



## CHALLENGES OF INTERNATIONAL INVESTMENT IN REAL PROPERTY PORTFOLIO IN NIGERIA.

Ikeotuonye Chiadika Matilda<sup>1</sup> and Udobi Alexander Nnamdi<sup>2</sup>

<sup>1</sup>Department of Estate Management, Faculty of Environmental Sciences Chukwuemeka Odumegwu Ojukwu University, Anambra.

<sup>2</sup>Department of Estate Management, Faculty of Environmental Sciences Nnamdi Azikiwe University Awka.

\*Corresponding Author's Email: [ikeotuonyechiadika@gmail.com](mailto:ikeotuonyechiadika@gmail.com)

### Cite this article:

Ikeotuonye, C. M., Udobi, A. N. (2024), Challenges of International Investment in Real Property Portfolio in Nigeria. British Journal of Management and Marketing Studies 7(4), 55-68. DOI: 10.52589/BJMMS-JTO4VD99

### Manuscript History

Received: 14 Aug 2024

Accepted: 4 Oct 2024

Published: 9 Oct 2024

**Copyright** © 2024 The Author(s). This is an Open Access article distributed under the terms of Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International (CC BY-NC-ND 4.0), which permits anyone to share, use, reproduce and redistribute in any medium, provided the original author and source are credited.

**ABSTRACT:** *A real estate portfolio enables investors to diversify their investments and mitigate risk, thereby achieving consistent income through rental yields, property value increases, and various investment returns. It presents opportunities for long-term wealth accumulation and financial stability. Moreso, a foreign investor who is looking to invest in Nigeria has these goals in mind, with an understanding that an effectively managed portfolio can improve cash flow and provide tax advantages. This paper investigates the challenges associated with international investment in Nigeria's real estate sector, which is important for economic advancement yet presents numerous challenges for foreign investors. The study introduces both global and local perspectives and outlines the nature of international real estate investments and their importance to Nigeria's economy. It identifies and analyses the primary challenges encountered by international investors, including economic factors such as inflation and currency fluctuations, legal and regulatory challenges like land tenure issues, and political instability characterised by policy changes and corruption. Additionally, the paper addresses cultural and social hurdles, such as language differences and local perceptions of foreign investment, along with infrastructural shortcomings, including inadequate urban planning and insufficient facilities. It was recommended that reforms should aim to stabilise the economy, enhance legal clarity, promote political stability, and improve infrastructure. The conclusion highlights the necessity for a comprehensive strategy to attract and retain international investors, detailing measures to alleviate challenges and create a favourable environment for real estate development in Nigeria.*

**KEYWORDS:** Real Estate Investment, Property Value, Real Estate Portfolios.



## INTRODUCTION

In the last few decades, there has been significant growth in international investment owing to globalisation, advancements in technology, and the pursuit of diversified investment portfolios. The global real estate sector has emerged as a vital asset class for investors aiming for stable income and capital growth (Krucicky and Horak, 2019). The increasing interconnectedness of global financial markets encourages investors to look beyond national borders, exploring opportunities in both emerging and established international markets.

Developed economies such as the United States, the United Kingdom, and Australia have historically attracted considerable foreign investment due to their transparency, strong legal systems, and solid economic fundamentals, which are demonstrated in higher yields for the investors. Ayadenji (2016) indicated that the pursuit of these higher yields and portfolio diversification typically drives international investments. Investors from regions with lower real estate returns, such as Nigeria, frequently seek opportunities in markets that offer better yield prospects; they seek to reduce risks associated with fluctuating financial markets by tending towards properties in more stable economies.

In Nigeria, international real estate investment is still in its early stages when compared to more mature markets. Nonetheless, the country's real estate sector has garnered significant attention from foreign investors, driven by its substantial population, swift urbanization, and potential for economic growth (Adesoji and Olufunmilola, 2020). However, international investments in Nigeria encounter distinct challenges, such as legal and regulatory hurdles, political instability, and inadequate infrastructure.

Nigerian real estate market has predominantly been shaped by domestic investments, with international involvement mainly restricted to affluent individuals and institutional investors from areas like the Middle East, South Africa, and Europe. These investors are particularly attracted to the commercial real estate sector, which encompasses office buildings, retail spaces, and industrial properties, owing to the prospects of higher returns and reduced risks associated with these types of assets.

Despite the interest, Nigeria's real estate market is still considered underdeveloped on a global scale, with challenges such as unclear property rights, insufficient financing options, and a lack of transparency in market data serving as major obstacles. (Asiegbu and Udobi, 2022) contend that macroeconomic instability, marked by elevated inflation rates and currency depreciation, adds further complexity to the investment environment for international investors. While there are opportunities within Nigeria's real estate sector, particularly in urban hubs like Lagos and Abuja, the existing challenges necessitate that investors adopt a long-term perspective and implement strategies to mitigate risks linked to the political, economic, and regulatory landscape.

