in the public sector. (See pages   for the interview guide)

3.5.2.3 Instruments validation and reliability

Survey Questionnaire

The initial draft of the questionnaire was drawn based on the study objectives utilising information from reviewed literature. This was subsequently reviewed by the supervisors of this study and other two experts for construct validity. The initial draft of the questionnaire was then exposed through a pilot study conducted within select areas in Lagos to test for reliability. The pilot study involved a single sample of 30 cases, and the Split-half method was used to measure for reliability employing the Spearman Brown's formula. The initial test revealed that only 3 out of 8 criteria evaluating items passed the test of reliability. This necessitated a second pilot study on the other 5 items after the queries were modified, restructured and/or re-stated. The second pilot was conducted in Kaduna and subsequent analysis (Split-half) proved that 4 out of the 5 items showed reliability. The co-efficient of reliability ranged between -0.18 to 0.72 (See Table 4.3 at page 81)

Interviews

Interview plans and guides for the other 4 identified categories of interviewees – Pubic Land Administration Officers, Land Use and Development Control Officers, Property developers, and Assets/Fund Managers were drawn on the basis of the issues to be raised with each category of interviewee within the context of the research objectives. These were reviewed by the study supervisor for construct validity, time requirement for conducting the interview, and interviewee appreciation of issues to be raised.

4.6 DATA ANALYSIS PROCEDURE

A) Questionnaire Survey Data: Given that the data for this study was drawn from four study areas (markets), each market's data was first treated separately. First each study area's (market) questionnaires was sorted to check for completeness to determine whether it is useable for this study. The useable questionnaire were collated and serialised and coded for computer aided data analysis.

B) Interviews: The transcribed recordings/ submissions from interviews are upon their authentication, collated and summarised on a market by market basis. The summarised details are then entered into tables.

4.6.1 Variables Specification and Measurement

The measurement of market maturity revolves around testing the key issues of market openness; level of presence of property professionals and other property market intermediaries in the market; the extent of information availability, standardisation, and quality; the level of capital liquidity in the market; the diversity of real estate products hence the forms of investment activities carried on in the market; the extent of volatility/stability of property values in the market; and recently level of transparency in the market (Keogh & D'Arcy 1994; Lee 2001; Chin et al 2005; Chin, Dent, & Roberts, 2006). These broad issues of market maturity informed the nine evaluation criteria drawn on the basis of previous studies for achieving the objectives set for this study. These are further decomposed into variables as described below:

a) *Market openness*: this is dependent on four conditions including absence of entry restrictions to both local and international participants into the market; the availability of opportunities permitting market players to switch operations through markets sectorally or spatially; and the extent to which participants' activities respecting change of use is facilitated. Since this is mostly an experiential issue, this factor is measured with a rating scale query comprising the items identified above.

b) *Level of presence of property professionals*: the extent or level of property professionals and other market intermediaries operating on the market is a major determinant of maturity and is tested by the number relative to the market being serviced; level of information fluidity and quality of data that feeds the market; the extent of specialisation among the different advisers operating in the market; and the quality of service offered by professionals. This was measured by participants' rating going by their experience from operating in the market.

c) *State of information on the market*: Information is a key condition for the smooth operation of market players as it underpins all forms of decision making. The usefulness of information however is determined by extent of standardisation. To test for this, the key aspects of availability; extent of standardisation; appreciation and level of research activity within the market; and extent of use of products of research findings by market participants are measured through professionals' rating.

d) *The level of capital liquidity in the market*: Liquidity is essential to drive market activities. While this is usually measured through secondary data on the economy, it is a composite issue relating what is available and how it is used. Given that, the NBS had just started compiling data on Real Estate as a distinct sector from second quarter of 2008, the available data from this source cannot meet the requirements of this study. In this study therefore, the aspects of existence of an assortment of media; ability of participants to exhibit responsiveness to market conditions through creation and disposition of real estate assets; the ease with which market participants access credit; and the existence of any restrictions to credit by way of taxes, surcharges etc by financiers was measured through the experience of market participants.

e) *Diversity of real estate products and forms of activities*: This feature of market maturity is determined by finding out from property professionals on the existence and variety of real estate product available on the market. A corollary is the typology of investment activities practiced which defines the scope of professional services required of property professionals. Testing for this requires identifying the common types of real estate products and this was achieved by way of a multi-response set question. The complimentary aspect of investment activity is equally tested with a multi-response query.

f) *Property values stability* or relative volatility is a major weakness of maturity as market participants' leverage on fluidity of information to swiftly move into and out of markets causing property values upheavals. This aspect was measured by historic data on movement of capital values and rents over a 10 year period. Secondary data was employed to construct a trend and this was compared with cost of money and rate of inflation.

g) Institutional forces disposition towards market activities: the property market is strongly impacted by institutional forces particularly public sector interface which may operate to facilitate or constrain its performance. Property professionals equally have a role to play here respecting upholding corporate governance in their affairs. They thus have capacity to reveal from experience the extent to which market activities are disposed by prevailing institutional arrangements within the market. To test for this, the aspects of services delivery by public agencies, delays in permit processing, quality of ethical conduct, existence of standards, regulatory processes, and transparency of reports were subjected to respondents rating. This was compared with results from personal interviews with public senior officers.

Recently researchers have demonstrated the association of transparency with extent of maturity of property markets (Lee, 2001). These works have reported a direct correlation between transparency and property market maturity. The issue of transparency has assumed topicality and rating of economies is now a regular activity of international institutions like The World Bank, Transparency International among others. It was thus considered exigent to analyse secondly data from these organisations with the aim of comparing with regional and peers or world best practices.

Factors constraining market maturity: a major aim of this study is to isolate factors which are operating to constrain the market's performance hence its maturity. From literature, factors such as extant legislation, tax policies, attitude of public officers, state of demand for property products, adequacy of funding, level of professionalism, interactional direction of property professionals, professional competence and proficiency, level of research activity are presented respondents to rank with a view of determining their respective strength or severity as constraining factors.

4.6.2 Interview Plan

The following details summarise the interview plan, justification and adopted procedure for each category of interviewees used for this research;

A) Public Officers Charged With Land Administration, Land Use And Development Control

Justification for interviewing public officers : Public land administration and development control officers interface the property market in a number of ways. Their conduct, disposition towards, and statutory roles have a direct bearing on the character and behaviour of property markets.

It is imperative to interview these officers to obtain their views respecting policy making and operation on the market to enable a complete triangulation of the object of this research. The issues for interview cover their roles/influence in the following areas;

i) Land use policy formulation and implementation

   On the basis of their perception of market conditions, land administration officers advise the policy making process on land use and management. This advice results in new policy, re-alignments, use revisions etc. They are also charged with implementation of whatever land use policy is adopted by government. In the pursuit of this function, they undertake or deal with the following incidental roles;

ii) Facilitation of market processes

iii) Providing a mechanism for title investigation/information

iv) Affording market players security of transaction by vetting and approving land transactions, title registration, stamp duty services.

v) Vetting and approval of Market Player's Use and Development Proposals

vi) Vet and grant requests for change in use on existing property

vii) Grant approvals for new development proposals

viii) Enforcement of development plans

ix) Sanctioning non-complying developers.

x) Market characterisation

The character of the property market is to a large extent influenced by the level of efficiency demonstrated by public land officers in the conduct of land administration functions. For instance, a cardinal measure of an efficient market as measured by the World Bank for compiling the Doing Business Report for each country deals with length of time to process title to land, and/ or obtaining approval for development proposals, and the number of processes involved. In addition to the foregoing, public agencies indirectly set market rules by affecting property market professionals in the following ways;

a) Regulation of market players' roles
b) Licensing /Registration of property market professionals
c) Setting market transaction rules
d) Sanctioning erring market players.

Issues for interview

1. The state's land use policy for accommodating the development needs of property developers.
2. The capacity of operating structure for facilitating property market activities.
3. The processes involved in vetting and assenting to property development plans.
4. The extent of intervention in the property market activities.
5. Rating of compliance and measures for enforcing compliance with property market rules.

Adopted Interview Plan and Proposed Interviewees

The interview which was semi structured lasted a maximum of 25 minutes per officer, and was audio-taped. Preliminary enquiries revealed discomfiture with video-taping on account of civil service rules. Two levels of senior government officials were proposed as interviewees. That is, at least a land administration officer and a development control officer for each studied market. The target officers in this regard included Land officers and Development control officers in the State Ministries/Bureau of Lands and Surveys and the Urban Planning and Development Boards respectively in Lagos, Abuja, Port Harcourt, and Kano.

Interview Schedule For Property Developers

Justification for interview of property developers: Property developers play a major role on the market by creating real estate units – the basic trading product of the market. Their property development role is pivotal to anchoring new investment, use adaptability and adjustment in the property market. Furthermore, their rate of activity is an indication of market vibrancy. Property developers provide a means to realising opportunities in the property market and should their activities get clogged or stifled, whether by institutional forces given their vulnerability and exposure to institutional forces or economic conditions, the associated impact will operate to limit investment activity on the market.

1. It is therefore exigent in the context of this work to find out the extent to which their activities are facilitated or constrained/stifled by public agencies;
2. The extent to which the property market supports their property development activities;
3. Their rating of the professional services they subscribe to on the market;
4. Their scope of services on the market; and
5. The types of clients they serve on the market.

Issues for interview

In the context of the issues mentioned above, the interview with property developers revolved around their experiences and judgements on whether the market environment is one that facilitates their development operations – from the institutional perspective, quality of professional services they receive, the major form of clients they serve, and generally as to whether the market is supportive of their operations.

Interview Plan and Proposed Interviewees by Study Areas

In furtherance of this work, research interviews were held with 2 property developers in Kano, 2 in Port Harcourt city, 3 in Abuja, and 3 in Lagos. These are drawn using the snowball method. It was planned that the time for each interview session be a maximum of 25 minutes.

c) Interview Schedule For Assets/Fund Managers

Justification for interview Asset Fund Managers/Investment Analysts: Fund Managers represent a major stakeholder in a emerging economy like Nigeria. Their emergence or roots cut across international accounting/audit firms, investment firms, and stock broking organisations. In the wake of the stock market boom in Nigeria (2003-2008), these firms performed an additional strategic role packaging Initial Public Offers for companies seeking to be listed and advising the investing public. The emerged contemporary practice the world over, particularly among international financial consultancies, is for firms that began as audit firms or investment banks to metamorphose into mega-consultancies with global representation offering a diversity of services in investment banking, auditing, fund/assets management to institutional and major investors. They advise their clients on investment opportunities and even rate performance of investment sectors within economies where they are engaged.

The strategic role of real estate as an investment class has accorded it a special treatment by these firms as some of them even run real estate units, and have in some countries or regions consistently reported on property market performance on their sites. Firms like KMPG, UBS, JP Morgan, Accenture, and Anderson Consulting etc. fall into this category. For a study of this nature, it becomes necessary to obtain their views on the property market for the very reason that they remain a major window through which investments are being viewed and made by prominent local and international investors in the Nigerian economy.

The following issues come up for this group's opinion and or perception:

1. The Nigerian economy's profile and characterisation in investment terms;
2. The relative rating of real estate as an investment asset among other assets in the Nigerian economy;
3. Factors underlying international institution's perception of real estate investment in the Nigerian economy;
4. The profile of foreign investors in the property market and the sectors they are engaged;
5. Factors, if any, constraining international participation in the Nigerian property market

Proposed Study Interviewees

For purposes of sampling the views of this category of respondents, 2 executives of two major firms were interviewed separately. The interviews lasted a maximum time of 25 minutes each and broached on the issues listed above. The interviewees, who are senior executives charged with asset management and investment analysis, were purposively drawn within the Lagos area. The reason for drawing interviewees from the Lagos area alone was informed by the fact that almost all major asset/fund management firms have their headquarters in Lagos with branches in Abuja, Port Harcourt or Kano, even though they serve a broader market.

4.6.3 Tools of Analysis

On account of the dispersed nature of the study areas for this research, data collected within each study area was first analysed distinctly while the results of the analysis is then used to compare states and rating of the respective markets. For some characteristics/ attributes studied a summative rating is made to obtain an aggregate perspective for the Nigerian property market.

Survey Data

Besides the descriptive aspects of the questionnaire respondents with respect to their status and the firms/organisation where they work, the variables measured to answer the research questions for this study are measured mostly through rating and ranking procedures. This will yield nominal and ordinal data. It necessarily follows then that the tools of analysis for this research which is basically exploratory and laden with institutional variables were more amenable to descriptive statistics like frequencies, means, deviations, ranking, and tabulations.

The procedure for measuring respondents' aggregate perceptions involved a further decomposition of respondents' scores on each item into means from which the grand mean (a mean of the means) of the grouping variable is calculated for the attributes measured on a rating or ranking scale. There are three categories of grouping variables. First, the rating variables comprising those measuring for market openness, level of professional presence on the market, and market transparency.

The second group comprises group variables for i) Types of estate products, and

ii) Investment activity practised which are multiple response variables which cannot be evaluated using the Mean of means approach.

A third variant is the grouping variable - **Market constraints** whose composite variables are rated on a 4-point scale ranking between 0- 3. It necessarily follows that the dichotomous multiple response variable of Types of Estate Products and Forms of Market Activity practised cannot be fully measured by means being nominal variables. These are analysed using descriptive method of frequencies.

Qualitative Data

The qualitative data issuing from interviews had with property developers, public officers, asset/fund managers and investment analysts was analysed categorically and summarised in tables. The views expressed cut across some of the issues treated by the questionnaire survey and these were compared with results obtained from analysis of the questionnaires to achieve some form of triangulation.

4.6.4 Decision Rules

Two issues were decided. First, a goodness of fit test was applied on the data sourced through questionnaire survey to explore the capacity of the data so assembled to be used for further analysis in furtherance of the research. On account of the four independent samples drawn from respondents across the study areas, the non-parametric Kruskal Wallis H test was employed. Subsequent analyses were read off from computer calculated values to draw inferences and compare the performances across the four markets studied.

The second issue that this study resolved relates that evolving a measure for transforming the findings to fit into a maturity state classification. Maturity has been measured and classified through categorical analysis such as would make it metric-wise. This departs from the hitherto loosely defined classification in the property market maturity literature (Keogh & D’Arcy, 1994; Armitage, 1996). Previous works have stopped short of this prescription and until recently Chin et al (2006) tested market maturity using the Likert-scale rating approach that yielded quantitative data. Even in that study, it would appear that the authors refrained from categorically specifying a metric classification on the basis of scores for the range of factors measured. It is however considered exigent in the course of this work to provide some definitive classification rule.

The reasons suggested by the several commentators on property market maturity (See Armitage, 1996; Chin & Dent, 2006; Chin, et al. 2006) for perhaps not specifying a fixed basis for classifying maturity stem from the generally held view that property market maturity is relative and that there are slower and faster forms of maturation (Keogh & D'Arcy, 1994). When viewed as a relative concept, the pursuit of such a specification will tend to portray market maturity as an absolute end achievement. This view would be oblivious of the fact that all evolutionary processes are hardly fixed and further revelations of the process in the future could render obsolete the very perceptions that inform of the current judgement of maturity. It necessarily follows that the property market maturity specifications for classifying maturity suggested in this study are within the context of currently identified factors from literature as underlying property market maturity and as discussed in Section 4.5.

