



## Real Estate Development in the Nigerian Built Environment: Analysis of the Contemporary Roles of Estate Surveyors and Valuers

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**Abstract - Real estate development provides a backbone for a nation's economic development and growth. It stimulates other sectors of the economy through tremendous multiplier effect. Furthermore, it impacts directly on the immediate environment through multiplicity of job creation increases purchasing power of locals at the construction stage, stimulates growth and development of subsidiary industries, releases funds for further developments and investments, attracts capital inflow into the nation's economy, hence, contributing to a nation's Gross Domestic Product (GDP) Fuller (2005). From the foregoing background, the paper has defined some keywords used in this work for better understanding and to put them in true perspective, it went further to discuss real estate development process and the roles of built environment professionals in that regard. Thereafter, contributions of real estate development to economic growth of a developing nation were discussed and the Nigeria potential highlighted. Furthermore, it critiqued the activities of built environment professionals in Nigeria as regards their roles in real estate development. Finally, it made recommendations that will engender a functional, stable and sustainable real estate development which will ultimately lead to economic growth in Nigeria.**

**Keywords:** Analysis, Built environmet, Estate development, Real estate, Valuers.

### 1. Introduction

Real estate development has specific characteristics which distinguishes it from many other forms of investment decisions. Two of these are the magnitude of risk inherent in real estate investment and the huge capital necessary to finance the development process. The developer is seldom able to single-handedly provide the required capital, hence the need to seek supplementary sources of funds in addition to the developer's equity capital. Real estate development provides a backbone for a nation's economic development and growth. It stimulates other sectors of the economy through tremendous multiplier effect Babatunde (2012). Furthermore, it impacts directly on the immediate environment through multiplicity of job creation, increases the purchasing power of locals at the construction stage, stimulates growth and development of subsidiary industries, releases funds for further developments and investments, attracts capital inflow into the nation's economy, hence, contributing to a nation's Gross Domestic Product (GDP) Fuller (2005). Thus, investment in real estate serves as a springboard for the development of other sector of a nation's economy. Some developing countries of the world have benefited immensely from the great opportunities afforded in real estate investment.

However, the choice of location for the development, the decision, spatial arrangement in relation to other development, and neighbourhoods, the physical construction and management of the completed development are critical factors in real estate development process. Consequently, the employment of skills of appropriate professionals in the built environment is fundamental to the success of real estate development.

## 2.0 Definitions

It is pertinent to clarify some terms used in this paper in order to place them in true context.

### 2.1 Real Estate

It is a term that is synonymous with real property. It is “land and the improvements made to it, and rights to use the land and the improvements thereon”. Jacobus (1996).

Real estate (in America) in a legal term that encompasses land along with anything permanently affixed to land such as buildings, especially property that is fixed in location. It is sometimes called reality, in contrast with personal property, sometimes called chattel, (American Heritage Dictionary of English Language (2004).

In British usage, ‘real property generally refers to land fixtures, while the term “real estate” is used mostly in the context of probate law, and means all interest in land held by a deceased person at death, including interest in money arising under a trust for sale of a charged on land. Oxford Dictionary of Law (1977).

Sirota (2004) defined real estate as land and all natural and manmade improvements attached to it, excluding, air and mineral rights.

### 2.2 Development

The carrying out of any building, engineering, mining or other operation in, on, over or under any land, the making of any material change in use of any land; the making of any material change in use of any land, building structure or conversion of land, building structure from its established or approved use and or including the placing on display of advertisement on the land, building on structure, the making of any environmentally significant change in the use of any land or demolition of building including felling of trees”. Lagos State Urban and Regional Planning Board Edict. (1998).

### 2.3 Built Environment

Built environment refers to the human made surroundings that provide the setting for human activities, ranging in scale from personal shelter and buildings, to neighbourhoods and cities that can often include their supporting infrastructure, such as; water supply or energy networks. It is a material, spatial and cultural product of human labour that combines physical elements and energy in form necessary for living, working and playing (Wikipedia, 2011).