## Real Estate Portfolio

A real estate portfolio comprises a selection of investment properties that are owned by an individual or an organization, such as a real estate investment trust (REIT) or a corporation (Asiegbu and Udobi, 2022). The properties included in such a portfolio can differ significantly in type, encompassing residential, commercial, industrial, and mixed-use properties. The rationale for constructing a real estate portfolio lies in the objective of diversifying investments across various property types and geographical locations, thereby



managing risk, generating income, and achieving capital appreciation. The approach of maintaining multiple properties within a portfolio is founded on the principles of diversification and risk management. As noted by Ion and Anca (2015), a well-diversified real estate portfolio enables investors to distribute risk across different assets, thereby lessening the effects of localized market declines or specific property-related challenges.

Ion and Anca (2015) highlighted some of these importance of real estate portfolio:

1. **Risk Management and Portfolio Diversification:** A key benefit of maintaining a real estate portfolio lies in its capacity to manage risk through diversification. By investing in various property types across different geographical areas, investors can lessen their vulnerability to downturns specific to certain sectors or regions. For example, if the residential sector faces a decline, the overall effect on an investor's portfolio may be mitigated by the consistent performance of commercial or industrial properties.
2. **Income Consistency and Value Growth:** Real estate portfolios are known for generating a reliable income stream through rental revenues and potential appreciation in property values. Investments in real estate, especially those that generate income, provide a dependable cash flow that can be reinvested or allocated for other financial needs. Over time, the appreciation of these properties can enhance the overall value of the portfolio.
3. **Utilisation of Leverage for Wealth Accumulation:** Engaging in real estate portfolios enables investors to leverage their investments to optimize returns. By borrowing capital to purchase properties, investors can manage a larger asset portfolio with a relatively modest initial outlay. A well-structured real estate portfolio can facilitate wealth accumulation over time by utilizing borrowed funds to acquire appreciating assets.
4. **Tax Advantages:** Real estate portfolios present various tax benefits that can improve an investor's overall returns. Real estate investments frequently come with tax incentives, including depreciation deductions, mortgage interest deductions, and opportunities for deferring capital gains taxes. These tax advantages can significantly enhance the after-tax returns of a real estate portfolio, rendering it a more appealing investment choice.

This study, therefore, aims to identify and analyze the main challenges of international investment in Nigeria's real estate portfolio.

## LITERATURE REVIEW

### Real Estate Investment and Portfolio Theory

Real estate investment entails acquiring properties with the intention of generating profit, either through rental income, which provides cash flow or by selling the properties for a capital gain following enhancements. Another prevalent strategy is wholesaling, which focuses on the rapid sale of properties for profit. A crucial element influencing the marketability of real estate investments is the interplay between supply and demand. One of the primary benefits of real estate investing is the ability to utilise leverage—borrowing against the property's value. Arturas and Edmundas (2008) opined that unlike many other asset classes, which typically require the full purchase price to be available upfront, real



estate investors can secure properties with a relatively small down payment (for instance, 5%, 10%, or 20%).

Consequently, despite the high costs associated with real estate, it is often more accessible to finance compared with similar assets, such as industrial machinery. However, it is important to note that real estate investments are illiquid and necessitate ongoing maintenance and tax payments. Therefore, a well-structured investment portfolio should incorporate some liquid assets that can be readily converted to cash to support real estate investments when needed.

The concept of Portfolio Theory, initially introduced by Harry Markowitz in the early 1950s, offers a mathematical approach to minimising risk while enhancing returns. A fundamental principle of this theory is that “diversifying investments can mitigate risk, with returns being affected by the anticipated level of risk” (Arturas and Edmundas, 2008). A significant finding from portfolio theory is that the overall volatility of a portfolio is less than the weighted average of the volatilities of its assets, a benefit of diversification. Volatility which quantifies the standard deviation of a security's expected return, varies based on the measurement timeframe employed. While the future returns of most investments remain uncertain, they can be statistically characterised using probability distributions.

An effective portfolio is situated on the efficient frontier, which illustrates the correlation between risk and anticipated return. This frontier delineates the optimal return achievable for a specific level of risk or the minimal risk associated with a given expected return (Arturas and Edmundas, 2008)). A portfolio is deemed efficient if it is impossible to construct another portfolio with an equivalent or superior expected return while maintaining lower volatility, given the available assets, excluding risk-free options. Risk can be further mitigated through diversification, which involves selecting investments that exhibit low correlation with one another. Investing across various sectors, regions, and asset classes, such as stocks, bonds, and real estate, significantly enhances diversification (Fisher and Lentz, 2018).

