

Financing the Future: Unlocking Nigeria's Real Estate Sector

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The real estate sector in Nigeria has emerged as a significant contributor to the country's GDP, accounting for over 10% of national output. This growth can be said to be driven by diverse segments such as rentals, brokerage, housing services, and construction. The sector's growth can be attributed to the increasing demand for housing, driven by a growing population and urbanisation. The Nigerian population is expected to reach 300 million by 2050, creating a huge demand for housing and infrastructure.

Despite this growth, the sector faces challenges, including a 28 million housing unit deficit, low mortgage penetration (1%), weak financing structure, and regulatory bottlenecks. The housing deficit is a significant challenge, with many Nigerians lacking access to affordable housing. The low mortgage penetration rate is also a concern, as it limits access to financing for many Nigerians.

The sector's growth, however, presents opportunities for innovative financing models, such as pension-backed funding, REITs, and public-private partnerships, which can unlock more growth and address affordability challenges. Pension-backed funding, in particular, has the potential to provide a significant source of long-term funding for the sector. REITs can provide investors with a diversified portfolio of real estate assets, while public-private partnerships can leverage the strengths of both the public and private sectors to deliver affordable housing.

Regulatory reforms in land titling, registration, and building approvals can reduce risks for investors and lenders, while digitalisation can enhance transparency and efficiency. The government can implement policies to improve the ease of doing business, reduce bureaucracy, and increase transparency in the sector. Digitalisation can also help to reduce corruption and increase confidence in the sector.

To address the affordable housing challenge, developers can balance profitability with accessibility by leveraging government incentives, localising materials, and adopting alternative construction technologies. The government can provide incentives such as tax breaks, subsidies, and land grants to developers who build affordable housing. Developers can also explore alternative construction technologies, such as modular building, to reduce costs and increase efficiency.

The sector has also shown resilience despite macroeconomic challenges, with opportunities for growth in secondary cities like Ibadan, Abeokuta, and Kano. These cities offer attractive investment opportunities due to their growing populations, improving infrastructure, and increasing economic activity. Investors can leverage these opportunities to develop affordable housing, commercial properties, and industrial facilities.

Embracing green building practices, digitalisation, and climate-resilient development can enhance the sector's competitiveness and environmental sustainability. Green building practices can reduce energy consumption, water usage, and waste generation, while digitalisation can improve building management and reduce costs. Climate-resilient development can help to mitigate the impacts of climate change, such as flooding and heat stress.

By 2035, the sector is expected to grow, driven by institutional development, infrastructure investments, and technological adoption, with potential for regional competitiveness and integration into global markets. The sector's growth will be driven by increasing demand for housing, commercial properties, and industrial facilities. Institutional development, such as the establishment of REITs, can provide investors with a diversified portfolio of real estate assets. Infrastructure investments, such as roads, bridges, and public transportation, can improve accessibility and increase property values. Technological adoption, such as BIM and digital building management systems, can improve efficiency and reduce costs.

To achieve this growth, the government should provide incentives for affordable housing, streamline regulatory processes, and invest in infrastructure development. The private sector should develop and promote innovative financing models, such as green bonds and impact investing, to attract institutional investors. Digitalisation of land registries, building approvals, and other processes can enhance transparency and efficiency.

Capacity building is also crucial, with investments in skills development, training, and education to enhance industry professionalism and competitiveness. The government and private sector should invest in training programs, workshops, and conferences to develop the skills of industry professionals. This can include training on green building practices, digitalisation, and climate-resilient development.

In conclusion, Nigeria's real estate sector has the potential to drive economic growth, job creation, and sustainable development. Addressing the challenges and leveraging the opportunities pre-

sented by the sector requires a collaborative effort from the government, private sector, and other stakeholders. With the right policies and investments, Nigeria's real estate sector can become a key driver of economic growth and sustainable development.

Recommendations:

1. **Government Support:** Provide incentives for affordable housing, streamline regulatory processes, and invest in infrastructure development.
2. **Financing Innovation:** Develop and promote innovative financing models, such as green bonds and impact investing, to attract institutional investors.
3. **Digitalisation:** Implement digital land registries, building approvals, and other processes to enhance transparency and efficiency.
4. **Sustainability:** Encourage adoption of green building practices, energy-efficient technologies, and climate-resilient development.
5. **Capacity Building:** Invest in skills development, training, and education to enhance industry professionalism and competitiveness.

By implementing these recommendations, Nigeria's real estate sector can achieve its full potential and drive economic growth, job creation, and sustainable development.

The views expressed in this article are those of the author(s) and do not necessarily reflect the views of Kingsgate Advisors Institute.

About the Author

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