4.7 A MARKET MATURITY CLASSIFICATION SCHEME

The approach adopted in this study for determining level of maturity relies on rating and ranking statistics. The quantities so derived are thus best treated through means. The transformation process to yield a model for classifying measured factors/attributes into a particular state (level) of maturity must necessarily derive from treatment of the mean scores.

Three broad classifications of level of maturity of the property market are made in this study as has been the convention in previous works (Keogh & D'Arcy 1994, Armitage 1996, Chin & Dent 2005, Chin, et al. 2006) viz: Immature, emerging, and mature. As noted earlier, initial works had relied on qualitative and secondary data to measure state of maturity with subsequent works attempting to measure through rating scales. It is however to be observed that property market researchers have stopped short of prescribing a specific rule for making a classificatory judgement scale. On the basis of means derived through a 5-point Likert scale, the decomposed variables were re-grouped and measured uni-dimensionally thus:

For those items which are rated on a 5-point scale;

For scores of **1.00 – 2.49 points** the factor/attribute will be counted as non-existent,

For scores of **2.50 – 3.49 points** the factor/attribute will be reckoned as present however in limited quantity,

For scores of **3.50 – 5.00 points** the factor/attribute is established to exist in sufficient quantity to impact the market significantly.

In like manner, for those items measured on a 4-point scale,

For scores of **1.0 – 1.49** points, the factor/attribute will be counted as non-existent,

For scores of **1.50 – 2.49** points, the factor/attribute will be counted as existing but in a limited quantity,

For scores of **2.50 – 4.00** points, the factor/attribute is established to exist sufficiently to impact the property market.

It must be emphasised that the results that were revealed by analysis of the survey data were considered alongside additional findings from analysis of the interviews and related secondary data for judging maturity attributes.

4.8 PILOT STUDY

The questionnaire for the survey was self-drafted when efforts to secure standardised questionnaires failed. It then became imperative to conduct a Pilot Study to test for the instrument's reliability and to enable an effective and efficient plan to be fashioned for undergoing the research. Other objectives of the Pilot Study include to observe first hand respondents 'working' of the questionnaire as it is intended to be self-administered, and to simulate and identify likely challenges that actual survey might face. The variables were formed from issues raised in relevant literature on property market maturity. The initial draft was reviewed by this study's supervisor alongside two other experts for content and construct validity.

This was first carried out on Estate Surveyors and Valuers operating within Yaba, Bode Thomas, and Ilupeju areas. These areas fall outside of the study target clusters of the main commercial districts of Victoria Island, Lagos, and Ikeja for the Lagos property market. The pilot study was set to test reliability of 8 items. 45 questionnaires were used and follow ups made until 30 were returned. These were analysed using the Split-Half formula. Of the 8 items tested only 3 items posted significant reliability (scores ranged between -0.46 - +0.49). This necessitated a second test upon restructuring of the questionnaire items. The second test was conducted in Kaduna for the 5 items that failed the reliability test in the first test. The Kaduna test returned 4 out 5 items as haven passed the test of reliability (see table below).

The study proved that neither the official list of licensed practice firms obtained from the Estate Surveyors and Valuers Registration Board (ESVARBON) nor the 2009 NIESV Membership Directory could not be relied upon to draw a random sample as some of the listed firms have ceased to operate or have moved from the named addresses.

Table 4.3 Results of Survey Test Analysis

Query		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Research Question		1	2	3	4	5	6	-	8	9
Reliability score	1st Test	0.42	0.49	-0.46	0.24	-0.18	-0.14	-	-0.37	-0.40
	2nd Test	-	-	-0.18	-	0.03	0.69	-	0.72	0.32
Pearson's PMC (r)		0.26	0.33	-0.19	0.14	-0.08	-0.07	-	-0.16	-0.17
				-0.08	-	0.02	0.53	-	0.56	0.19

A major implication of the difficulty of tracking firms at published addresses was that the sample cannot be drawn randomly. On account of the study's target of Estate Surveyors handling commercial property, a resort was made to use cluster sampling to draw the sample for the study. This implied sampling all Estate surveying and valuation practices that fall within the cluster of each study area utilising the earlier determined sample size as guide. A target cluster for the purposes of this study refers to the commercial district(s) of a study area with the elements comprising of Estate Surveying practices with offices within this area.

CHAPTER FIVE

DATA PRESENTATION, ANALYSIS, AND DISCUSSION OF FINDINGS

5.1 PREAMBLE

This chapter is broadly organised in two parts. The first part is a presentation of the various types of data collected for this research and this is followed in the second part with analysis of the data in the process of finding an answer to the research problem. The approach adopted here involves evaluating the variously gathered evidence in the frame of the nine identified criteria in Chapter Four to achieve the study's objectives. The analysis is presented first on the basis of each market's performance on sub-parts of the specified grouping criteria/attribute. This is followed by a market by market aggregation through grouping variables and from this a summative judgement is made of the state of the Nigerian property market.

5.2 DATA PRESENTATION

To achieve the purpose of this research, four types of data were collected. The first two types of data were obtained directly through survey questionnaires and personal interviews, and the third and fourth sets of data were abstracted from secondary sources comprising data on inflation rates and official exchange rate of Naira to the US $ from the Central Bank of Nigeria (2000 - 2010), rental values of commercial properties for the four study areas of Kano, Port Harcourt, Abuja and Lagos respectively; Transparency Rating of economies of States by Transparency International (TI), and The World Bank's Doing Business Report. A description of each type of data collected is given below detailing its relevant characteristics, role, and suitability for use in the work.

5.2.1 Survey Data

The distribution of survey questionnaires as administered and returned across the four study areas is as given in Table 5.1 In the absence of a reliable listing frame, the researcher resorted to adopt the cluster sampling technique which entailed including all surveyors practising within the commercial zones of each study area's main business district(s). A total of 420 questionnaires were distributed among the four study areas in the following order Lagos 295, Kano 24, Abuja 65, and Port Harcourt 35 based on the proportion of the distribution of estate surveying firms within the study areas. It will be observed that of the total number of 271 questionnaires returned only 247 were correctly filled and found usable. The 247 respondents achieved (representing over 88%) however falls short of the theoretically determined figure of 280. This is adopted as the survey sample for the study given that it re-confirms the earlier findings of the pilot study that the listed total number of Estate Surveying practices by the Estate Surveyors and Valuers Registration Board (ESVARBON) does not reflect the actual number of practices in existence in the country as some practices are closed, others have moved to addresses different from those in the list or are split. Table 4.21 below shows the extent of deviation of the actual sample drawn from the planned (theoretical).

Table 5.1 Distribution of Planned and Actual Sample Achieved

S/No	Market	Practice Firms	Planned Sample	Actual Sample	% Achieved
1	Lagos	460	196	153	78.06
2	Kano	37	16	19	118.75
3	Abuja	102	44	50	113.63
4	PH	55	24	25	104.16
	Total	654	280	247	88.21

This fairly mirrors the actual pattern of distribution of Estate Surveying and Valuation practices in the study areas (Babawale 2008, Olaleye 2004). On the basis of the sample drawn, the emerged distribution among the study areas assumes the order shown in Table 5.2 below. This however is not expected to significantly affect the outcome of the study. The noted significant effect is that the initial plan to randomise the study's sample cannot be realistic. To compensate for this, all firms falling within the commercial area of the study areas which serves as the selected clusters are sampled.

Table 5.2: Sample Distribution by Study Area

Frequency	Sample	Percent	Cumulative Percent
Lagos	153	61.9	61.9
Kano	19	7.7	69.6
Abuja	50	20.2	89.9
PH	25	10.1	100.0
Total	247	100.0	

5.2.1.1 Characteristics of Respondents

About 65% of the respondents are members of The Nigerian Institution of Estate Surveyors and Valuers (NIESV). With 59% (143) being of the Associates grade and the other 7% as Fellows. Another 21% are Probationers i.e. persons who are in the process of qualifying. A further 13% are Graduate members of the NIESV. The information available from the data analysed shows that there is a gradual training of younger professionals going on among the practitioners since a total of 34% (21% probationers and 13% graduate members) are in employment. However, a 7% percentage as Fellows of the Institution is rather low. It would appear that there is a slower admission of associate members into the fellowship cadre. In-depth interview pointed out that securing brief is a function of a firm's personality rather than the grade staff members belong in the institution. The rather thin number of members of associate grade relative to the size of the market has seen to non-associates (non-professional) holding out for firms as branch managers.

On respondents' capacity to understand property market processes, 200 respondents, representing 80% of total respondents, responded to having undergone training in various ways. The remaining 20% who had not undergone any form of training after graduation were discovered from in-depth interview to be mostly those graduate students and a few probationers. Most of them are still very new to the practice of estate surveying and valuation. Training sessions attended include professional conferences - 76% (189); 23% (56) technical workshops; 24% (59) in-house training; 7% (17) specialist training courses; and another 3.6% (9) in various training combinations. The respondents thus rate their knowledge of the property market they reported on as quite high (67%), and another 24% as very high while only about 9% adjudged their knowledge of the market as low. It can be deduced that estate surveyors and valuers do constantly update their knowledge of the property market continuously in view of the ever changing scenarios among various practitioners in the real estate business. They are thus informed to give quality opinion on varying market situations from their experiences over time.

It was planned that respondents be suitably qualified to make informed opinion on the property market within the study areas. To this end a review of status profile of the respondents in their firms' hierarchy was carried out. Results show, as contained in Fig 5.1, that 102 or 42% are Partners in the firms where they practice, another 16.9% are Heads of Departments, and another 24.7% (60) are either Directors or Managers.

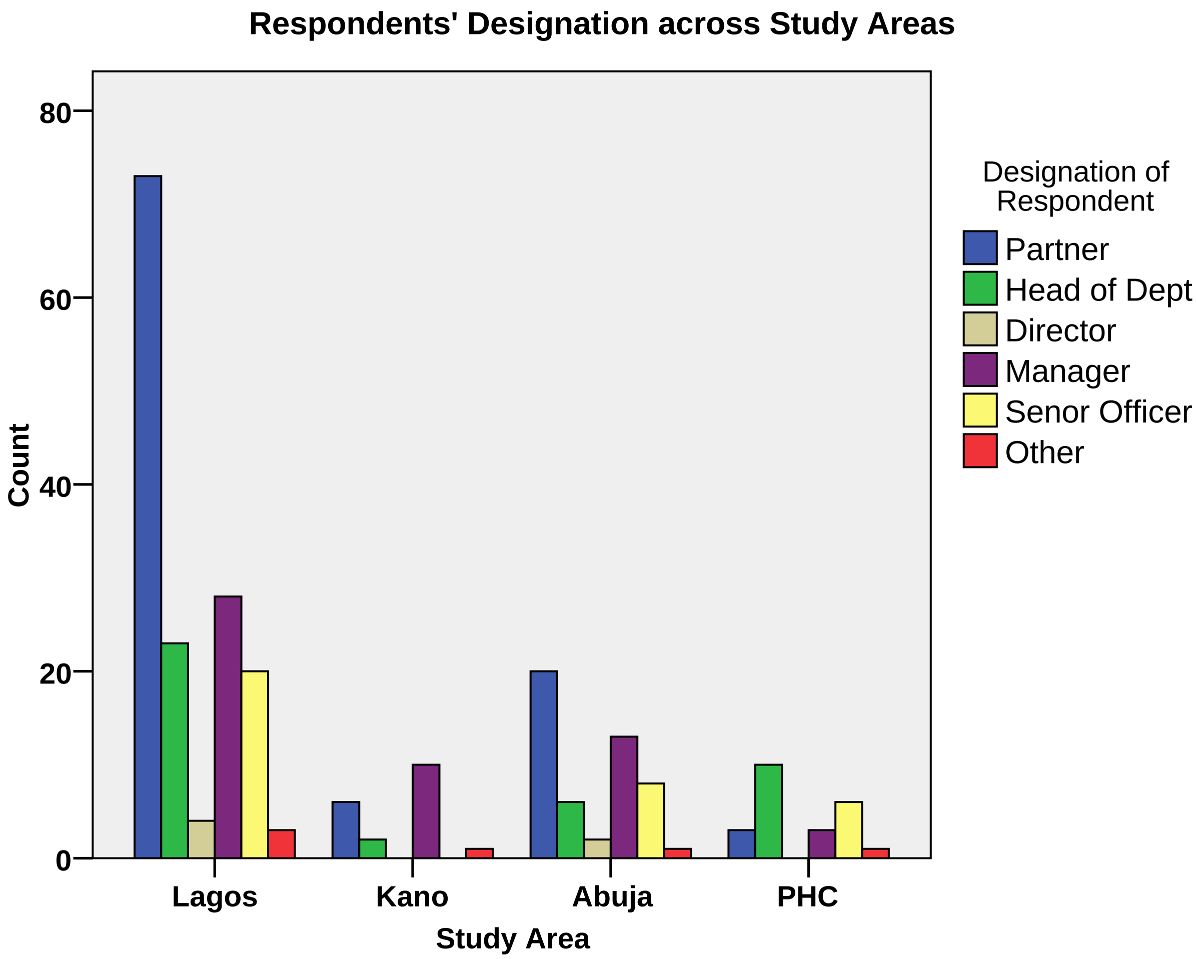

Figure 5.1 Respondents designation across study areas

Respondents' Firm Characteristics

Respondents for the questionnaire survey were majorly from firms having not more than 10 members of staff (80.6%) which can be considered small by international standards of real estate consultancies , and about 20% have over 20 members of staff in their employment.