Life cycle portfolio models consider the evolution of an investor's income, wealth, and investment opportunities over time. In contrast to traditional portfolio theory, which is static and concentrates on a single investment period, real-world investing encompasses multiple periods (Arturas and Edmundas, 2008). Typically, investors modify their portfolios over time, which in turn affects their initial investment decisions.

Technological advancements have facilitated the creation of numerous software tools aimed at aiding real estate investors in making well-informed decisions. For instance, the Real Estate Offer Generator computes the offer price for rental properties, enabling investors to secure positive cash flow by evaluating the Net Operating Income (NOI) and forecasting future cash flows. This tool employs Markowitz-Sharpe optimisation models to determine the optimal portfolio structure. Another tool, the Real Estate Notebook assists investors in managing and analysing their properties by performing essential calculations such as return on investment, depreciation, and mortgage amortisation. Additionally, this software provides portfolio reporting features that offer a comprehensive overview of an investor's entire real estate portfolio. Likewise, the Real Estate Tracker enables investors to monitor income, expenses, and overall performance; thereby, enhancing their investment management. Similarly, Real Estate Tracker allows investors to track income, expenses, and overall performance, helping them make informed decisions on when to buy, sell, or reinvest in properties. (Arturas and Edmundas, 2008). These tools are part of a growing range of

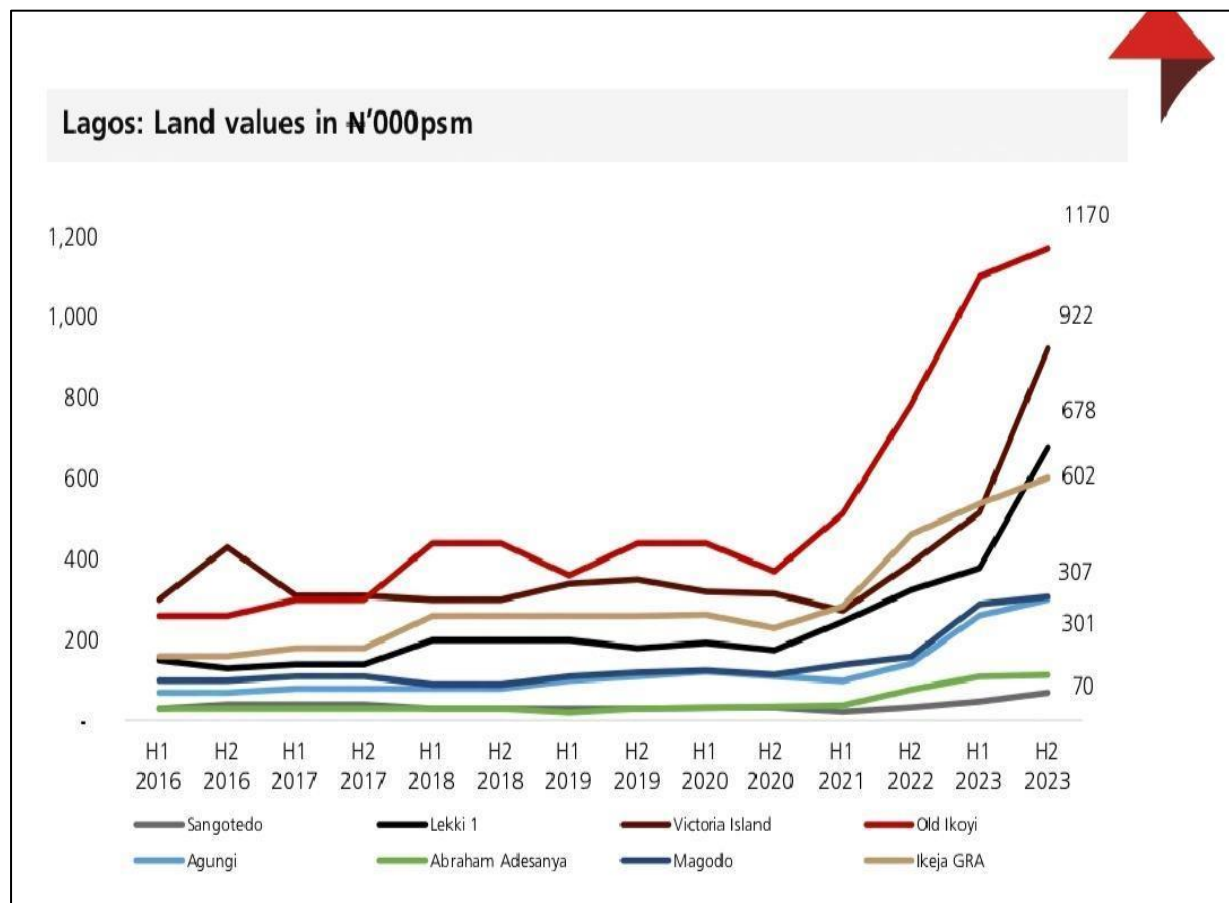


intelligent systems that enable real estate investors to manage their portfolios effectively by applying sophisticated data analysis, helping them make informed investment decisions based on both short-term and long-term projections. They also provide investors with the capability to monitor their income, expenses, and overall performance, thereby assisting them in making well-informed choices regarding the timing of property purchases, sales, or reinvestments.

