AN EVALUATION OF PROPERTY MARKET MATURITY IN SELECTED STATE CAPITALS OF SOUTHWESTERN NIGERIA

BY

CLEMENT ChiomaCelestina

EDMP12/13/H/0988

B.Sc. (Hons) Estate Management (Ife)

A THESIS SUBMITTED TO THE DEPARTMENT OF ESTATE MANAGEMENT

FACULTY OF ENVIRONMENTAL DESIGN AND MANAGEMENT

OBAFEMI AWOLOWO UNIVERSITY ILE-IFE

IN PARTIAL FUIFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF SCIENCE (M.Sc) IN ESTATE MANAGEMENT OF THE OBAFEMI AWOLOWO UNIVERSITY, ILE IFE, NIGERIA.

2015

AUTHORIZATION TO COPY

OBAFEMI AWOLOWO UNIVERSITY, ILE IFE, NIGERIA

HEZEKIAH OLUWASANMI LIBRAR

POSTGRADUATE THESIS

AUTHOR: CLEMENT ChiomaCelestina

TITLE: An Evaluation of Property Market Maturity in Selected State Capitals of Southwestern Nigeria

DEGREE: Master of Science M.Sc. (Estate Management)

YEAR: 2015

I, CLEMENT ChiomaCelestina hereby authorize the Hezekiah Oluwasanmi Library, ObafemiAwolowo University, Ile-Ife to copy my thesis in whole or part, in response to request from individual researchers and/or organizations for the purpose of private study or research.

………………………………………… ……………………………………..

Signature Date

CERTIFICATION

It is hereby certified that this thesis, written by ChiomaCelestina CLEMENT was supervised by me

Thesis Supervisor

Name: Prof. O.A. Ogunba

Signature:…………………………..

Date:………………………………..

and submitted to the Department of Estate Management, Faculty of Environmental Design and Management, ObafemiAwolowo University, Ile-Ife, Nigeria.

Head of Department

Name: Dr. OlatoyeOjo

Signature: ……………………………

Date: …………………………………

DEDICATION

This thesis is dedicated to God who is my refuge and strength, a very present help in time of need.

ACKNOWLEDGEMENT

I return all glory to God Almighty for His faithfulness and love for seeing me through during this program. You are worthy of my praise.

I would like to appreciate and express my gratitude to those who provided me with guidance, encouragement, support and motivation through this research project. I would first like to thank my supervisor, Prof. O.A.Ogunba for his constant support, encouragement, careful revision and constructive feedbacks. To the Head of Department, Dr. OlatoyeOjo, thank you for the encouragement. I acknowledged the role played by other lecturers in the department to mention a few Professors. C.A. Ajayi, B.T. Aluko, A. Olaleye and Doctors, M.O Oyewole, P.S.Ogendengbe, T.T.Oladokun, Messers,Odebode, Ekemode andOluwadare.

This accomplishment would not have been possible without the love and support from my family. I am indebted to my parents Late MrNdubisi Clement and Mrs. Dupe Clement for the morals support and encouragement and tolerance from childhood. I also appreciate my lovely and wonderful sister Clement Nkechi.

A special thanks to my Uncle MrIyogun Success who God has used to bless me all through the program. I am also grateful to Barrister and Barrister Mrs. John Nester, Olori Maureen Adewole, Awodele Ezekiel, KemiOyebamji, OsanyinAyodeji, Oluwadare Deborah and AkpanUduak. I also appreciate my spiritual head Pastor and MrsAdebiyi at RCCG Jesus House, Dr. Awodiran,Pastor John Pastor, Victory Ben, Deacon Ayansiji, Mummy Obadeyi and Late Mrs. Owopetu at Fullstature Mission Church. God bless you all.

I thank my dearest friend, Abere Victor for the care, love and encouragement he gave me during the course of this programme.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

Page

Abstract

The study examined the property market characteristics in selected state capitals of Southwestern Nigeria; identified and examined the profiles of operators in the study area; determined the property market maturity levels in the study area and investigated the factors responsible for the levels of maturity. This was with a view to providing information which would enhance investment decisions.

Primary and secondary data were used for this study.The capitals of three states in Southwestern Nigeria (Lagos, Oyo and Osun) were selected purposively. The study population comprised Estate Surveying and Valuation firms, CommercialBanks and Ministries connected with land matters in the selected state capitals. Following the Directory of the Nigeria Institution of Estate Surveyors and Valuers (2014) there were 133, 61 and 20 firms in Ikeja, Ibadan and Osogbo respectively. The sample frame for the commercial banks was 20 based on the records in the Central Bank of Nigeria website. A total enumeration was carried conducted on all the Estate Surveying firms and Commercial Banks. In addition, two officers in eachof the state Ministries connected with land matters. Data required covered the ten property market characteristics, socioeconomic profile of the market operators, assessments ratings of market operators on the level of maturity of property markets and factors responsible for the maturity levels.Frequency distributions, percentages, weighted mean scores, relative importance index and factor analysis were used to analyse the data collected.