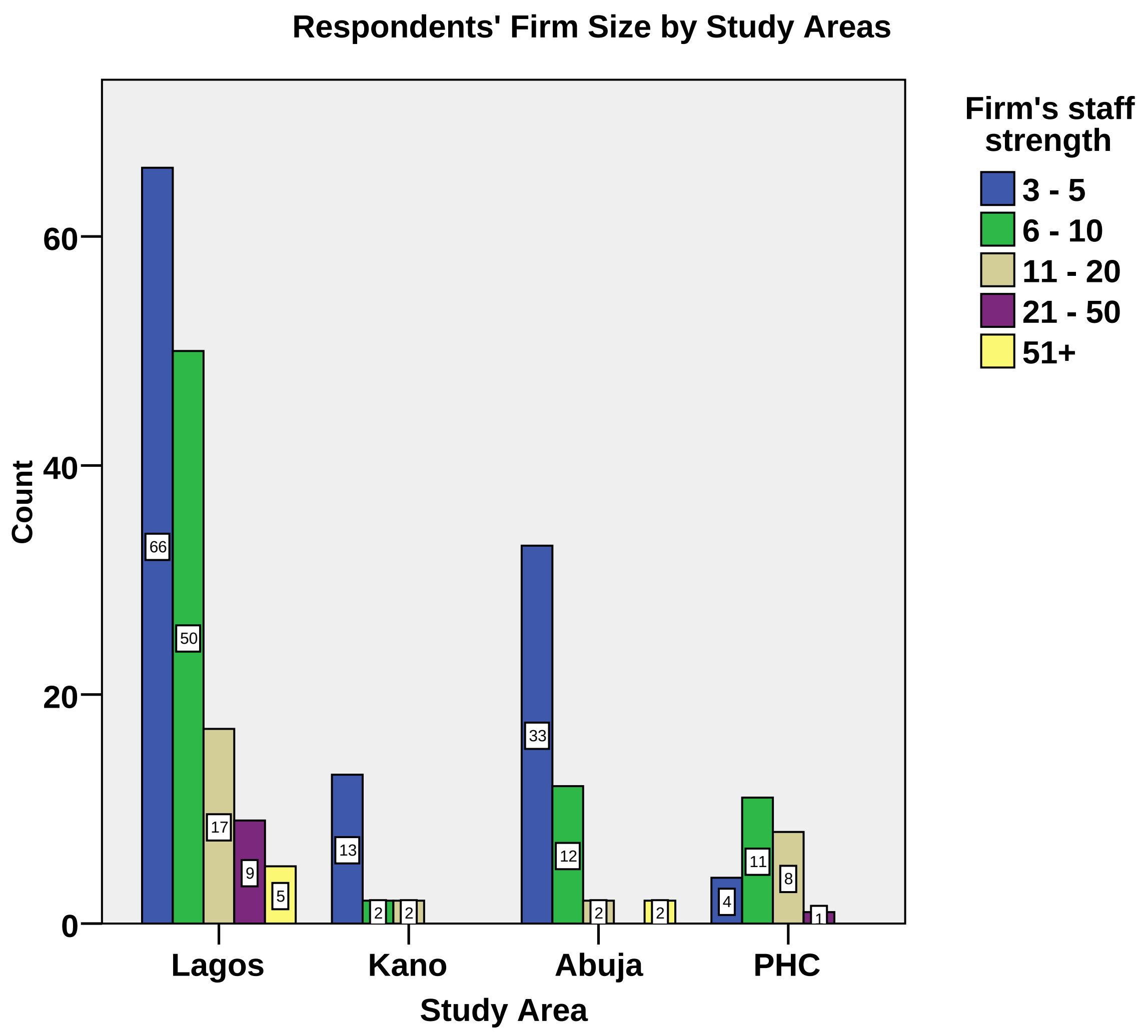

Figure 5.2: Respondents Firm size by study area

This cumulatively yields 84% of the respondents as persons holding decision-making positions in the firms where they operate. The remaining 16% describe themselves as senior officers. Further interactions with senior members of the profession on who head Branch Offices point to the fact that positions in estate surveying and valuation firms, especially at Firm's Branch Offices, are not based on professional qualifications alone but mostly on ability to source jobs as 34% were earlier identified to be non-registered members of the Institution.

In terms of age of firms, 74 (38%) of those sampled were established less than 10 years ago, another 105 or 48% have between 10 and 19 years, 20 – 29 years old firms and organisations constitute 12%, and only 2% have been in existence for over three decades. The results of the analysis show that about 60% of the firms of the respondents who participated in the survey have operated long enough in the property markets they reported on.

The results also show that over a half of respondents' firms (53%) are sole proprietorships while a little fewer than 40% are partnerships, 7**%** are consortia and limited liability entities**.** Overwhelmingly, 94% or 232 of respondents work in firms fully recognised by the Estate Surveyors and Valuers Registration Board of Nigeria (ESVARBON). The remainder 6 **%** are firms that do not possess ESVARBON registration.

Relating the scope of services engaged by the various firms, 86.1% are general practitioners offering the whole range of real estate advisory services while just a little over half (53%) of this number practise Estate Agency mainly. A little over a third (31%) of the firms where the respondents work has international affiliation. Of this number, two-thirds is affiliated to practices in the UK and a few others to firms in the US and South Africa. About 55% (121) of the respondents submit that their practices consider research to be relevant to their activities, while another 19% see research as somewhat relevant. However 24% contend that research is not so relevant to their activities. Follow up interviews with most practices reveal that property market research has not grown beyond the basic market surveys needed to drive routine functions in practice firms as the subject of research is yet to gain enough prominence to be considered a unit or department in most firms. Besides the prevalent small size structure of practice firms undertaking general practice leave little or no capacity to deploy and dedicate staff to research activity.

5.2.2 The Interview Data

The second form of data gathered for this study is qualitative in nature having been obtained through semi-structured interviews with public land administrators, staff of development control agencies, property developers, and fund/asset managers within the four study areas. The profile of the interviewees is as given in Table 5.3.

Table 5.3: Profile of interviewees Across Study Areas

S/No.	Interviewee	Status	Agency/ Organisation
(a) PORT HARCOURT			
1	Director of Lands	Public Lands Officer	Ministry of Lands & Surveys, PH.
2	Director of Physical Planning	Land Use and Devt. Control Officer	Ministry of Physical Planning & Urban Development, PH.
3	CEO	Property Developer	Inkotariah Nig. Ltd, PH
4	CEO	Property Developer	Ofoma Associates, PH
(b) KANO			
1	Deputy Director, Lands	Public Lands Officer	Ministry of Lands & Phys Planning, Kano
2	Director, Urban Development	Devt. Control Officer	Kano Urban Planning and Development Board, Kano
3	Secretary	Property Developer	Muhalli Associates Ltd., Kano
4	CEO	Property Developer	Marx & Construction Ltd., Kano
(c) ABUJA			
S/No.	**Interviewee**	**Status**	**Agency/ Organisation**
1	Senior Lands Officer	Public Lands Officer	Abuja Geographic Inform. Sys., Abuja

2	Assistant Chief Lands Officer	Public Lands Officer	Abuja Geographic Information Systems, Abuja
3	Director, Land Administration	Public Lands Officer	Abuja Geographic Information Systems, Abuja
4	DD, Building Infrast. Devt. Control	Land Use & Devt. Control Officer	Department of Development Control, Abuja
5	Chief Town Planning Officer	Land Use & Devt. Control Officer	Department of Development Control, Abuja
6	CEO	Property Devt. Consultant	Ebiai + Associates, Abuja
7	CEO	Property Developer	Former REDAN Secretary

(d) LAGOS			
S/No.	**Interviewee**	**Status**	**Agency/ Organisation**
1	Principal Lands Officer	Public Lands Officer	Ministry of Waterfront Infrastructure Devt. Lagos
2	Director of Lands	Public Lands Officer	Lands Bureau, Lagos
3	Director, Urban Devt.	Land Use & Devt. Control Officer	Min. Of Physical Planning & Urban Devt., Lagos
4	Director, Town Planning	Land Use & Devt. Control Officer	Min. Of Physical Planning & Urban Devt., Lagos
5	GM	Property Investor	Wise Properties Ltd., Lagos
6	CEO	Property Developer	Compera Homes Ltd., Lagos
7	Head, Real Estate Unit, & Head Statistics	Economic & Investment analysts	Financial Derivatives Ltd., Lagos
8	Head, Real Estate	Fund/Assets Managers	A.R.M. Ltd., Lagos

The character and number of interviewees is extended within the study areas of Abuja and Lagos. This is informed by the need to sample the views of the various stakeholders involved with or dealing with two most vibrant (in terms of relative volume of activity) real estate markets in Nigeria.

Developers gave opinions on the influence of various government agencies on their activities, funding, availability and quality of services by professionals serving them, and their rating of the market's capacity to support their activities, and finally constraints being encountered. The last group of interviewees, comprising investors and analysts, gave account of their investment rating of property as an investment asset class in Nigeria, extent of international participants involvement on the market, factors limiting international players from dealing in the market. The respondents' opinions, perceptions, experiences, and judgements are as abstracted and presented in the Tables 4.24, 4.25, and 4.26. A summarised version of the categorically analysed interviews is attached in Appendices section?.

Table 5.4 Abstracted perceptions of property developers

Subject	Property Developers' Perceptions and Experiences
1) Relationship with Public Officers/Agencies	About 50% of respondents complain of delays in titling and permit procurement processes, while 38% consider it good and exciting; and just about 50% see public agencies as facilitative.
2) Existence of opportunities in the market	All respondents agree that opportunities exist on the market, with 63% seeing good prospects; however 25% of respondents blame inconsistent government policies for poor prospects
3) Developers rating professional services.	All respondents opine that there exist a full compliment of needed professionals and they are effective (63%), they however show little regard for each discipline's distinct role (38%), however only half of the respondents consider their service quality as good. 75% of the respondents consider their charges as reasonable.

4) Preferred segment of the market	About 65% of developers are engaged in the residential sector of the market, and the other 35% been engaged in all sectors. About 50% attribute preference to be market driven and only 25% to expertise
5) Types of customers	The predominant customers are local private individuals (65%) while others are Workers Cooperatives (35%). International buyers are just entering the market. According to 25% of respondents and 75% of respondents do not have issues with their customers, however 25% complain of non adherence to sale terms.

Table 5. 5 Abstracted Perceptions of Public Land Administration and Development Control Officers

Subject	Public Land Admin. Officers	Development Control Officers
1) On the existence of a State policy for meeting emerging needs for land use.	About 67% of the respondents submit that a policy exists to cater for emerging land use needs and is predicated on an existing Masterplan. 17% see no need for a special policy, while another 17% have no policy. Policy objectives include meeting special needs of the market, preservation of the masterplan, and land availability. About 30% have adopted a GIS based cadastre, while the rest are evolving structures to manage the needs.	All respondents submit to the existence of a land use policy. About 50% stated that the policy is predicated mainly on existing city Master plan. Furthermore 50% of respondents aver that policy exist to manage development within the old core through zoning review while new towns are being established. 50% of the respondents state that the policy is set to preserve the masterplan, 34% the policy is meant to cater for emerging land use needs and make for orderly devt., while 16% that policy is actually market driven.

		67% report a re-structured and simplified process.
2) Capacity of public agencies to support emerging development activity.	a) About 66% of respondents appreciate existence of special needs of developers in terms of increased demand for land, another 17% from infrastructure gaps, last 17% cognisance through use succession pressure. b) While 17% give no special consideration for facilitation, 83% report of streamlined processes, creation of new towns, and/ or using PPP to management associated challenges. About 50% require additional staff and vehicles to cope, 16% need more funding, and just about 34% consider their manpower and logistics requirements to be adequate.	a) 50% of the respondents recognise emergent needs in the form of increased demand for land, 33% are proactive in articulating market needs, while 17% say they have yet to identify and capture special market needs. b) In 33% of reports market needs not given special consideration, while 67% of respondents say their agencies recognise market needs and facilitate processes. 33% of respondents report devt. of new towns and new corridors, adoption of GiS cadastre and LIS for efficient service delivery (33%), 17% report that an

		efficient structure already exists, while another 17% respondents reason manpower need to be boosted.
3) Specific areas and considered justification for intervening in the market	About 83% of respondents express dissatisfaction with affairs in the market with 17% being somewhat satisfied. Specific areas are market distorting practices and professionals providing cover for quack agents. Intervention is rationalised to give credibility to titling and market processes, ensure completion of titling processes, stem price hikes, and achieve mass housing and orderly development. The considered intervening options include imposing penal rents, liaising with professional societies, registration of professionals to transact with	About 50% of the respondents expressed dissatisfaction with the state of affairs in the property market, 33% are somewhat dissatisfied, while 17% are fairly satisfied. 66% are bothered on non-compliance with devt. approval terms, 17% with unapproved conversions and substandard devts. Intervention is rationalised on need to make for orderly devt. Intervention measures include monitoring and enforcement, limiting transactions to only professionals.

	agencies, land banking and persuasion.	
4) Processes/procedures for vetting and assenting to transactions and development approvals.	While 34% report of a simplified and streamlined process, 66% said their processes are procedures are tedious and highly bureaucratic, with procedures lasting between 30 -60 days to complete. Restrictions to use change include penal rents, considering strict adherence to grant terms for subsequent requests, however 34% reported no restrictions haven reviewed their city’s masterplans. Change restriction rationalised on need to preserve use balance and for orderly development. Compliance is enforced through monitoring and enforcement.	33% of respondents submit that approval processes still done the traditional way but being transformed and approvals obtainable in 30 days. Another 67% that processes streamlined and approvals can be within 2 – 3 weeks. Restrictions to change in use achieved through refusal of application for conversions, penal rent charges and removal. This is rationalised on the need to maintain use balance and better management of emerging and growing land use requirement. 83% respondents say this is achieved by monitoring to uphold compliance with approval terms, while 17% go further to

		provide design control information.
5) Rating of extent of compliance by market players	There is a preponderance of non-professionals on the market according to 83% of respondents, with 17% reporting to deal only with professionals. As such there is a prevalence of non-professionals (67%), while activities of non-professionals are minimised in about 17% of the reports. 67% allege distortion of market processes by these non-professionals as they engage in fraudulent deals and truncate title procedures.	83% of respondents report that all devt. approval issues are strictly handled by professionals, with 17% reporting the involvement of non-professionals. activities of non-professionals have been minimised except for a few cases on-site illegal substitutions of pros. with quacks. 67% respondents submit that there is a high level of compliance within their cities, while 33% complain of non-compliance with approved development terms.

Table 5.6: Abstracted Perceptions of Asset Managers and Investment Analysts

Subject	Asset Manager /Investment Analysts' Perceptions
1) Nigeria economy's profile and characterisation by investors.	The economy commands lot of interest haven posted an average GDP growth rate of 7.5% over the last 5 years, $200 Billion GDP, and is rated by Fitch and S & P. Lot of investment options exist with relatively high return performance among developing economies.
2) Relative rating of real estate as an investment class.	The fundamentals are strong however there are limited investment opportunities. Sector preferences include commercial –retail, hospitality, and mid-range residential.
3) International investors' perceptions on the property market.	Market still considered unripe on account of limited and unreliable data. Perceived riskiness hinged on political climate.
4) Factors driving foreign investors' perceptions.	Perception on real estate investment derived from general national outlook owing to lack of reliable or scant data on the real estate sector – on overblown political risk.
5) Profile of foreign investors in real estate in Nigeria and their preferred sectors.	Market comprised of fragmented small scale local players with a few opportunistic foreign investors – Russian, Chinese, and other Europeans investing directly in the absence of suitable vehicles. Preferred sectors include

	commercial –retail, hospitality and residential.
6) Identified possible constraints faced by foreign investors seeking to penetrate the Nigerian property market.	Identified institutional challenges include too many charges and lengthy procedures, and high cost of transactions. There are no suitable investment vehicles for international investment. These constraints are real.

5.2.3 Other Secondary Data

i) Rental Data

The data on rentals for the Abuja property market was sourced from different but similar commercial properties among estate surveying firms. It is observed that though the city has witnessed commercial developments since 1989, the commercial property market actually picked up by 1991 when the seat of government was moved from Lagos to Abuja and with it came a relocation/opening of corporate offices. The rental data was obtained from prime commercial properties in the central business district of the studied property markets. The data was sourced for ten years. Similarly rental data for Lagos was derived from practice firms, dissertations, and reports.

The rental data for commercial properties for Port Harcourt is derived from properties on Olu Obasanjo Road and Aba Road, these are the major commercial arterial routes of the city. The Port Harcourt rental data also spans ten years. Kano rental data was also for ten years. The rent profile is as shown in Table 5.7 below

Market derived rental values where based on specific properties, as in this case, suffer breaks as subsisting lease arrangements dictate review periods. Given that it is only intended to trend performance over the ten year period to test for value stability, the need for smoothing is not considered necessary. This data was however subjected to standardisation procedures by transforming them into indices. This is to enable their plotting on a common scale for comparability with the associated indices of inflation and currency exchange rates.