### **Nigeria's Real Estate Market**

There exists a divergence of opinion among in-country experts regarding the current state of Nigeria's hospitality subclass. The film industry has successfully attracted significant global investment, and the wider African cinema and music sector, predominantly featuring Nigerian productions, is projected to attain a valuation of \$20 billion by the year 2030 (Northcourt, 2024). Notable movie titles such as "Jagun Jagun," which generated approximately \$1.4 million; "Orisa," which amassed N119 million within its first month; and "A Tribe Called Judah," which reached N1 billion in just three weeks, have all contributed to an increasing demand for commercial real estate. This demand is anticipated to grow at an annual rate of 3% from 2023 to 2030, potentially leading to a market volume of \$27 million by 2033 (Northcourt, 2024). There is a notable need for standard production centers, sets, and locations on a more permanent basis. Investors aiming for portfolio stability are likely to focus on properties situated in well-established prime locations that offer stable income and occupancy rates. The interest in high-quality assets is expected to rise, with properties characterized by superior construction quality, reputable tenants, and reliable income streams likely to attract investors seeking safer investment opportunities.

The Federal Capital Territory Administration has enacted a policy whereby proof-of-ownership documents (Certificates of Occupancy) are now issued for mass housing projects within its jurisdiction. The World Trade Centre, a premier office complex in Abuja developed by The Churchgate Group, has recently welcomed a new occupant, the indigenous energy leader, Seplat Petroleum Development Company. The international appeal of Nigeria's retail real estate sector may face scrutiny due to Novare's recent difficulties and the subsequent evaluation by investors of the judicial system. Previously, the institutional investor had put four Grade A retail properties on the market: The Lekki/Sangotedo Mall in Lagos (21,000 sqm), Apo Mall in Abuja (8,000 sqm), Novare Central Mall (11,000 sqm), and Gateway Mall in Abuja (14,000 sqm). Local partners are resisting these sales. Recently, Grade A assets have become more accessible in the secondary market, including a 15,000 sqm, \$120 million, 15-story commercial building in Lagos and two residential blocks valued between \$15 million and \$18 million. The Hydro Power division of GE Vernova has commissioned four 175MW hydropower turbines and generators at the Zungeru project in Niger State, which has a total capacity of 700MW. This project is also designed to aid in flood control and support irrigation efforts. The African Development Bank Group has approved an \$80 million loan to finance the Ekiti Knowledge Zone project in Nigeria, aimed at promoting digital innovation and entrepreneurship. (Northcourt, 2024).



**Fig. 1: Value of Lands in Lagos (2024)**

*Source: Savills*

The Norwegian Investment Fund has allocated \$12 million towards Nigeria's Cocoa Processing sector. In collaboration with InfraCredit, FSD Africa Investments has contributed £10 million to facilitate local currency financing aimed at fostering sustainable infrastructure development within Nigeria. Between January and June, Nigerians pursuing education abroad expended \$340 million on fees, logistics, processing, and associated costs, highlighting a significant opportunity for educational investment (Northcourt, 2024).

To enhance market access for local farmers and businesses while promoting increased agricultural and food production, Heifer International has joined forces with ColdHubs to create a 100-tonne solar-powered storage facility in Zaria, Kaduna State. The persistent issue of food inflation has significantly contributed to overall inflation rates, adversely affecting consumer purchasing power and subsequent investments in long-term assets.

The Asset Management Corporation of Nigeria (AMCON) has partnered with the Nigeria Institution of Estate Surveyors and Valuers (NIESV) to improve the precision of asset valuations, addressing shortcomings identified in 2018 that hindered the disposal of seized assets (Northcourt, 2024). Across various markets, there are ongoing pipeline projects that indicate a renewed confidence in Nigeria's real estate sector. This outlook report will explore the prospects for the upcoming year and identify potential opportunities for both local and international collaborations.



## Factors that Affect Real Estate Investment in Nigeria

Otty, Egolum, and Oladejo (2023) identified economic and non-economic factors that affect real estate investment. The economic factors include: interest rate, inflation rate, real gross domestic product, and employment, while the non-economic factors include: age and retirement, windfall gains and changing personal circumstances, and attitude to risks and saving.