The data on the property marketswere analysed on the basis of ten characteristics. The findings revealed that 51(44%) of the respondents perceived that Lagos property market was

characterized with databanks but the databanks did not contain all the property market fundamentals. However,27(57.4%) and 11(73.3%) of the respondents in Ibadan and Osogbo respectively perceived that the markets were not characterized with data banks. The overall maturity ratings of the property market showed that the Lagos property market was emerging (having Weighted Mean Score (WMS) of 3.07. The Ibadan property market was also emerging (WMS of 2.71) while theOsogbo property market was immature (WMS = 2.51). The variables identified to be responsible for the maturity levels included high interest rates (WMS = 6.5), absence of secondary markets (WMS = 6.4) and cumbersome land registration processes (WMS = 6.3). These variables were reduced to six factors through factor analysis namely ease of obtaining finance factor, land registration factor adequacy of professionals' factor, investor friendliness factor, information factor and economic factor. These factors have variance explained 18.368%, 17.641%,10.553%,7.835%, 5.958% and 4.363% respectively.

The study concluded that investment structures in the Lagos and Ibadan markets were sufficiently mature to attract investors while the structures in the Osogbo market are still rudimentary.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Globalization is a current and desirable phenomenon in the 21st century. Globalization can be viewed as the integration of national economies into a global market place through which other countries can freely participate. Its impact has been felt in many sectors including the real estate sector. Globalization has been motivated by the expansion of ownership of organizations from domestic to multi-national and the enhanced opportunities to invest overseas (Baum and Murray, 2011). This has resulted in increased flow of Foreign Direct Investment to emerging countries as well as enhanced opportunities for international investors to diversify their investments across the globe. However, such international investors need to understand the real estate market in target countries before investing. This is particularly true when they invest in markets of developing countries. In particular, risk averse investors are interested in determining if the market structures in the developing markets would put their investments at risk. In other words, such international investors need to take into consideration the level of property market maturity and transparency of target markets (Newell, 2008). As global investment in real estate markets develops, investors are calling for increase in the transparency of developing markets to reduce the risk of investment and improve the credibility of the market (Lee, 2001).

The concept of property market maturity includes and is somewhat wider than the issue of availability of data. The concept came into existence in the early 1990s. Market maturity is used to identify the stage of development or evolution reached by a property market. The initial study on property market maturity was pioneered and extensively treated by Keogh and D'Arcy

(1994). The Keogh and D'Arcy (1994) study was an attempt to address requirements frequently considered essential by investors who needed to understand the market structures of various target markets across the globe in the wake of the globalization of real estate industry. In this pioneer research, Keogh and D'Arcy (1994) identified some frameworks (indicators) to measure the level of maturity of some European markets. These frameworks included: accommodation of full range of use and investment objectives; flexible market adjustment in both long and short run; existence of a sophisticated property profession with its associated institutions and networks; market openness in spatial, functional and sectoral terms; standardization of property rights and market practices and extensive information flow and research activity. These frameworks were used to examine the property markets of London, Milan and Barcelona, with the result that London was found to be a mature market while Milan and Barcelona were considered as emerging. The approach of Keogh and D'Arcy (1994) has subsequently been employed by researchers in South East Asian countries (such as Armitage, 1996; Lee, 2001; Chin and Dent, 2005) to identify the state of Asian markets and the restrictions on the markets in order to proffer solution to the identified inadequacies. More recently, the Keogh and D'Arcy (1994) methodology has been used in African nations especially in Nigeria (Dugeri, 2011; Akinbogun, 2012; Thontteh, 2013; Dugeri, Omirin and Ogunba, 2014) where the property market was found to be in an emerging state.

In summary, the point addressed in property market maturity studies is that prospective investors nationally and internationally are risk averse and cannot afford to take risk losing their investments through immature market structures. An example in this regard is the pension funds which cannot afford the high risk of losing their subscriber's retirement savings. International investors believe that the more mature a market is, the lower the level of risk. Unfortunately, property markets in African countries are perceived as emerging, with the exception of South Africa, which is the only African country considered mature (Jones Lang LaSalle (JLL, 2014). Extensive research has not been carried out to clarify the aspects of immaturity in Africa so that corrective actions can be taken to attract foreign direct and indirect investment. How this translates into a problem is the subject of discussion in the next section.

1.2 Statement of Problem

The largest geographical spread on market maturity in Nigeria so far (Dugeri, 2011) rated the country's property markets as emerging. The rankings and perceptions of Nigerian property market were a reflection of its non-investor friendly structures. Such investment structures need to be identified and examined so that corrective action can be taken. Market maturity studies are required to provide real estate investors with information needed to understand the structures and behaviour of a particular property market as well as to identify the areas of weakness in the market and how to rectify them. Wide-ranging studies on market maturity are needed so as to clarify the nature and features of the perceived immaturity, make investment information available to local and foreign investors, provide information to policy makers which would enable them to enhance existing market structures, stimulate heightened local and foreign direct/indirect investment and update the status and ranking of the Nigeria property markets in maturity indices. This study would endeavour to fill a gap in this area.

But then one might ask whether this gap has not already been filled. Have there not been studies on market maturity in Nigeria? The answer would be that there are studies, but studies in Nigeria are scanty. The Nigerian researchers were Dugeri, (2011); Akinbogun, (2012); Thontteh, (2013) and Dugeri, Omirin and Ogunba, (2014) However, most of these studies did not actually discuss market maturity with the comprehensive Keogh and D'Arcy (1994) methodology. Olapade, 2014; Olaleye 2007 and Ajibola 2010 focused on data