Table 5.7: Commercial Property Rent Across Study Areas

	Rent /m2 in N '00			
Year	**Lagos**	**PH**	**Kano**	**Abuja**
2000	80	68	30	80
2001	80	75	30	100
2002	100	80	30	100
2003	100	90	35	150
2004	100	100	35	150
2005	150	120	40	200
2006	150	120	40	200
2007	150	120	40	200
2008	180	120	50	350
2009	180	140	50	350
2010	180	140	50	400

ii) Relevant economic indices

The other data relates economic indices of inflation rate and the Naira's exchange rate against the US $. This data were used to complement the rent data to relate rental performance against the eroding vagaries of inflation and currency exchange rate fluctuations. Property value instability is a characteristic of mature property markets. The fact that value instability remains an international real property investment risk is considered to be outside the scope of this work. Its testing as undertaken in this work is to serve as an indication of extent of maturity only. It was however considered necessary to compare rental performance with inflation rate and foreign exchange rate to trend its performance against these indices to effect map movements in a property market where lease practices require upwards of two yearly payments. This data on exchange rates was sourced from the Central Bank of Nigeria publications and for the ten year period under review here is as shown in Table 5.8.

It is noteworthy that the National Bureau of Statistics only considered Real Estate as an independent survey item in 2008. Hitherto it was broadly captured under Construction which included all related sectors making it difficult to disaggregate the data for meaningful analysis. This scenario cuts across the studied markets is as depicted in the Figures 5.3, 5.4, 5.5 and 5.6 on the next pages: The rental data is plotted along with the Naira's official exchange rate and the rate of inflation to obtain some idea on the relative performance of property over the 10 year period (2000 – 2010).

Table 5.8: Inflation and Official Exchange Rate of Naira to US Dollar

Year	**Exchange rate** N per US $	**Inflation**
2000	101.7	6.6
2001	111.9	18.9
2002	122.6	12.9
2003	129.4	14
2004	137.5	15
2005	132.2	18.9
2006	126.7	6.2
2007	125.8	5.4
2008	118.5	11.6
2009	148.9	12.4
2010	153.5	11.7

To enable plotting on a common base, the rental data alongside the economic indices of inflation and official exchange rate of the Naira for the US $ is transformed into a simple index as shown in Tables 5.9 and 5.10 and in both cases the adopted base year is 2000.

Table 5.9 Transformed Rental Data

Rental indices of Commercial Property in Study Areas 2000 - 2010
Base Year = 2000

Year	Lagos	PH	Kano	Abuja	Average
2000	100	100	100	100	100
2001	100	110	100	125	109
2002	125	118	100	125	117
2003	125	132	117	188	140
2004	125	147	117	188	144
2005	188	176	133	250	187
2006	188	176	133	250	187
2007	188	160	133	250	183
2008	225	176	167	438	251
2009	225	206	167	438	259
2010	225	206	167	500	274

Table 5.10 Composite league of yearly official exchange and inflation rate

Base year = 2000

Year	EXCHANGE	INFLATION	EX INDEX	INFLA INDEX
2000	**101.7**	**6.6**	**100**	**100**
2001	**111.9**	**18.9**	**110**	**286**
2002	**122.6**	**12.9**	**121**	**195**
2003	**129.4**	**14**	**127**	**212**
2004	**137.5**	**15**	**135**	**227**
2005	**132.2**	**18.9**	**130**	**286**
2006	**126.7**	**6.2**	**125**	**94**
2007	**125.8**	**5.4**	**124**	**82**
2008	**118.5**	**11.6**	**117**	**176**
2009	**148.9**	**12.4**	**146**	**188**
2010	**153.5**	**11.7**	**151**	**177**

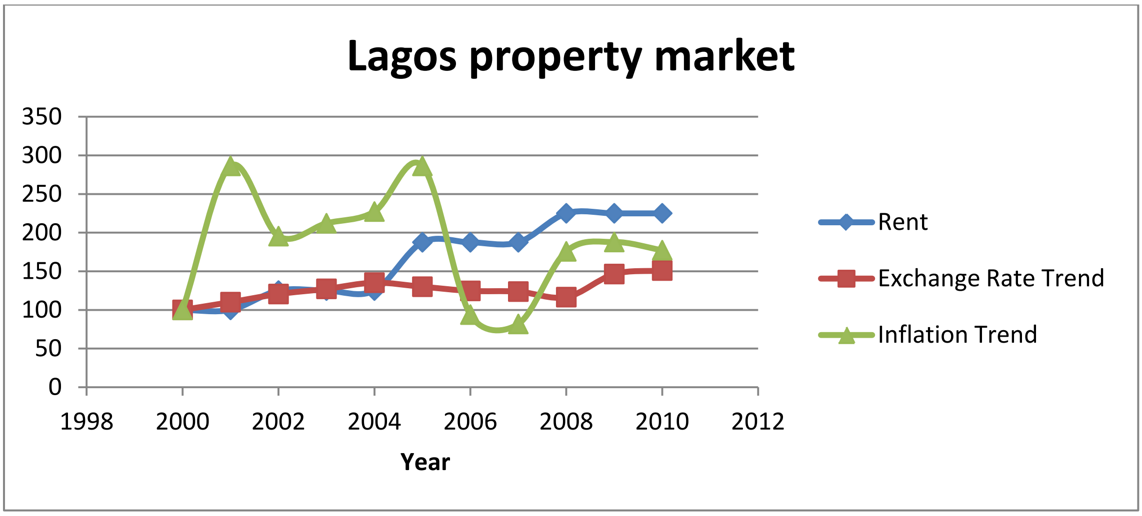

Figure 5.3: Composite trend of rent, inflation rate and exchange rate for Lagos property market (2000 – 2010).

The Lagos rental value graph shows that property values within the Lagos area rode the crest of inflation rates and exchange rates in the period between 2001 through to 2006 and slumped by 2007 managing to rise above inflation from that period onward but falling under the exchange rate graph.

Rent Trend As Measured Against Exchange And Inflation Rates In Port Harcourt

The performance of rents in the PH market barely managed to mimic fluctuations in exchange rate between 2001 and 2007 beyond which it could not match the instability of both inflation and exchange rates.

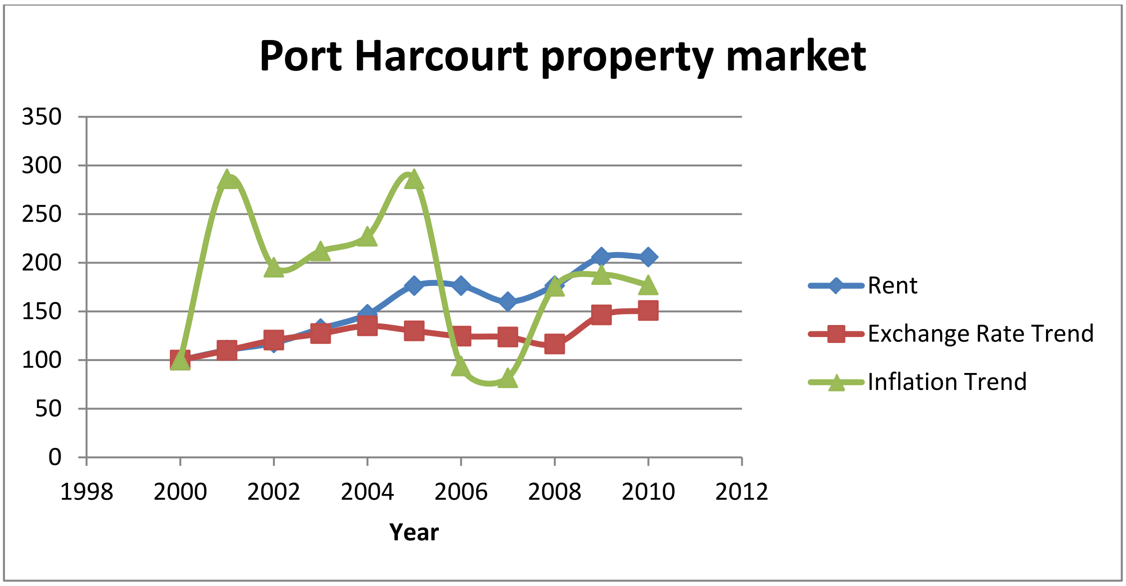

Figure 5.4: Composite trend of rent, inflation rate, and exchange rate for Port Harcourt property market for the period (2000 – 2010).

Rent Trend As Measured Against Exchange And Inflation Rates In Kano

The performance of property values in the Kano property market is as shown by the Fig. 5.5

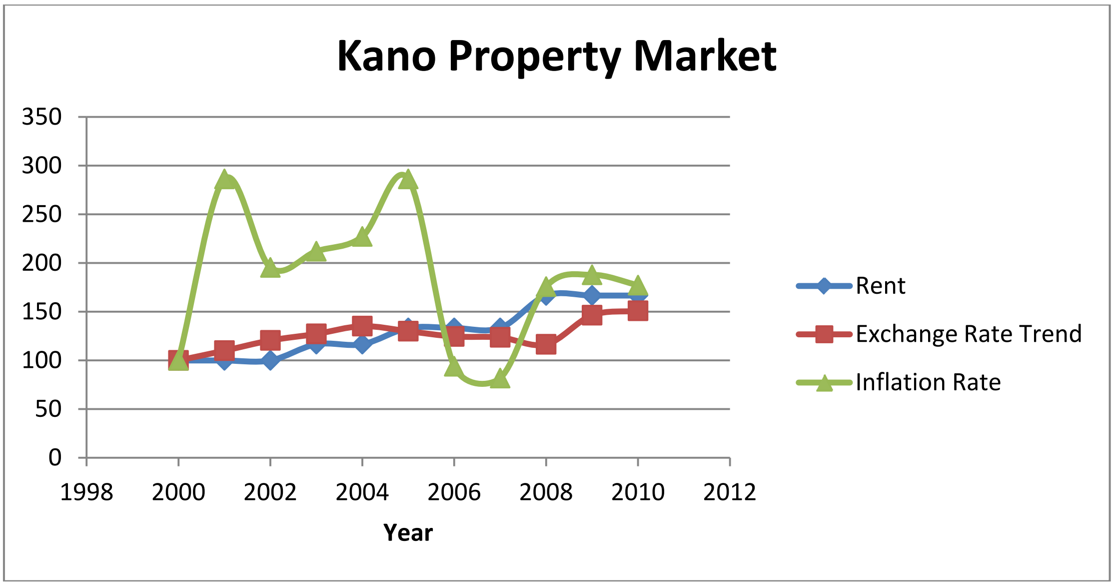

Figure 5.5: Composite Rental Trend over Inflation and Exchange rate for the Kano property market for the period (2000 -2010).

Indicates that property values even though adjusted most of the time to stay above fluctuations in exchange rate, the hardly covered for inflation for the period 2000 to 2007. Property values however had readjusted by 2008 to cover for the value erosion by inflation and exchange rate depreciation.

Rent Trend As Measured Against Exchange And Inflation Rates In Abuja

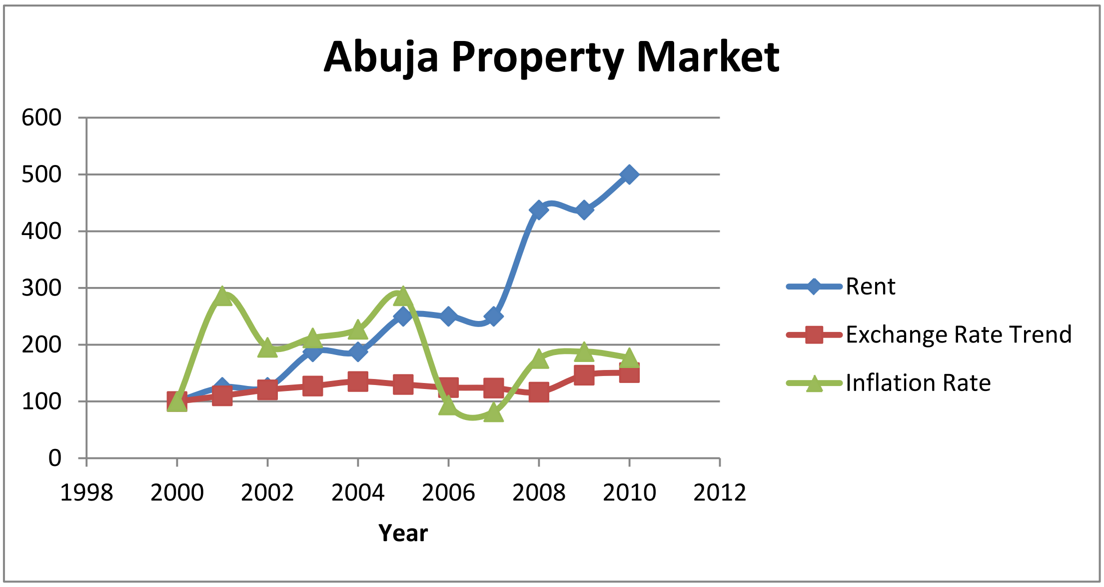

Figure 5.6: Composite trend of rent, inflation rate, and exchange rate for Abuja property market for the period (2000 -2010).

The Abuja property market comparatively exhibits better value movements in the face of inflation and exchange rate fluctuations and only fell below the two in 2008 only to recover in 2009.

Two factors necessitated the analysis of rental trend in comparison with inflation rates and exchange rates. First, it is an established behaviour of mature markets that value instability would occur frequently as participants are accorded the needed flexibility by existing financial and capital market institutions to execute their respective investment/ trading programmes as changes in market conditions dictate. This is expected to be necessarily so as information and research abounds on the performance of different sectors of the market. The second issue relate the relative performance of rental income against rates of inflation and exchange rate. The effect of rental income failing to outperform inflation trend is viewed seriously by investors who end suffering not just a loss of income in real terms but actually lost their capital in the long term. As a corollary a diminishing value of the local currency occasioned by exchange rate fluctuations denies offshore investors the benefits of diversification and ultimately results in the loss of invested capital.

In the case of the Nigerian property market, value volatility must be considered within the context of the subsisting lease culture. The local practice of yearly rent payments and which payments are receivable in advance for upward of between two and three years contrasts markedly with property markets in Europe and other parts of Africa like Kenya where rents are payable quarterly. This practice significantly operates to blur whatever meaningful attribution of movements in values as being reflective of maturity related behaviour. It would thus only be meaningful in the Nigerian property market context to consider inflation hedging qualities of investments, and the performance of the local currency against major international currencies.

iii. **Transparency Rating of Nigeria and Peers**

Three transparency rankings are examined for the purposes of establishing the relative status of the Nigerian economy's level of transparency vis-a-vis other peer states. The transparency indices used include Transparency International Corruption Perception Index (TICPI), The Doing Business Report, and The Global Real Estate Transparency Index (GRETI). For purposes of comparison Nigeria is compared with South Africa, considered the most advanced economy on the continent. The other selected peers are Egypt, Ghana, and Kenya. The global concern for transparency within economies has remained topical since the first mapping in 1991 by Transparency International (TI), an international organisation working in several countries. TI has surveyed countries annually and ranked economies using a Corruption Perception Index as barometer. Transparency can and has been measured variously. For instance for property markets, Jones Lang Lassel has developed the Global Real Estate Transparency Index (GRETI) which is published bi-annually. The World Bank though endorsing the TICPI also publishes its yearly Doing Business Report which compares the ease with which business is conducted with states and on that basis ranks economies.

It is noteworthy that while The World Bank's Doing Business Report and TI conduct surveys that include Nigeria, Jones Lang Lassel has yet to include the Nigerian property market in their surveys. The object of reviewing their GRETI index along with the others is to see how the other peer countries captured by this index fare and to examine if there is any form of correlation in the three indices on level of transparency.