- 1. Interest rate:** The level of interest rates plays a crucial role in shaping real estate investment choices. Elevated interest rates lead to increased borrowing costs, making it more challenging for investors to secure loans for real estate acquisitions. Conversely, lower interest rates reduce borrowing expenses, thereby encouraging investment in real estate by making financing more affordable.
- 2. Inflation rate:** Inflation affects the real value of currency and the purchasing power of investors. When inflation is high, property prices tend to rise, attracting investors who wish to protect their assets against inflation by investing in tangible properties. However, excessively high inflation can diminish rental income and negatively impact the returns on real estate investments.
- 3. Real Gross Domestic Product (GDP):** Real GDP serves as an indicator of a nation's economic vitality and growth. An expanding economy typically indicates a heightened demand for residential and commercial properties, thereby fostering real estate investment. As GDP increases, businesses tend to grow, leading to a greater need for real estate. In contrast, a declining GDP can suppress demand and discourage investment.
- 4. Employment:** Employment levels significantly influence individuals' purchasing power and their capacity to invest in real estate. High employment rates are generally associated with increased demand for both residential and commercial properties, as more individuals have disposable income. On the other hand, elevated unemployment can lead to decreased demand, adversely affecting real estate investment.
- 5. Age and Retirement:** As people grow older, their investment strategies frequently evolve. Those approaching or in retirement may opt to invest in real estate to secure a reliable income stream through rentals or to benefit from property value appreciation. Older investors often prefer more stable and lower-risk investments, which real estate can offer.
- 6. Windfall Gains and Changing Personal Circumstances:** Sudden financial windfalls, such as inheritances or lottery winnings, along with significant life events like marriage or divorce, can impact an individual's capacity and willingness to invest in real estate. Unexpected financial gains offer the necessary capital for real estate investments, while evolving situations can influence investment choices and approaches.
- 7. Risk Perception and Savings:** A person's willingness to accept risk is a vital factor in their investment choices. Individuals with a greater tolerance for risk may be more likely to engage in real estate investments, anticipating substantial profits. Conversely, more cautious investors might steer clear of real estate due to its comparatively elevated risk in relation to savings or bonds, particularly during times of economic instability.



## **Empirical Review of Challenges in International Investments**

Makata and Udobi (2024) studied the challenges of international investment in real property portfolio, investigating the perceptions of participants concerning various elements that affect foreign real estate investment in Nigeria, with particular emphasis on political instability, the legal framework, economic fluctuations, infrastructure deficiencies, and potential enhancements. An analysis of the survey data, which includes histograms, ogive curves, and statistical measures such as mean weight and standard deviation, uncovered critical insights. A considerable number of respondents expressed negative sentiments towards political instability and policy alterations, with the highest frequencies recorded in the Strongly Disagree and Disagree categories. The mean weight of 2.63, accompanied by a standard deviation of 1.49, suggested a general inclination towards disagreement with moderate variability. Respondents largely contested the clarity and enforcement of Nigeria's legal framework for property, as indicated by a mean weight of 1.93 and a standard deviation of 1.34, which reflects a shared perception of regulatory inconsistencies and associated risks. There is widespread disagreement regarding the positive influence of economic conditions and oil dependency on the real estate market, with a mean weight of 2.43 and a standard deviation of 1.52, highlighting concerns about economic instability undermining investor confidence. A significant majority strongly agree that inadequate infrastructure poses a substantial obstacle to foreign real estate investment, as evidenced by a mean weight of 4.53 and a standard deviation of 1.75, indicating a strong consensus on the necessity for infrastructure enhancements. Respondents concur that enhancing political stability and legal regulations would foster investment, as reflected by a mean weight of 3.6 and a standard deviation of 1.41, demonstrating moderate agreement. There is robust agreement that diversifying the economy and improving infrastructure would bolster market stability and appeal, with a mean weight of 4.08 and a standard deviation of 1.60. The results underscore significant apprehensions regarding political, legal, and economic factors, while also highlighting the critical need for infrastructure improvements and economic diversification, for attracting and sustaining foreign real estate investment in Nigeria.

Asiegbu and Udobi (2022) concentrated their study on addressing the obstacles encountered in international real estate investment within emerging economies, particularly as a consequence of movement restrictions imposed by the Omicron variants. A review of pertinent challenges identified in existing literature was conducted. The Relative Importance Index (RII) was employed to assess the significance of each challenge based on the ratings provided by respondents. The findings indicate that property market transparency, political risk, the land registration process, and financing risk were identified as the most critical challenges, with RII scores of 4.54, 4.46, 4.42, and 4.15, respectively. These factors represent the primary challenges to international real estate investment in Nigeria, exacerbated by the movement restrictions associated with the Omicron variant. Overcoming these challenges necessitates a demonstration of political will from the government, alongside a commitment to transparency in business operations. The paper advocates for the government to maintain political and economic stability by stabilizing exchange rates and interest rates, as well as reviewing the processes and costs associated with land registration.

Omorodion, Udobi, and Nwosu (2024) examined the obstacles impacting international investment in property portfolios within a struggling economy, particularly in Nigeria, to ascertain their significance. This research employed descriptive methodologies. The Relative Importance Index (RII) was utilized to assess the relevance of each challenge according to the





ratings provided by respondents. The results indicated that financial risk (specifically banking risk), currency risk, the land registration process, transparency in the property market, and political risk are the primary challenges hindering international real estate investment in Nigeria. The study concluded with recommendations for the government to prioritize policies that foster sustainable urban development, maintain a stable political and economic environment by stabilizing exchange and interest rates, and streamline the land registration process.

Udobi, Kalu, and Ekekwachi (2016) assessed the obstacles associated with international real estate investment in emerging economies, with a particular focus on Nigeria. The significant enhancement of Nigeria's political landscape, combined with the country's vast size and economic potential, has led to a consistent increase in Foreign Direct Investment (FDI) and growth in Gross Domestic Product (GDP), along with improvements in various economic indicators. Consequently, Nigeria is progressing towards its aspiration of becoming a prominent emerging market. This favorable environment has drawn the attention of international investors, as evidenced by the FDI figure of \$723.49 million recorded in 2015. However, despite the robust economic growth and the promising opportunities present in the real estate sector, international investors encounter several challenges, including risks related to property market transparency, political instability, structural issues, banking practices, currency fluctuations, and ownership structures.

Nebolisa and Udobi (2024) studied the primary obstacles encompass political and economic instability, challenges related to the legal and regulatory framework, issues of infrastructure and accessibility, difficulties with currency exchange and repatriation, security threats, cultural and language barriers, corruption, bureaucratic inefficiencies, and a lack of transparency and data. Utilizing a mixed-methods approach, the research indicates that these challenges not only influence investment choices but also affect the overall performance of real estate portfolios. The findings offer significant insights for international investors, policymakers, and real estate developers who aim to navigate the intricate landscape of Nigeria's real estate market. This study adds to the existing body of literature on international real estate investment in developing economies and underscores the necessity for customized strategies to tackle the distinct challenges encountered in metropolitan areas such as Lagos, Abuja, and Port Harcourt.

## **CHALLENGES OF INTERNATIONAL INVESTMENT IN REAL PROPERTY PORTFOLIO IN NIGERIA**

The role of international investment in real estate is to encourage global economic growth and development. Nevertheless, in nations such as Nigeria, investors encounter a variety of obstacles that impede their effective participation in the real estate sector. These obstacles encompass economic, legal, political, cultural, and infrastructural aspects. This section looks into these challenges comprehensively, shedding light on the difficulties that foreign investors experience within the Nigerian real estate market.

### **1. Economic Challenges**

Economic challenges play a crucial role in shaping international investments in Nigeria's real estate sector. The economic situation of the country is characterized by inflation, currency



fluctuations, and general market unpredictability, which present significant challenges for foreign investors.

a. **Inflation:** The inflation rate in Nigeria, which has fluctuated considerably over the years, poses a significant risk to international investors. Elevated inflation diminishes the purchasing power of the local currency and contributes to rising construction expenses and property values. As a result, the potential returns on investment may be compromised, as investors struggle to sustain the profitability of their portfolios amid increasing operational and maintenance expenditures.

b. **Currency Volatility:** The Nigerian Naira experiences considerable fluctuations against major global currencies such as the US dollar and the Euro. This volatility poses significant risks for foreign investors, as their returns in the local currency may be severely reduced when converted back to their home currency. The foreign exchange risks, further intensified by the erratic policies of Nigeria's central bank, complicate the long-term investment strategies for real estate portfolios.

c. **Market Instability:** The Nigerian economy is subject to cyclical fluctuations, influenced by varying global oil prices and political uncertainties. Its reliance on oil exports renders the economy susceptible to external shocks, which directly affect the real estate market. In times of economic decline, property values can significantly decrease, and financing for real estate projects may become excessively costly. Consequently, this market instability deters potential foreign investors from allocating substantial resources to the Nigerian real estate sector.

## 2. Legal and Regulatory Challenges

International investors face considerable challenges in navigating Nigeria's legal and regulatory demands. The legal framework is often marked by ambiguity and inconsistency, making it difficult to establish clear rights and comply with regulations.

a. **Land Tenure Issues:** The Land Use Act of 1978, which designates all land in Nigeria as state property, represents a significant source of contention within the legal framework governing real estate investment. International investors frequently encounter challenges in land acquisition due to ambiguities surrounding property ownership rights. Additionally, the processes involved in acquiring land are often characterized by bureaucratic delays, complicating the timely attainment of land titles for investors. There is also a considerable risk of litigation stemming from overlapping or contested land claims.

b. **Property Rights:** The insufficient enforcement of property rights poses a substantial obstacle to real estate investment in Nigeria. Foreign investors often struggle to enforce contractual agreements or reclaim properties in the event of disputes. The sluggishness of the judicial system, coupled with widespread corruption, can prolong the resolution of property disputes for extended periods, thereby introducing a level of uncertainty into real estate investments.

c. **Regulatory Inconsistencies:** Inconsistencies within the regulatory framework of Nigeria's real estate sector impede effective investment operations. The lack of a cohesive and transparent regulatory process presents a formidable barrier. Investors frequently face conflicting regulations among federal, state, and local authorities, complicating compliance



efforts. Such inconsistencies can result in increased transaction costs and may deter international investment in the real estate market.