Table 5.11 Transparency rating of Nigeria and select Peer States.

	1998 TI Ranking (CPI-85)	2004 TI Ranking (CPI-146)	2007 *TI Ranking (CPI-179)	2010 TI Ranking (CPI-	Doing Biz Report 2008	Doing Biz Report 2010 (183)	+GRETI 2010 (81)
Nigeria	81	144	147	134	108	125	
Ghana	55	64	69	62	87	92	
Kenya	74	129	150	154	72	95	
Egypt	66	77	105	98	126	106	62 (62)
S. Africa	32	44	43	54	35	34	23 (21)

Note: TI = Transparency International; + Jones Lang Lassel's Global Real Estate Transparency Index

Source: Abstracted from Transparency International Reports 1998, 2004, 2007, 2010; Doing Business Reports 2008, 2010; and The Global Real Estate Transparency Index 2010.

According to Transparency International, its Corruption Perception Index is derived from a survey of business people and analysts operating within and outside a country. It makes use of surveys by independent institutions and requires at least data from three sources to make a ranking. The index which is measured on a scale of 0 – 10 is thus a summative scale.

The World Bank's Doing Business Report is based on surveys conducted within a country using case studies on ten scalable items. These items constitute processes and procedures together with associated costs to be undertaken in establishing a business to rank on the ease of doing business within an economy. The items include 1) Starting a business, 2) Dealing with Construction Permits, 3) Employing Workers, 4) Registering Property, 5) Getting Credit, 6) Protecting Investors, 7) paying Taxes, 9) Trading across Borders, and 10) Closing a Business. It is also a weighted scale scoring between 0 – 10.

The GRETI by Jones Lang Lassel uses surveys conducted by the firm's researchers in seeking to objectively determine relative real estate transparency across the globe. The survey covers five major categories addressing factors such as a) Performance

Measurement, b) Market Fundamentals, c) Listed Vehicles, d) Regulatory and Legal Environment, and e) Transaction Process. Surveys comprise of twenty major questions about half of which have subparts. Countries are classified according to tiers. Tier 1: seen as highly transparent (1.00 – 1.49), Tier 2 : Transparent (1.5 – 2.49), Tier 3: Semi Transparent (2.50 – 3.49), Tier 4: Low Transparency (3.5 – 4.49), and Tier 5: Opaque (4.5 – 5.00). Perhaps the most global of real estate market rating index, the GRETI covers mostly countries in North Africa and only South Africa and is covered in Sub-Saharan Africa.

On the basis of ratings by international organisations, the Nigerian economy's transparency has improved marginally with rankings not indicating significant improvement over the years. For instance, while Nigeria was rated as one of the most corrupt economies by TI in 1991 (ranked 81 out of 85 nations), it has by 2010 climbed to 134th out of 183 economies. Nigeria's peers like Ghana and South Africa even though suffering some marginal setbacks in ratings over the last two decades have shown some relative consistency to remain with the group of more transparent economies of the world.

5.3 DATA ANALYSIS

The analysis of the survey data involved first, a Kruskal Wallis H Test on the grouped variables as a measure of goodness of fit. The choice of the Kruskal Wallis H Test is informed by nature of the survey data which is non-related, varied in sample size (drawn in proportion to existing population distribution across study areas), and the impracticality of randomising the sample surveyed. In essence there are four independent samples that are non-parametric in nature. This was done on a criterion by criterion basis i.e. from one evaluative question to another. This approach of using the criteria perspective was preferred on the basis of the identified market maturity attributes and behaviour indicators. This was considered key to resolving the five Research Questions.

5.3.1 Maturity Characteristics of the Nigerian Property Market

For purposes of analysis, grouping variables were adopted for the several factors measured in this work. They include:

1. Market openness denoted as **MktOpeness** covers i) entry restrictions into market; ii) opportunities for flexible trading within market; iii) existence of a diversity of investment options; iv) and opportunities for switching across markets.

2. Professional presence denoted as **ProfPsce** comprises the variables of i) the number of professionals on the market; ii) level of information flow; iii) information availability with respect to transaction details; and iv) level of specialisation among professionals; and v) property professionals' service quality.

3. Property market liquidity is denoted as **PMktCapL** and covers i) range of options for real estate credit, ii) responsiveness of market participants to changing market conditions, iii) financiers rating of real estate products, and iv) existence of surcharges for real estate funding.

4. **InfoState** denotes the grouping variable - State of Information and have these variable: i) currency of information on the market; ii) information presentation format; iii) support of market by professional and academic research; iv) volume of activity in market sectors; v) awareness of value of research for sound practice; vi) adoption of research for performance measurement; and use of research for market performance evaluation.

5. Types of estate products - is a grouping variable for various named products which may exist on the market and are denoted as **EstProd.** These include i) lettable space, ii) developed property, iii) building lease, iv) serviced lands, v) property company stocks, and Others (to be named by respondents).

6. Real estate Investment activity practiced- is a grouping variable denoted as **MktAtvtPractd**. It is made of the following variables i) development proposal appraisals, ii) property valuations, iii) property management services, iv) project management services, v) property agency, vi) property mortgage brokerage, vii) development finance syndication viii) legal services, and ix) Others(to be named by respondents).

7. **MktTranspcy** denotes Market transparency and has i) public officers' transparency, ii) public agencies' market processes facilitation, iii) market participants' professionalism, iii) existence of regulatory framework, iv) effectiveness of regulatory framework, v) enforcement of regulatory code, vi) transparency of market transactions, vii) extent of transaction disclosure, viii) reliability of report market activities, and ix) inexistence of special fees/restrictions by aliens.

8. Market constraints- is the grouping variable for all the specified variables denoted as **MktConstraints.** The composite variables are i) land use and development, ii) government tax policies, iii) overzealousness by public agencies, iv) low demand for space and property, v) inadequate funding sources, vi) lack of professionalism, vii) rivalry among professionals, viii) professionals' poor knowledge base, and ix) low level of research.

a) Property Market Maturity Evaluation Criteria 1

To what extent does the Nigerian property market exhibit openness?

This question is measured by four indicators viz: existence of market entry restrictions; opportunities for market players; availability of an assortment of investment options; and existence of any regulatory restrictions on market processes/practices.

Table 5.12: Kruskal-Wallis Test – Market Openness

Ranks

	Study Area	N	Mean Rank	
MeanMktopeness	Kano	19	158.84	1
	Abuja	49	120.28	2
	Lagos	148	119.36	3
	PHC	24	97.65	4
	Total	240		

Test Statistics[a,b]

	Mean Mktopeness
Chi-Square	8.583
df	3
Asymp. Sig.	.035

a. Kruskal Wallis Test

b. Grouping Variable: Study Area

The measured test statistic shows a 0.035 indicating that there exists a significant difference across the study areas relating opinion of respondents on the extent to which the property market in the respective areas exhibits characteristics of openness. In terms of ranking, the Kano property market with a score of 158.84 is ranked first followed by Abuja, Lagos, and Port Harcourt City with scores of 120.28, 119.36, and 97.65 respectively and in that order.

b) Property Market Maturity Evaluation Criteria 2

What is the level of the presence of property professionals and other property market intermediaries in the Nigerian property market?

The extent or level of property professionals is tested by five indicators namely, number of property professionals serving in the market; the level of information flow among players o products; information availability respecting particulars of transactions; the extent of specialisation among advisors in the market; and the quality of service given by professionals.

Table 5.13: Kruskal-Wallis Test – Property Professionals

Ranks

	Study Area	N	Mean Rank	
MeanProfPse	Abuja	50	148.21	1
	Lagos	149	120.56	2
	PHC	25	110.18	3
	Kano	19	79.87	4
	Total	243		

Test Statistics[a,b]

	MeanProfPse
Chi-Square	14.760
df	3
Asymp. Sig.	.002

a. Kruskal Wallis Test

b. Grouping Variable: Study Area

The test indicates there is a significant difference across study on the opinion of respondents on the level of property market professionals serving the four property markets. The test returns a measure of 0.002. In terms of ranks, Abuja is ranked first with a score of 148.21 as against Lagos’ 120.56, PH with 110.18, and Kano with a score of 79.87 being the least served.

c) Property Market Maturity Evaluation Criteria 3

What is the state of information on the property market respecting availability, standardisation, and quality to enable research?

This attribute of the property market is measured through seven indicators namely: Currency of information; extent of standardisation of information; extent of research support to market; activity rate in sectors of the market; extent of research awareness and use by professionals; adoption of research findings for practice benchmarking; and use of research for market performance evaluation.

Table 5.14 Kruskal-Wallis Test – Market /information

Ranks

	Study Area	**N**	**Mean Rank**	
MeanInfoState	PHC	25	157.74	1
	Lagos	150	119.57	2
	Kano	19	116.47	3
	Abuja	50	115.95	4
	Total	244		

Test Statistics[a,b]

	MeanInfoState
Chi-Square	7.097
df	3
Asymp. Sig.	.069

a. Kruskal Wallis Test

b. Grouping Variable: Study Area

The test statistic of 0.069 is higher than 0.05 which suggests that there is no significant difference in the opinion of respondents across the four study areas on the state of information on the property market. Their corresponding mean ranking places the PHC property market with a score of 157.74 atop of the three other markets – Lagos, Kano, and Abuja scored 119.57, 116.47, and 115.74 respectively and rank order.

Table 93. Property Market Maturity Evaluation Criteria 4

What is the level of capital liquidity in the property market?

This attribute is measured through four indicators and these include: range of options for sourcing real estate credit; market activity responsiveness to changes in market indices; financiers rating of real estate products; and existence of peculiar surcharges for real estate finance.

Table 5.15 Kruskal-Wallis Test – Capital Liquidity

Ranks

	Study Area	N	Mean Rank	
MeanPMktCapL	Abuja	50	167.30	1
	Kano	19	147.71	2
	Lagos	150	109.23	3
	PHC	25	93.34	4
	Total	244		

Test Statistics[a,b]

	MeanPMkt CapL
Chi-Square	32.402
df	3
Asymp. Sig.	.000

a. Kruskal Wallis Test

b. Grouping Variable: Study Area

The results of the Kruskai Wallis H –Test in the Table 5.15 above indicates a 0.000 significance level which suggest that there is a significant difference across the four study areas in the opinion of respondents on the level of capital liquidity in the property market. In terms of mean ranking on this factor, Abuja with a score of 167.30 ranks top followed by Kano (147.71), Lagos (109.23), and PHC (93.34) in that order.

e) Property Market Maturity Evaluation Criteria 5

What types of real estate products exist in the Nigerian property market?

This is measured by finding the number of products professionals are engaged in. Listed options include lettable space; developed property; building leases; serviced lands; property stocks; and Other (for respondents to specify).

Table 5.16: Kruskal-Wallis Test – Real Estate Products

	Study Area	**N**	**Mean Rank**	
MeanEstProd	Kano	19	131.74	1
	Lagos	151	130.22	2
	Abuja	49	115.74	3
	PHC	25	82.08	4
	Total	244		

Test Statistics[a,b]

	MeanEstProd
Chi-Square	12.022
df	3
Asymp. Sig.	.007

a. Kruskal Wallis Test

b. Grouping Variable: Study Area

The Kruskal Wallis H test returned a an asymptotic value of 0.007 in Table 5.16 implying that there is significant difference across the four study areas in respondents' opinion on the types of product types they deal in on the property market. This is evident in the mean rank scores of the study areas. Kano is ranked first with a score of 131.74, and followed Lagos (130.22), Abuja (115.74), and PHC (82.08).

f) Property Market Maturity Evaluation Criteria 6

What are the forms of real estate investment activity practiced in the Nigerian property market?

This attribute is tested for by enquiring the forms of investment activities related practices of professionals from respondents who as market intermediaries are engaged in advisory capacity in all the processes. The listed options include development proposal appraisals; property valuations; property management services; project management services; property agency; property mortgage brokerage; development finance syndication; legal services; and others (requiring respondent to name activity not listed).

Table 5.17: Kruskal-Wallis Test – Investment Activity

	Study Area	**N**	**Mean Rank**	
MeanActvtPrac	PHC	25	132.40	1
	Kano	19	130.71	2
	Lagos	153	125.03	3
	Abuja	25	132.40	4
	Total	247		

Test Statistics[a,b]

	MeanActvtPrac
Chi-Square	1.602
df	3
Asymp. Sig.	.659

a. Kruskal Wallis Test

b. Grouping Variable: Study Area

The test statistic indicates 0.659 which implies there is no significant difference in the forms of real estate investment activity practiced across the four study areas. PHC is ranked first with a score of 132.40, followed by Kano (130.71), Lagos (125.03), and Abuja (114.10).

i) Property Market Maturity Evaluation Criteria 7

This research question was not treated in the survey and is treated through secondary data analysis in the next section.

g) Property Market Maturity Evaluation Criteria 8

What is the level of transparency in the Nigerian property market?

This factor is measured by ten indicators comprising interface with public agencies; support role of official processes/procedure; professionalism of market participants; availability of regulatory frameworks; effectiveness of regulatory body; enforceability of regulations; transparency of market transactions; full disclosure of transaction details upon enquiry; reliability and accuracy of reported transactions; and existence of discriminating charges on transactions non-nationals.

Table 5.18: Kruskal-Wallis Test – Transparency Level

	Study Area	**N**	**Mean Rank**	
MeanMktTranspcy	PHC	25	135.36	1
	Lagos	151	127.01	2
	Abuja	50	110.82	3
	Kano	19	106.95	4
	Total	245		

Test Statistics[a,b]

	MeanMkt Transpcy
Chi-Square	3.701
df	3
Asymp. Sig.	.296

a. Kruskal Wallis Test

b. Grouping Variable: Study Area

The test shows a score of 0.296 suggesting that there is no significant difference in the opinion of respondents in all the four study areas on the level of transparency in the property market in Nigeria. The study areas are mean ranked to show PHC with a score of 135.36 as first and followed by Lagos (127.01), Abuja (110.82), and Kano (106.95) in that order.

h) Property Market Maturity Evaluation Criteria 9

What are the factors constraining the maturity of the Nigerian property market?

This is measured through a set of nine indicators namely Land use and development laws; government tax policies; public agencies overzealousness; low demand for space and property; inadequate funding options; lack of professionalism and dishonesty by players; overt rivalry among professionals; poor analytical skills/knowledge of professionals; and low level of research activity on the market.

Table 5.19: Kruskal-Wallis Test – Market Constraints

	Study Area	**N**	**Mean Rank**	
MeanMktConstraints	Kano	19	135.08	1
	Lagos	143	127.20	2
	PHC	24	117.48	3
	Abuja	50	87.81	4
	Total	240		

Test Statistics[a,b]

	MeanMkt Constraints
Chi-Square	13.641
df	3
Asymp. Sig.	.003

a. Kruskal Wallis Test

b. Grouping Variable: Study Area

A test factor of 0.003 indicates significant differences across study areas respecting factors constraining the property market in Nigeria. Kano with a score of 135.08 ranks top and followed by Lagos (127.20), PHC (117.48), and Abuja (87.81).

In summary it is observed that of the eight attributes measured, there exist significant differences among respondents across the four property markets sampled in five with three of the group variables showing a shared view among respondents across the four studied markets on the issues raised. It therefore becomes exigent to probe the data further to consider how respondents in each market rated these measures.

5.3.2 CRITERIA –BASED RATING OF PROPERTY MARKETS

A criteria-based rating below shows how respondents across the studied property markets score constituent factors of the five grouping variables of i) Market Openness, ii) Professional presence, iii) Market capital liquidity, iv) State of information, and v) Market transparency.

i) Market Openness:

Performance is relatively uneven across the markets on each of the sub-criteria. The results Table 5.20 show that the Kano property market ranks better than the Lagos property market on all the 4 sub-criteria. This is unexpected particularly Kano property market’s performance on the -Existence of undue regulation sub-criterion. The Lagos property market should ordinarily on account of its primate commercial statues offer more opportunities than should be found in the Kano property market. It does appear that the Lagos State government's new land use policies have yet to impact the market. It could be that the Lagos State Government's recent land taxation policies have blurred gains that should come with its current market-driven land use and development policies. Furthermore improved land use administration system in Kano State must have has rubbed off positively on its relatively less endowed market.

Table 5.20 Rating of Market Openness

Variables	Study Area									
	Lagos		Kano		Abuja		PHC		Total	
	Mean	N	Mean	N	Mean	N	Mean	N	Mean	N
Entry restrictions in the property mkt	4.07	143	4.16	19	3.88	49	3.75	24	4.00	235
Opportunities for mkt players to switch operations	4.37	143	4.37	19	4.04	49	4.04	23	4.27	234
Existnece of similar opportunities between mkts	3.61	145	4.32	19	3.71	49	3.78	23	3.70	236
Existence of undue regulatory restrictions for conversions	3.13	144	3.63	19	3.65	49	2.88	24	3.25	236

ii) Professional presence

On the aspect of professional presence on these markets, the specific sub-criterion of number of professionals operating on the market is about the most important. Scores in Table 4.52 indicate that the Kano property market is the least served (1.63). There is furthermore a severe deficiency in the area of specialisation among professionals. The relatively better served market of Abuja also appears to be the market where professionals are considering specialisation (2.40) and availability of detail information on transactions is somewhat comparable on the Lagos and Abuja markets (2.33).

Table 5.21 Rating of Professional Presence

	Study Area									
	Lagos		Kano		Abuja		PHC		Total	
	Mean	N	Mean	N	*Mean*	N	Mean	N	Mean	N
Number of property professionals serving the mkt	2.24	149	1.63	19	*2.68*	50	2.20	20	2.28	238
Level of info flow among mkt players	2.33	148	2.11	19	*2.33*	49	2.00	24	2.28	240
The Extent of info avialability by general particulars	2.00	138	1.83	18	*2.45*	49	1.92	24	2.07	229
Extent of specialisation among property professionals	1.88	143	1.89	18	*2.40*	50	1.78	23	1.98	234
The quality of service offered by property pro	2.71	143	2.29	17	*2.44*	50	2.72	25	2.62	235

iii) Market capital liquidity

From Table 5.22, real estate products are highly rated across the 4 studied markets. Curiously, it is in the Lagos property market which serves as the financial institutions capital that the problem of inadequate property market activities funding media is most felt (3.11). While on the contrary, respondents consider funding options to be adequate in the Kano property market (3.95). With a score of 3.86, the Abuja property market appears to be the most responsive to changing market conditions. This is to be expected given Abuja city's relatively high rental values have endeared it to financiers.

Table 5.22 Rating of Market Capital Liquidity

	Study Area									
	Lagos		Kano		Abuja		PHC		Total	
	Mean	N	Mean	N	Mean	N	Mean	N	Mean	N
Existence of a wide range of financing options	3.11	149	3.95	19	3.82	50	3.25	24	3.34	242
Responsiveness of mkt participants to changes in indices	3.00	148	3.53	19	3.86	50	2.92	25	3.21	242
Rating of Real Estate Products among financiers	3.80	148	4.05	19	4.16	50	3.76	25	3.89	242
Existence of special surcharge by banks financing RE	2.89	142	3.16	19	3.82	50	2.29	24	3.05	235

iv) State of information and Research

While Table 5.23 reveals a high volume of activities in most sectors across the 4 studied markets (3.69-3.92), information available is reportedly current only on the Lagos and PH property markets (3.51 and 3.56 respectively). The PH property market outscores all the other 3 in all sub-criteria excepting that the market being supported by quality research, this standing does not truly conform with the situation on ground in the city and respondents may have weighed their judgement of the basis of the markets performance prior to the restiveness recently experienced in the city.

Table 5.23 Rating of State of Information/Research

	Study Area									
	Lagos		Kano		Abuja		PHC		Total	
	Mean	N	Mean	N	Mean	N	Mean	N	Mean	N
Info available is current	3.51	148	3.42	19	3.44	50	3.56	25	3.50	242
Info is presented in understandable format	3.86	149	3.53	19	3.56	50	4.22	23	3.80	241
Property mkt is supported by quality research	3.09	148	2.83	18	3.38	50	3.08	25	3.13	241
Existence of high volume of activity in mkt sectors	3.69	148	3.63	19	3.78	50	3.92	25	3.73	242
Good awareness among mkt pro on value of research	3.12	146	3.16	19	3.30	47	3.63	24	3.21	236
Praactitoners understand and use research	3.26	148	3.47	19	3.08	50	3.91	23	3.30	240
Professionals use research for PE	3.13	147	3.39	18	3.14	50	3.72	25	3.21	240

Table 5.24 Rating of Market Transparency

	Study Area									
	Lagos		Kano		Abuja		PHC		Total	
	Mean	N	Mean	N	Mean	N	Mean	N	Mean	N
Transparency of public agencies	2.11	149	1.74	19	2.06	50	2.32	25	2.09	243
Offical permit process dont obstruct mkt	2.26	150	2.18	17	2.96	50	2.40	25	2.41	242
Extent of professional and ethical conduct	2.54	149	2.18	17	2.48	50	2.78	23	2.52	239
Availability of regulatory frameworks	3.75	147	3.37	19	3.41	49	3.83	24	3.66	239
Effectiveness of regulatory frameworks	3.17	150	2.74	19	2.98	50	3.22	23	3.10	242
Erring Mkt Pro are Sanctioned by framework	3.15	149	3.24	17	2.84	49	3.16	25	3.10	240
Extent of transparency of mkt processes	2.96	148	2.63	19	2.42	50	3.08	24	2.83	241
Full mkt transaction are disclosed	2.82	148	2.89	19	2.72	50	2.74	23	2.80	240
Extent of Reliability of Mkt reports	3.06	148	2.84	19	2.58	50	2.71	21	2.91	238
Existence of special charges, taxes, etc on real estate transactions	3.23	146	3.32	19	3.00	50	3.29	21	3.19	236

v) Market Transparency

Respondents across the 4 studied markets rate the sub-criterion of a Lack of transparency of public agencies as worst of the ten criteria specified to measure transparency within the market. The relatively least transparent of public agencies according to ratings are in the

Kano property market (1.74), while public agencies are indicated to be most transparent in the PH property market. In terms of sanctioning of erring market participants, the Kano property market is reportedly more active (3.24) with the Lagos property market is weakest in sanctioning erring markets participants. The scores for the Kano property market portray a result that contrasts with reports of interviewed developers and observed public agency processes.

5.3.3 MARKET BY MARKET ANALYSIS OF MATURITY

The result for each of the first 5 evaluation criteria comprising i) Market openness, ii) Presence of Professionals, iii) Market capital liquidity, iv) State of information , and v) Market transparency for four study areas is given in Tables 4.42 through 4.45. The findings are first analysed on a market by market basis.

1) THE KANO PROPERTY MARKET

Table 5.25 Kano Property Market Respondents' Rating Of Maturity Criteria

	N	Minimum	Maximum	Mean	
MeanMktopeness	19	3.00	4.75	4.1184	1
MeanPMktCapL	19	2.75	5.00	3.6711	2
MeanInfoState	19	2.29	4.43	3.3549	3
MeanMktTranspcy	19	1.60	3.90	2.7194	4
MeanProfPse	19	1.20	2.80	1.9518	5

Analysis of Results

The results of the above analysis for the Kano property market suggest that:

1) At a 5.25 score for Market Openness attribute, respondents in the Kano property market perceive the market to be very open. The presence of quite a handful of

foreigners and non-indigenes operating and holding property in this market justifies this rating of openness by respondents. Interviews held with developers reveal that the government agencies involved with land use administration, and development and use control are facilitative of market processes. Furthermore, property developers in spite of complaining of being forced to source development land directly, concur that issues relating to procuring official consents to land transactions are handled with minimum delay.

2) There is a rather low level of professionals in the market as it is scored 1.95.

   This score reflects the actual proportion of estate surveyors and valuers' distribution as contained in the 2009 Edition of NIESV Membership Directory. The Kano property market like most cities up country having been hit by series of ethno-religious riots in recent years is yet to recover from the mass migration of professionals. There is generally a relatively low turnout of indigenous crop of property professionals in this area. This situation appears to have been accentuated by the mass withdrawal of surveyors from other parts of Nigeria fleeing incessant crisis in this city. This has left the Kano property market effectively in the hands of non-professionals. It is severely difficult obtaining market information as practices by these non-professionals are hardly standardised.

3) The level of liquidity in the property is adjudged by the respondents to be good at a score of 3.67. Interviews indicate the absence of big scale developers as development activities are dominated by small scale developers. A few major developers are indigenous to Kano but operate in Abuja and other cities. There appears to be a fast moving market for property in this city given its high population and developers here on the scale of activities practised have been able to benefit from forward-selling and do not see capital liquidity as a major hindrance to their activities.

4) The state of information on this market is considered scanty at a score of 3.36.

   This is expected given the low presence of property professionals in this market. It would be difficult to ascertain the extent to which property market research plays a role in directing activities on this market.

5) The score of 2.72 on a 5 scale indicates that market is considered to have a rather low level of transparency. This rating would derive mainly from practices among practitioners rather than from dealings with public agencies. There is evidence to suggest reasonable ease with transactions involving public agencies. Processes according to respondents are streamlined and simpler and are not laden with special fees as the case in other cities. This however does not imply transparency of market transactions as it is difficult to have any meaningful disclosure on transactions. With a preponderance of non-professionals, the mere existence of a property professional group does not translate into an effective regulation of market practices.

2) THE LAGOS PROPERTY MARKET

Analysis of Results

1. Respondents perceive the Lagos market as to be fairly open with a mean score of 3.78. The Lagos property market, arguably the biggest in volume of activity and property values, offers the most diversified base in terms of investment options given its status as Nigeria’s centre of commerce. A combination of factors have operated brought this about. These include a designation of uses through the Lagos Model City Planning; review of aspects of property related laws, and market-drive deliberate development activity facilitation. On the basis of these policy changes this result is expected.

2. The level of professional presence is however considered too low to significantly impact the market as it is scored 2.23. On account of its primate status respecting real estate in Nigeria, Lagos is the city where almost two-third of property professionals practises their trade. This result must therefore be considered in the context of the markets relative size and absolute number of estate surveyors servicing the market. Information availability and flow is comparatively better. Professional service quality in this market, which is dominated by head of practices and a high concentration of corporate head offices, may have been significantly boosted by an increasingly sophisticated market.

Table 5.26: Lagos Property Market Respondents' Rating Of Maturity criteria

	N	Minimum	Maximum	Mean	
MeanMktopeness	**148**	**1.00**	**5.00**	**3.7843**	**1**
MeanInfoState	**150**	**1.71**	**4.85**	**3.3895**	**2**
MeanMktTranspcy	**151**	**1.40**	**4.80**	**2.9084**	**3**
MeanPMktCapl	**150**	**1.00**	**5.00**	**3.1933**	**4**
MeanProfPse	**149**	**1.20**	**3.67**	**2.2311**	**5**

3. The level of capital liquidity is equally seen to be low given a mean score of 3.19. The very absence of base structures for Nigeria property market funding generally is very pronounced within the Lagos property market on account of market requirements. Prior to the financial and banking reforms of 2010, some semblance of funding structures like Real Estate Investment Trusts (REITs), and property subsidiaries were promoted by commercial banks. The sudden withdrawal of universal bank licences has jolted the Lagos property market.

4. The state of information on the market rather low at a 3.34 score. On a comparative note, there was a good awareness of the value of research for sound practice this is however not met with the requisite support by the property professionals in the market. Data on different aspects of the market is still a very big problem as practitioners have yet to imbibe a culture of data collation and processing. Besides a strong mistrust appear to subsist among property professionals who would rather retain information than share it as a means of preserving patronage. The bulk of academic research in real estate in Nigeria has been anchored in the Lagos property but this has yet to translate into adoption for performance measurement and evaluation. The above posted result is thus expected even though a majority of Nigerian property professionals practice in this market.
5. Respondents consider the market to be of low transparency with a score of 2.78.

   As a corollary to 4) above, this is to be expected. It is practically impossible to obtain a good disclosure of transactions a practice most probably encouraged by the Lagos State Government's desperate attempts as maximising revenue from land taxation. There government of Lagos State has in the last decade engaged a process of property market activity facilitation through re-designation of uses within the city core and a streamlining of processes for securing consents and development approvals. This however is yet to improve transparency within the market.

3) THE ABUJA PROPERTY MARKET

Table 5.27 Abuja Property Market Respondents' Rating Of Maturity Criteria

	N	Minimum	Maximum	Mean	
MeanPMktCapL	50	2.00	5.00	3.9150	1
MeanMktopeness	49	2.75	5.00	3.8214	2
MeanInfoState	50	2.29	5.00	3.3824	3
MeanMktTranspcy	50	1.00	4.00	2.7416	4
MeanProfPse	50	1.60	4.00	2.4587	5

Analysis of Results

1. Abuja respondents perceive the market to be fairly open as indicated by a mean score of 3.82. This is to be expected going by the Federal Government's efforts to fast track the development of the new capital city. There abounds a wide diversity of investment opportunities for all market players.
2. A mean score of 2.45 is indicative of a rather low level of property market professionals' presence on the Abuja market. This result is corroborated by interview findings that the scarcity and potential for high commission from real estate activities has endeared this market to all comers. The number of property professionals in this market though growing rapidly as practitioners have trooped into Abuja. For a market of this size the number is still low leaving little room for any form of specialisation. As obtain with the other studied property markets, information with respect to transaction details is hardly given.
3. The level of liquidity in the property market is however adjudged to be fairly significant at 3.92. On a market by market basis, the Abuja property market has been adjudged as the most liquid. High passing rentals and capital values of properties in this market has endeared property market activities to various sources of funding. It

is generally believed by developers that property investments funded through credit can be easily recouped within the Abuja property market.

4. The state of information on the property in Abuja is considered to be low given a mean score of 3.38. As in the case of the other markets, the preponderance of non-professionals on the Abuja market has meant that it will be difficult to measure with any meaningful accuracy the velocity of transactions. The rather thin size of property professionals servicing this market denies the market of the relevant research support even when there is a general awareness of the benefits of research for performance measurement and evaluation. Thus the low scoring on the state of information by respondents is justified.

5. The market is equally seen to be of low level transparency as it is scored 2.74.

   The prevalence of lack of transparency is to be expected particularly in a market that cannot be regulated. The predominance of non-professionals accentuates the twin issues of a lack of standardisation in market practices and institutionalisation of roles. In the drive to surmount the challenges of the lack of professionalism, public agencies have demanded a strict compliance with land use and development regulations in a manner that seems non-facilitative of property market process.