### 3. Political Challenges

Political instability, along with policy unpredictability and corruption, has historically hindered international investments in Nigeria.

a. **Political Instability:** Nigeria has faced significant political instability characterized by frequent elections, regional conflicts, and insurgent activities. This instability fosters an unpredictable atmosphere for investors, who may harbor concerns regarding the long-term safety of their investments. Abrupt changes in political leadership can result in sudden policy shifts that directly impact real estate initiatives.

b. **Policy Changes:** In Nigeria, the frequent alteration of government policies presents substantial risks for international investors. The unpredictability surrounding government decisions related to property taxation, foreign exchange regulations, and import duties complicates long-term strategic planning. These policy modifications often occur without warning, providing minimal or no transitional period, thereby heightening uncertainty within the real estate sector.

c. **Corruption:** Corruption is widespread within Nigeria's real estate market and governmental institutions. Investors frequently encounter opaque procedures, where bribes and unofficial payments are often deemed necessary to secure essential permits or to resolve land disputes. This not only escalates investment costs but also erodes the credibility and reliability of the investment landscape.

### 4. Cultural and Social Challenges

International investors face various cultural differences, language obstacles, and social perceptions regarding foreign investments, all of which can adversely affect the success of their real estate initiatives.

a. **Cultural Differences:** The rich cultural diversity of Nigeria necessitates that international investors familiarize themselves with local customs and traditions. The nation is home to numerous ethnic groups, each possessing distinct practices that may influence land ownership and property development. Investors who are not well-versed in these cultural nuances may inadvertently offend local populations, thereby endangering their investments.

b. **Language Barriers:** Although English serves as Nigeria's official language, numerous indigenous languages are prevalent throughout the country. Business negotiations and land transactions are frequently conducted in these local languages. Consequently, language barriers can create significant communication difficulties for foreign investors, hindering their ability to comprehend legal documents, property agreements, and discussions with local stakeholders.

c. **Social Attitudes Toward Foreign Investment:** Local communities and stakeholders often exhibit skepticism or resistance toward foreign investors. Some Nigerians may view foreign investments as exploitative, which can lead to community opposition. This resistance may take the form of protests, legal disputes, or even sabotage of real estate projects, thereby heightening the risk of unsuccessful ventures.



## 5. Infrastructure Challenges

The inadequacy of infrastructure in Nigeria represents a major obstacle to attracting international real estate investments. Insufficient infrastructure elevates both construction and operational expenses, while simultaneously diminishing the overall appeal of investing in the nation.

**a. Inadequate Infrastructure:** The deficiencies in transportation, power, and communication systems in the country significantly impede real estate development. Substandard road networks and inconsistent electricity supply escalate construction costs, rendering property development more financially burdensome. Furthermore, the lack of adequate infrastructure diminishes property values, as potential buyers or tenants are inclined to favor locations with superior services and amenities.

**b. Poor Urban Planning:** Urban planning in Nigeria frequently suffers from ineffective execution, resulting in congested cities, informal settlements, and suboptimal land utilization. The absence of robust zoning regulations complicates real estate development, as investors may encounter disorganized settlements and unregulated construction practices. Also, inadequate urban planning raises the expenses associated with real estate projects, as developers may be compelled to invest in supplementary infrastructure to ensure the viability of their properties.

**c. Environmental Concerns:** Environmental issues, including flooding, land degradation, and pollution, further complicate real estate investments in Nigeria. The lack of efficient drainage systems and the encroachment upon wetlands heighten the risk of flooding, particularly in urban settings. Foreign investors must consider the expenses associated with addressing these environmental challenges, which can substantially inflate the overall costs of real estate development.