4) THE PORT HARCOURT MARKET

Table 5.28 Port Harcourt Property Market Respondents' Rating Of Maturity Criteria

	N	Minimum	Maximum	Mean	
MeanInfoState	25	1.86	4.57	3.7133	1
MeanMktopeness	24	2.50	4.50	3.6181	2
MeanPMktCapl	25	2.00	4.25	3.0567	3
MeanMktTranspcy	25	2.30	3.67	2.9571	4
MeanProfPse	25	1.60	2.60	2.1340	5

Analysis of Results

1. The PH property market is rated as been fairly open at a score of 3.62. The PH property market though rated as open by this scoring remains comparatively the least open of the four markets studied. It would appear that the sustained agitations for environmental remediation and resource control by the indigenous communities, which turned militant until two years ago, may have rubbed off the PH property market. International players, who have been major participants in this property market on account of the city's status as the nation's oil industry hub, have down-scaled their activities. Respondents point to difficulties in the way of international players, most of whom fled the market in the wake of the militancy, in renewing leases as evidence of a gradually closing property market.
2. There is however a rather low level of property market professionals serving this market as indicated by a mean score of 2.13. Besides the pervasive low penetration of property markets by property professionals, the hostile operating environment in this

region has posed special challenges to their operations. As a consequence, the PH property market is under serviced and lacks fluidity of information.

3. The level of capital liquidity is adjudged by respondents to be low; the returned mean score is 3.06. The challenge of market capital liquidity appears to be most prominent within the PH property market. The erstwhile unfavourable operating environment appears to have accentuated property market activity funding within this market.
4. The state of market information fairly good as indicated by a score of 3.71. This rating surpasses the national average of 3.47, and in the context of the PH property market's peculiar challenges, is considered curious. It is doubtful if this market is better supported than that of Lagos with professional or academic research. Property professionals' practices within this market are not expected to differ markedly from the national performance for the same reason that the market is equally under-serviced.
5. The PH property market is rated to be low in terms of transparency at a score of 2.96. This rating is to be expected as a property market under-serviced by property professionals would naturally be dominated by non-professionals and consequently suffer a distortion of market practices. On the part of public agencies capacity for enhanced service delivery is still being built. This is expected to boost facilitation of property market process in the near future.

5.3.4 AGGREGATE RATING FOR THE FOUR STUDIED PROPERTY MARKETS

The full picture of the Nigerian property market can be obtained by combining the scores of the 4 markets studied. The combined grand means is adopted as respondents rating of the state of property market and can be used to infer the impact of the measured attributes on the market's level of maturity.

Table 5.29 Composite and Aggregate Ratings of Maturity Criteria of Studied Markets

Attribute	Kano	Lagos	Abuja	PHC	Aggregate
N	19	153	50	25	247
Openness	4.12 (0.49)	3.78 (0.67)	3.82 (0.47)	3.62 (0.55)	3.84 (0.14)
Property Profession	1.95 (0.41)	2.23 (0.51)	2.46 (0.52)	2.13 (0.36)	2.19 (0.15)
Capital Liquidity	3.67 (0.53)	3.19 (0.84)	3.92 (0.79)	3.05 (0.63)	3.46 (0.34)
State of information	3.36 (0.67)	3.39 (0.70)	3.38 (0.66)	3.71 (0.68)	3.46 (0.13)
Market Transparency	2.72 (0.59)	2.91 (0.64)	2.74 (0.87)	2.87 (0.68)	2.81 (0.08)

Analysis

1. On an aggregate level the Nigerian property market has been rated by respondents to be open. The grand mean score is 3.84. While reflects openness, a scrutiny of the respective property market scores would show significant variations between markets. This reflects the efforts of the various public institutions at mitigating location specific problems. For instance, the peculiar nature of the Lagos area has seen to the introduction of more facilitative measures like re-planning of the city core among others. These would however be reflected over time if the measures are proved to be working.
2. It is the general perception of respondents that the level of property market professionals serving the Nigerian property is low, the rating score is 2.19. It would appear that while this is a major problem across markets, the acute nature of the problem in the two property markets of Kano and PH have caused this dismal rating. The issues affecting these markets rather low professional presence are socio-cultural. The perception of the wider insecurity particularly for property professionals who can take their trade to a more friendly market.

3. The level of capital liquidity in the market is considered to be low and scored 3.46. This rating is considered to be reflective of the general absence of basic funding structures for property market activities. The few property related financial institutions (primary mortgage institutions) lack the requisite capital strength, while investible funds still float for lack of appropriate vehicles to link them to the market.
4. To the same extent as level of capital liquidity, respondents across the four markets studied consider the state of information on the Nigerian property market to be low. The returned score is 3.46. The low level of information can be attributed to the relative thin presence of property professionals who have yet to develop to level of giving the market the needed research support. Information churned out is highly non-standardised on lack in specific forms for instance hardly can good data be sourced o commercial property over a reasonable period for performance measurement and analysis.
5. Respondents across the studied market consider the Nigerian property market to be of low level transparency haven scored it 2.81. Market practices are hardly standardised even among property professionals. It would appear as though in appropriate land use and management policies have operated to stall evolution of standardisation for instance arbitrary tax policies in the Lagos property market have only worsened the practice of not disclosing transaction details.

5.3.5 FORMS OF INVESTMENT RELATED ACTIVITIES IN THE MARKET

The questionnaire survey revealed that the main activities engaged in by property market professionals comprise Development proposal appraisals, property valuations, property management services, Property agency, and Project management services. There is less activity in the other functions of Property mortgage brokerage, Development finance syndication, and some practitioners also offer legal services. The result is as given in the table above. The aggregate scores are not averages of the four markets but the aggregate responses from all the markets taken as a unit.

Table 5.30 Composite and Aggregate Rating of Professionals Activities' on the Market

Function	Lagos	Kano	Abuja	PH	Aggregate
Development Proposal Appraisals	77.8%	78.9%	72.0%	80.0%	76.9%
Property valuations	96.1%	100%	98.0%	100%	97.2%
Property management services	94.8%	100%	90.0%	100%	94.7%
Project management services	66.9%	63.2%	74.0%	-	69.26%
Property agency	52.2%	100%	94.0%	-	93.1%
Property mortgage brokerage	25.5%	21.0%	18.0%	-	22.7%
Development finance syndication	20.3%	10.5%	20.0%	20.3%	19.4%
Legal services	18.3%	31.6%	18%	-	21.1%
Others	7.8%	5.3%	-	-	5.3%

Source : Author, 2011

E) THE TYPES OF REAL ESTATE PRODUCTS ON THE NIGERIAN PROPERTY MARKET

The table below shows the typology of estate products on the Nigerian property market. These are basic products with the most dealt in across the studied markets being lettable space and fully Developed properties.

Table 5.31 Typology of Real Estate Products

	Lagos	Kano	Abuja	PH	Aggregate
1) Lettable Space	94.7%	89.5%	98.0%	100%	95.5%
2) Developed properties	94.0%	94.7%	89.0%	80%	91.8%
3) Building lease	69.5%	68.4%	51.0%	92%	63.9%
4) Serviced lands	58.3%	52.6%	67.3%	28%	56.6%
5) Property Coy Stocks	4.0%	21.1%	6.1%	-	5.3%
6) Other products	2.6%	5.3%	4.1%	-	9.0%

5.4 MAIN FINDINGS OF THE STUDY

A) Maturity Characteristics Lacking On the Nigerian Property Market

The following maturity characteristics are discovered in the course of this research to be lacking on the Nigerian property market:

1. A Developed Property Profession

   The Nigerian property profession has existed for over 40 years yet for very un-explainable reasons have not been able to grow membership enough to command a strong presence in any market in Nigeria. Recent works (Babawale, 2008) have demonstrated inaccuracy in valuation advisories in the Lagos area, a supposedly most vibrant of all the property markets.

2. Low Capital Liquidity

   The inability of the subsisting wider economic system to establish viable special institutions and/or vehicles to cater for the peculiar requirements of the property market has meant a reliance on the traditional banks. This has denied the property market of the needed flexibility and a consequent retardation in evolving standardised market practices for example inappropriate funding structure limits quantum and cost of funds available, this in turn translates into the subsisting practice of requiring upward payments of rents for 2 or 3 years.

3. Non-Standardisation Of Market Practices

   A non-standardisation of market practices issues out of the relative small size of property professionals servicing the market. Within a dominance of un-registerable practitioners, market practices can hardly be standardised and regulated. A non – standardisation of market practices in turn defeats the achievement of standardised property rights as reported in the Kano property market. Non –professionals are wont to gloss over completion of titling procedures etc.

4. Lack Of Transparency

   The subsisting prevalence of a lack of transparency derives from the twin problems of a faulty institutional orientation. First institutionally imposed deviance comes to play when practitioners and participants refuse disclosure or render false information in a bid to protect clients and retain patronage. Second, with a regulatory framework to compel compliance with market rules and disclosure, non-property professionals tend to engage in market distorting practices to tilt patronage and competition to their favour.

5. Market Is Poorly Researched

   Perhaps on account of the thin presence of property professionals and a high prevalence of non professionals, the market has not benefitted from research. The property profession has not considered in imperative to map the market's character and attributes. It would appear that in the Nigerian setting, property market research or real estate research generally is still considered an academic exercise. Basic data is hardly available for any meaningful research activity.

B) Major Maturity Constraints in the Market

A major objective of this study is to identify possible constraints that could be affecting the Nigerian property market's evolution towards maturity. The grand mean analysis above only shows the overall picture for the Likert-Scaled variables. The rating by the respondents for the grouping variable Market Constraints (posed as multi-response dichotomies) as indicated above neither reveals their extent of prevalence nor the relative severity of the composite constraint factors across study areas. A further analysis is undertaken using frequencies for comparison purposes.

To determine the relative impact of the Market Constraints, frequency counts for the set of composite variables explaining market constraints denoted as MktConstraints is undertaken.

C) The Extent of Severity of Constraining Factors Differ in the Property Markets

There appears to a marked difference across markets on the severity of constraints affecting the Nigerian property market. The results in Table 4.46 below show that Land Use and Development Laws are a major constraint in the Abuja, PH, and Lagos markets and of less severity in the Kano market. However, the issue of inadequate funding sources for financing property transactions and development is the most critical with the worst case occurring in the Lagos property market followed by Kano, and the PH, with Abuja market faring better than all the markets. These two rate as the most recurring across markets.

A third major constraint is the low level of research activity on the market. Government tax policies is considered a constraint only in the PH and Lagos property markets with the Lagos area been the worst case in this aspect. The issues of low demand for space and property, and overt rivalry among property professionals, and poor analytical skills and market knowledge are not considered serious constraints. The other issues of lack of professionalism and overbearing impact of public agencies are not so much a constraint in the markets except in the Lagos area.

Table 5.32 Respondents' Perception of Constraints in the Property Market

	Constraints	Kano	Abuja	PH	Lagos	Aggregate
1	Land Use and Development Laws	42%	60%	71%	70%	66%
2	Government Tax Policies	58%	48%	63%	72%	65%
3	Overzealous Public Agencies	53%	38%	44%	60%	52%
4	Inadequate Funding Sources	79%	50%	74%	82%	70%
5	Low Demand for Space and Property	26%	14%	35%	24%	23%
6	Lack of Professionalism and Dishonesty	59%	46%	47%	60%	58%
7	Overt rivalry among Property Professionals	47%	22%	33%	25%	27%
8	Poor Analytical Skills and Knowledge	58%	42%	57%	50%	50%
9	Low level of Research Activity on the Market	72%	28%	61%	61%	55%

5.1 DISCUSSION OF FINDINGS

This chapter presents the findings of the study. These are derived from the three forms of data collected (questionnaire survey, interviews, and historic data on rent, official exchange rate, and inflation) and analysed in the preceding chapter. The study findings are explained in the light of the nine evaluation criteria earlier specified for assessing the extent of maturity of the Nigerian property market in Chapter Four. The rated perceptions, opinions are on a 5-point scale with 1 indicating inexistence and rising through the uni-dimensional scale with 5 indicating maximum attainment are discussed in the frame of the study's objectives. To this is added salient issues revealed through interviews. This is followed with a discussion of the findings to explain their respect implications in the context of the stated study objectives. The chapter ends with a summary of key findings.

5.2 STUDY FINDINGS

1) MATURITY CHARACTERISTICS OF THE NIGERIAN PROPERTY MARKET

a) The Extent to Which the Nigerian Property Market Exhibits Openness

Market openness as an attribute of maturity is determined by the existence or absence of restrictions to both local and foreign participants into the market, the availability of opportunities that enable market players switch operations between sectors, use, and or spatially, and the extent to which participants' activities in this regard are facilitated or constrained.

Analysis of the survey questionnaires show these results for the four property market studied;

Table 5.33 Market Openness

Lagos	Kano	PH	Abuja	Aggregate
3.78	4.12	3.62	3.82	3.84

The Nigerian property markets are adjudged to be open with the most open being the Kano property market. The least open of the four markets is PH. This view is shared by 63% of property developers and 100% of asset managers /investment analysts interviewed who perceive that a lot of opportunities to exist in the Nigerian property market. However, to the extent of facilitation 50% of property developers complain of being constrained by public agencies through delays.

b) The Level of Presence of Property Professionals in the Market

The relative membership strength of professionals for the market served, level of information fluidity and quality of data, specialisation among advisers, and general service quality is rated and the results for the four markets are as follows:

Table 5.34 Professional Presence

Lagos	Kano	PH	Abuja	Aggregate
2.23	1.95	2.13	2.46	2.19

There is a rather low level of professional professionals serving the Nigeria property market, with the worst hit market being Kano, and Abuja being relatively better served market in terms of level of property professionals serving the markets. Interviewed property developers agree to the existence of a full compliment of professionals to support their development activities but complain of no regard for distinct roles for the various disciplines. Public sector officers express dissatisfaction with the roles of property market participants (83%), a situation the blame on the prevalence of non professionals engaged in the market.

c) The Level of Capital Liquidity in The Property Market

Capital liquidity drives the market ensuring realisation of opportunities that may exist on the market. It is measured in this work not by absolute credit figure within the system going into real estate but by the existence of an assortment of funding media, ability of market players to respond to market stimuli through creation and disposition of real estate, ease or restrictions of access to credit. Measured perception in the four markets is as follows:

Table 5. 35 Level of capital liquidity

Lagos	Kano	PH	Abuja	Aggregate
3.19	3.67	3.05	3.92	3.46

This reflects a low state of capital liquidity in the property market. The Abuja market however not just posts a better liquidity picture of the four markets but is actually seen to have a significant level of capital liquidity. This situation to a lesser extent obtains with the Kano market. Interviewed developers blame poor and inconsistent government policies for funding challenges they are encountering on the market.

d) The State of Information in The Market

The state of information has to do with the issues of availability, extent of standardisation, appreciation and level of research activity on the market, and the extent of research use by market participants. Surveyed property professionals rated the markets as given below:

Table 5.36 State of Information

Lagos	Kano	PH	Abuja	Aggregate
3.39	3.36	3.71	3.38	3.46

In all the four markets studied excepting PH, the state of information is poor rated poor. This rating by respondents surveyed through questionnaire corresponds with the perceptions of asset managers/investment analysts interviewed who contend that foreign investors see the market as unripe on account of their inability to get reliable data on the market.

e) The Types of Real Estate Products Existing in The Market

The typology of estate products in the market is a direct consequence of the extent of sophistication in investor activity on the market. Estate products represent means for achieving the varied motives of market participants. Respondents in this survey were asked to indicate the products they deal in, and the results obtained shows not just the typology but the most popular products handled. This products are basic and relatively unsophisticated when compared with those of more mature markets. These are accommodation space, developed properties, building leases and in some instances serviced lands. It would appear that there are quite few estate products that are dealt in on the Nigerian property market

f) Forms Of Investment Activity Practiced in The Market

The forms of investment activity practiced within the property markets gives an indication of the extent of diversification available to market participants. Property professionals' functions are tailored and shaped towards rendering the requisite supportive services such that their role becomes defined by investment activity. The respondents identified and rated these activities as summarised below;

g) The Level of Stability of Property Values in the Nigerian Property Market

Stability of property values in the market is measured through a comparison of the performance of rental values vis-a-vis rate of inflation and official exchange rates of the Naira to the US $. The Lagos property market rents rode the crest of both inflation rates and exchange rate for most of the period studied (2000 – 2010) only going under by 2008. In investment terms it shows robustness though exhibiting somewhat instability. The Kano property market rent though relatively more stable over the same period under performed against inflation and exchange rate fluctuations. This in investment context suffers erosion of value and is a poor performance. The Port Harcourt property market rents managed to keep pace with inflation and exchange rate fluctuations barely covering up within the period 2000 – 2007. Like in the other two markets property rents could not keep pace with inflation and exchange rate volatility by 2008. The Abuja property market rents are the most volatile of the four markets with rents rising rapidly within the period and staying well above inflation rates and exchange rate fluctuations. This market is most probably the investors dream destination of the four markets.

h) The Level of Transparency In the Property Market

Transparency is measured in this study on two levels, first in the property market and at the wider economy as perceived and rated by international rating organisations. Respondents across the four markets also scored the individual markets, and collectively the Nigerian property market. The respective scores for the markets are: Lagos 2.91; Kano 2.72; Abuja 2.74; PH 2.87 implying that these markets are semi-transparent with Lagos being the most transparent of the four.