## RECOMMENDATIONS AND CONCLUSION

To enhance the attraction of international investment in Nigeria's real estate sector, a comprehensive strategy is essential. This strategy must tackle significant challenges across various dimensions, including economic, legal, political, cultural, and infrastructural aspects. The following recommendations are proposed to improve the investment landscape in Nigeria's real estate market:

1. It is important for Nigeria to adopt robust macroeconomic policies that effectively manage inflation, stabilize the currency, and encourage a conducive investment environment. The Central Bank of Nigeria should prioritize measures to curb inflation through focused monetary policies and ensure stable foreign exchange rates to shield investors from currency fluctuations. Furthermore, diversifying the economy beyond its reliance on oil will contribute to market stability and enhance the appeal of the real estate sector to foreign investors. Implementing tax incentives or subsidies for foreign real estate investors could also encourage greater international engagement.
2. Revising land tenure laws and establishing clearer, more transparent property rights is vital for minimizing bureaucratic obstacles faced by foreign investors. A thorough



review of the Land Use Act is necessary to simplify and expedite land acquisition processes for investors. Additionally, the digitalization of land registries across various states can help mitigate corruption and enhance transparency. The government should also consider establishing a single-window clearance system for real estate approvals, allowing investors to obtain all required permits and licenses from a single agency, thus reducing both time and costs.

3. Nigeria must undertake significant measures to achieve political stability by promoting peaceful electoral processes and mitigating internal conflicts that deter potential investors. The government should enhance its anti-corruption initiatives, especially concerning real estate transactions, to create a more transparent business climate. Establishing an independent regulatory authority to monitor real estate investments and rigorously enforcing anti-corruption legislation will contribute to bolstering investor confidence.
4. Foreign investors are encouraged to gain a deeper understanding of Nigeria's rich cultural and social diversity. The government can support this endeavour by providing orientation programs that inform foreign investors about local customs, land ownership practices, and negotiation techniques. Moreover, encouraging collaborations between foreign investors and local enterprises can effectively bridge cultural divides and facilitate the successful integration of foreign real estate initiatives within local communities.
5. The Nigerian government should prioritize the development of infrastructure to bolster real estate investment. Encouraging public-private partnerships will be essential in constructing vital infrastructure such as roads, drainage systems, and power supply networks. Additionally, a focus on improved urban planning is necessary, with local authorities enforcing zoning regulations and creating comprehensive strategies for the orderly expansion of urban areas. In regions sensitive to environmental concerns, more stringent environmental impact assessments should be conducted to address risks such as flooding and land degradation.
6. The urban planning frameworks in Nigeria require a comprehensive reform to facilitate effective land utilization and encourage sustainable property development. This can be achieved through a partnership among state and local authorities, urban planners, and environmental specialists. Implementing planning policies that prioritize environmentally friendly construction practices, appropriate zoning regulations, and the expansion of infrastructure can enhance the attractiveness of Nigerian cities for long-term investments.

In conclusion, despite the considerable challenges facing international real estate investment in Nigeria, there are evident strategies for enhancement. Pursuing a blend of economic reforms, legal transparency, political stability, cultural awareness, and infrastructure improvements gives Nigeria the potential to evolve her real estate sector into a vibrant center for foreign investment. This evolution will not only draw international capital but also encourage economic growth and development throughout the nation.



## REFERENCES

- Adesoji, D., Juwairiyah, A. and Olufunmilola, A. (2020). Urban housing in Nigeria for sustainable development: challenges and prospects. *International Journal of Advanced Engineering Research and Science*, 7(7), 487-491.
- Asiegbu, O. and Udobi, A. (2022). The challenges of international real estate investment in the emerging economy as a result of omicron variants. *Iconic Research and Engineering Journal*, 5(8), 35-44.
- Arturas, K. and Edmundas, K. (2009). Theories of investment in property: use of information, knowledge, and intelligent technologies. London: Taylor and Francis.
- Ayadenji, S. (2016). Reoles of estate Surveyors and valuers in Nigeria national development. Retrieved from <https://www.researchgate.com>
- Ion, A., and Anca, M. (2015). Some considerations regarding the international real estate market – present and future predictions. *Procedia Economics and Finance*, 32, 1442-1452.
- Krulicky and Horas, S. (2019). Real estate as an investment asset. SHS Web of Conferences, 61, 1-9.
- Makata, F. and Udobi, A. (2024). Challenges of international investment in real property portfolio: case study of developing economy using Nigeria experience. *PM World Journal*, 8(7), 1- 20.
- Nebolisa, I. and Udobi, A. (2024). Challenges of international investment in real property portfolio in a developing economy, with a focus on metropolitan cities in Nigeria. *PM World Journal*, 8(8), 1-16.
- Northcourth. (2024). Nigeria real estate market outlook. Retrieved from [www.northcourt.com](http://www.northcourt.com)
- Omorodion, J., Udobi, A., and Nwosu, C. (2024). Challenges of international investment in property portfolio in a depressed economy: a Nigeria experience, 5(1), 57-64.
- Otty, E., Egolum, C. and Oladejo, E. Evaluation of factors driving real estate investment decisions by private investors in SouthEast, Nigeria. *International Journal of Civil Engineering, Construction and Estate Management*, 11(4), 41-63.
- Udobi, A., Kalu, and Ekekwachi. (2016). Challenges of international real estate investment in an emerging economy: the Nigerian experience. *Civil and Engineering Research*, 8(3), 1-10.