In the wider economy, Nigeria relative to peers like Ghana, Kenya, Egypt, and South Africa has fared poorly. According to Transparency International, Nigeria by 1998 was in the bottom of its ranking of 85 countries as against South Africa, Ghana, Egypt, and Kenya which stood at 32, 55, 66, and 74 positions respectively. A position that did not change in 2004 when the number of countries surveyed grew to 146. Of the four countries selected peers Nigeria only improved ahead of Kenya in the last survey placing 134 in 183 countries.

2. FACTORS CONSTRAINING THE MATURITY OF THE NIGERIAN PROPERTY MARKET

Eleven likely constraints are suggested for respondents' rating these include –Land use and development laws, Government tax policies, Low level of demand for accommodation space and property, Inadequate funding sources, Overzealousness of public agencies, Lack of professionalism and dishonesty among property professionals, Low level of research activity on the property market, Overt rivalry among property professionals, and Poor analytical skills and knowledge of professionals. Results obtained show that the twin issues of Low demand for space and property, and Poor analytical skills and knowledge of property professionals are considered to be non-constraining. The seven other factors constraining the market rank as follows when considered in the general context:

Table 5.37 Ranking of Market constraints by Order of Severity

CONSTRAINTS	**RANK**
Inadequate funding sources	1^{st}
Land use and development laws	2^{nd}
Government tax policies	3^{rd}
Lack of professionalism and dishonesty	4^{th}
Low level of research activity	5^{th}
Overzealous public agencies	6^{th}
Poor analytical skills of professionals	7^{th}

5.3 DISCUSSIONS ON THE FINDINGS

1) It would appear from the results of this study that while the Nigerian property markets exhibit openness, it has failed to achieve on the other attributes of maturity. The property professionals serving on the market are just too few to accord it the need fluidity of information and research support it needs to anchor its activities. There is a rather low level of capital liquidity which points to the absence of base structures within the wider economy to afford needed liquidity hence flexibility. This same situation obtains on the state of information which is not significantly fluid to positively impact the market. On account low level of research and poor state of information on the market it is perceived to be semi-transparent. The market on the basis of attainment on the tested maturity criteria is adjudged to be immature but gradually transiting out of immaturity towards the status of an emerging property market. This is the situation as it looks ready to achieve a level of significance on two other maturity attributes of capital liquidity (3.46), and state of information (3.46).

2. The maturity attributes lacking in the Nigerian property market include those of

a) A developed property profession,

b) Low capital liquidity to enable flexibility,

c) Market practices are hardly standardised,

d) The apparent lack of transparency owing to paucity of and poor quality of information on the market, and

e) Market is poorly researched.

3. The relative contribution of the factors named in 2) above are as follows:

a) The relative small membership size of property market professionals has meant a proliferation of non-professionals and consequent distortion of market practices. This is besides the lack of capacity by the property professional group to render the property market with needed research support and information fluidity.

b) The low level of capital liquidity limits the market's openness and flexibility as market players cannot meaningfully execute proposals readily.

c) The poor state of information accentuates the difficulties of attaining standardisation of market practices besides stifling planning for a market dealing in products that require high capital and risky market. Prospective investors particularly offshore are turned off since they can hardly find a good basis to compare the Nigerian property market with similar investment destinations.

4. Of the seven identified constraints standing in the way of the market's maturity, the four most severe are those of

a) Low capital liquidity issuing out of inadequate funding sources for market participants to achieve their motives is the most severe,

b) The second relates standardisation of market practices and property rights. This manifests in the non-facilitative nature of land administration practices and approach to land use control by government functionaries,

c) Government tax policies respecting land use and development. In the face on an undiversified tax base, most state governments have negatively engaged land based taxation without due consideration of its effect on the performance of the property market.

d) The fourth relates the current state of professionalism existing within the market.

5.4 SUMMARY

The findings of this research, on the basis of the maturity variables studied, indicate that the Nigerian property market is presently constrained by a number of factors as it evolves towards maturity. These include a low level of capital liquidity; non-standardisation of market practices; a non-facilitative land administration and land use control machinery;

government’s tax policies; and a thin and poorly developed property professional group. It is therefore immature but appears to be transiting into an emerging property market.

CHAPTER SIX

CONCLUSIONS, RECOMMENDATIONS, & CONTRIBUTION TO KNOWLEDGE

6.1 STUDY CONCLUSIONS

The study of property markets for purposes of establishing their relative status of maturation have yet to gather momentum in Africa. It could be that they have not yet grown to a level to be considered worthy of entering by international property investors to trigger this form of research. It is however imperative that the states of African property markets be studied for purposes of understanding their peculiar constraints to enable deliberate steps to be taken on specific aspects of their forms and structure to make them globally attractive. The place and capacity of the property market in catalysing national economic development is well established and nations without a developed property market risk developmental retardation.

The findings of this research reveal that the existence of strong fundamentals alone, as in the case of Nigeria, does not necessarily translate into an investment growth in the property market. The Nigerian state boasts an economy with a GDP in excess of US $ 200 Billion, which a GDP that has been shown to have averaged over 7% in the last 5 years. As at date, the population is projected at over 160 million, and is reckoned to be growing at an annual average rate of 2.5%. The property needs of this rapidly growing population can be transformed into a major pivot for the country’s economic development, for instance for the housing sub-sector of the property market alone, the UN estimates a housing deficit of about 16 million units. These statistics which should ordinarily prove attractive to international property investors have failed to enlist their attention.

The potential of the Nigerian property market would never be realised except deliberate steps are taken within the wider economic and institutional framework of Nigeria’s economy to transform the property market into a viable and sustainable one.

6.2 RECOMMENDATIONS

In making recommendations, it should be appreciated that the constraints in the way of the Nigerian property market's maturity are hardly discrete but are severally inter-related and cannot be tackled in isolation. In the majority of cases, some are offshoots of others while in certain circumstances these are reinforced by others. It is in this context that the following recommendations are suggested in the frame of specific roles of stakeholders:

a) Restructuring of the finance and banking system:

It is evident from this study that the most constraining factor that has limited the pace of maturation of the Nigerian property market is a lack of capital liquidity. This has denied the market the needed flexibility as participants' activities are starved of funding. The Nigerian economic system has suffered severe structural hiccups haven had to transit endlessly since the nation's independence. It would be therefore be imprudent to assume it will by itself grow to accommodate the special needs of the property market. Specific steps must be taken by policy makers on the economy to consider the strategic role of funding in realising real estate investments. The Nigerian property market must as a matter of be linked into the wider investment market as a means to boosting and making capital within the market fluid.

It is only the existence of an investment market for real estate that would stand the property market to effectively contribute to the nation's economic development. Commercial banks rely on real estate as collateral for advancing loans to firms and households and thus require a viable property market to fund other sectors of the economy. It must be understood that a viable and sustainable property market in turn requires an efficient financial market alongside a stable banking and financial system. This according to Adlington, et al. 2000 must be complimented with the development of commercial legal system that regulates financial reporting, bankruptcy, enforcements of debts/contracts, and mortgages.

2. Land use and management policies.

These must be attuned to the demands of a globalised world and should be property market-driven. A property market losses its competitiveness when public policies are in direct conflict with the markets' functioning. In the Nigerian property market there appears to be an elaboration of official processes involved with securing consents and permits without requisite logistics and incentive for performance. These have failed to yield set goals and neither translated into property market facilitation. Governments with proven viable property markets in Nigeria have engaged in arbitrary land use and taxation policies without due consideration of such policy impacts on the functioning of the property market. The effect has been an entrenchment of a non-disclosure culture among market players and a pervasive lack of transparency in the market.

3. The property profession must evolve faster.

With over 40 years of existence, the property profession in Nigeria should boast of a better presence in the property market. Membership size has barely crossed the 3000 mark. This is rather too thin when viewed against the over 500 Estate Management graduates turned out yearly by some 47 institutions offering the course in Nigeria. The relative small size of property professionals does not avail the property profession enough leverage to promote standardised practices in the property market. The existing focus and structure of post qualification training of the professional society emphasises seminars and workshops directed as reinforcing recognition of statutory roles of the profession. This is basically pursued with the object of preserving practice frontiers from encroachment by other professions. In view of the pivotal role the professional society must play in transforming the Nigerian property market, the focus of members should be on building basic research structures across markets by collating and providing data to aid research while the society should promote and sponsor property market research.

4. The academia in real estate in Nigeria should adopt globalised property market curricula, and proactively promote and sustain property market research. The Nigeria property market will remain obscured in its present state if not exposed through research on aspects of its performance ad behaviour. Real estate has been established to be a major receptacle of investment in different parts of the world. The examples of South East Asian cities like Singapore, and Dubai in the Middle East demonstrate how real estate can assume the role of driving a nation's economy. The various facets of the market must be constantly studied and compared with those of peer states to force improvement on the local scene. As exemplified by the recent global economic recession, all economies of the world are linked and it matters little if any nation fails to take deliberate steps to benefit, what is certain is whether a nation benefits or not the costs of a globalised world economy cannot be avoided.

6.3 CONTRIBUTION TO KNOWLEDGE

This work is considered relevant and to the research in Estate Management for the following reasons;

1) It is most probably the first study to empirical test the maturity of a property market in the Sub Saharan Africa, a region that, excepting South Africa, has remained shut in from international property investment compass. Property markets in Africa have not gained much attention and maturity studies are needed to offer the investing community a basis for comparisons. Besides serving the need of investing public

maturity related research would operate to remove the biased non-empirical rating made of them.

2) For policy makers, it provides an insight into the performance of the market especially by highlighting constraints militating against the market's maturity for possible re-alignment of efforts towards re-positioning the Nigerian property market. The reality of a globalised investment world remains with us as exemplified by events of 2008 global economic recession and deliberate steps must be made to remove constrains imposed by location-specific institutions to re-position the Nigerian property market to partake in the benefits of global property investment. It matters little whether the Nigerian nation benefits by deliberately seeking to attract investment into our economy through the property market. The reality remains that the Nigerian economy still stands to be hit by any global economic depression that occurs. So why overlook a critical sector that has the capability of growing the national economy like it has done for the United Arab Emirates and elsewhere.

3) By devising and operationalising market maturity attributes, basic tests instruments have been developed to enable further replication of similar studies for evaluating other property markets both within and outside Nigeria.

4) It provides a basis for prospective investors to rate the studied property markets in Nigeria in terms of relative attainment of maturity attributes against preferred investment motive and strategy.

6.4 SUGGESTED AREAS FOR FURTHER RESEARCH

This research on the extent of maturity of the Nigerian property market is exploratory and giving the timeframe within which it had to be undertaken and the need to achieve some reasonable depth it had to be delimited in terms of scope and coverage. It is hoped that this research would serve the purpose of re-awakening interest in property market research in Nigeria. A lot of work in recent past have emphasised need to link the property market with the capital market to ensure availability of appropriate funds to this segment of the economy by securitising and unitising investment in real estate. This would serve the purpose of bridging the Nigerian property market to the global property market. The South African model is appealing and was achieved in a relatively short period. This desire cannot be achieved in Nigeria simply by the passage of legislations as is most times advocated but must be anchored with research that shows in empirical terms the full extent of deployment of physical infrastructure against property market dynamics across the major property markets in Nigeria. The specific issues which this research should address includes

a. A comparative study of property market practices within the Nigerian property and those of peers like South Africa, Egypt, Kenya, and Ghana etc which have been appealing to the international investors. While on the surface of it there would not be too wide divergence in terms of operating structure among these nations, there appears to be an overwhelming blurring of the Nigerian property market's potentials by the perception of political risk. In the course of this research it was found that a crop of aggressive opportunistic international property investors are operating on the market. What are the forms of investment asynchronies existing on the Nigerian property market for international investors and why have these failed to attract followership of a larger number.
b. There appears to be a swelling literature on the constraints imposed on the property market by the subsisting land tenure law –the Land Use Act. Of recent however there have been sustained efforts at reforming the land titling process across the states, a process actively supported by donor agencies. A whole new set

of laws bothering on land use are still being passed under the current dispensation in the government’s bid to restructure sectors of the economy like petroleum , and mining bills. It is pertinent to research how the various states have set up structures and implemented the land tenure law. The object should be to demonstrate the nexus between the complexion of implementing structure and quality of services accorded property market participants across the markets; and how this has impacted the international perception of the property market over time. International investors are bothered with the broader issues of efficiency of contract enforcing mechanism and development procurement processes.

c. The form of property market demand structure over the years for major regional markets like Lagos, Abuja, Port Harcourt, Abuja, Onitsha, Kano etc; and the nature of local institutional set-up feeding policy on land use and development, and agencies’ capacity for facilitating adaptation. As at date there is yet an empirical study which for instance, shows the pace at which demand for Grade A commercial accommodation has grown over the years or what proportion of that demand has been met by suppliers of new development.

d. The property profession in Nigeria has existed as a society for over four decades with the bulk of its membership being drawn from local Estate Management schools using the same curriculum. The same situation to a large extent obtains with the other professionals operating on the market. This has not however transformed into a standardisation of practices in the market place both within and among the professionals serving the market. Studies are needed to appreciate the extent to which the existing curricula is property market compliant; and how the dynamics of the operating environment constrains or hinders standardisation of practices in the property market.

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