Thus, built environment encompasses all buildings, spaces and products that are created or modified by people, homes, schools, workplaces, parks/recreation areas and underground in the form of waste disposal sites and subways, trains across the country in the form of highways. In practice, the term is typically used to describe the interdisciplinary field which addresses the design, construction, management and use of these man-made surroundings as an interrelated whole as well as the relationship to human activities over time.

## 3.0 Real estate development process and the role of built environment professionals

The paper has discussed this with regard to building development. Real Estate Development Process has been discussed under the following stages/phases:

- |   |  |
|---|--|
| - Project Conceptualization                             | - Pre-Investment Studies – Feasibility and Viability Appraisal |
| - Site Selection  | - Sourcing of Project Finance                                  |
| - Site Acquisition                                      | - Physical Project Development and Monitoring                  |
| - Land Use Planning                                     | - Follow-up Appraisal  |
| - Project Design  | - Management of the Completed Development                      |
| - Environment Impact Assessment of the Proposed Project |  |
| - Preparation of Bill of Quantities                     |  |

The core professionals in the real estate development process comprise:

- The Estate Surveyor and Valuer
- The Lawyer
- The Land Surveyor
- The Geologist
- The Town Planner
- The Architect
- The Engineers – Civil, Structural, Mechanical and Electrical
- The Environmental Manager
- The Quantity Surveyor
- The Project Appraiser
- The Project Financier
- The Builder
- The Project development Manager
- The Completed Project Marketers and Managers
- Project Redevelopment Appraisers.

Some other professionals could be involved depending on the type and complexity of the real estate project. The roles of these professionals shall be discussed in line with the identified stages of real estate development process. It is pertinent at this juncture to state that in practical terms, there is no distinct line of demarcation between the various phases as the process is continuous flow.

### **3.1 Project Conceptualization**

The role of the Estate Surveyor and Valuer commences from the moment an idea to embark on real estate development is conceived. The estate surveyor through his training and knowledge advises a project proponent on the optimum location for a conceived development project. His advise at this stage is cursory as it is not based on any pre-investment studies.

Having conceived a development project, the estate surveyor goes further to advice on the site, (location) most suitable for the proposed real estate development. He explores such factors as zoning permissibility, soil sustainability neighbourhood compatibility and availability or possibility of providing infrastructural services – electricity, water, drainage, health services, educational, institutions, site relationships with places of work, worship, and recreation among others. At this stage, cursory contributions of some other professionals may be required, depending on the nature and magnitude of the project.

### **3.2 Site Acquisition**

The Land Surveyor, the Estate Surveyor and the Lawyer are involved in site acquisition. The Land Surveyor carries out the peripheral survey to determine and define the boundary lines of the project site and delineates same with survey pillars (beacons). He further carries out the topographic survey to establish the ground levels (contour) which will be very useful at the project design stage. Soil test and report by a qualified geologist may be required at this stage and this will help the designers – architect and engineers in their respective designs as regards the type of foundation, soil load bearing capacity and type of reinforcements that may be required. With the project boundaries determined, the estate surveyor proceeds to determine whether there are items or interests that may be affected by the proposed development that may qualify for payment of compensation.

Having regard to the Land Use Decree of 1978 (Land Use Act), he carries out the enumeration and valuation of the identified interests (if any) and determines the amount of compensation payable on those interests.

### **3.3 Environmental Impact Assessment (EIA)**

The Environmental Manager carries out an Environmental Impact Assessment of the project where the proposed project is likely to have a significant effect on the environment (EIA Decree, 1992).

The EIA seeks to identify, predict and evaluate foreseeable impacts of a proposed project on the environment (positive or negative), and proffers measures to eliminate or minimize the negative impacts and optimize the positive ones. It could equally seek an alternative to a proposed project or an alternative location if the negative impacts so indicate. The relevance of the EIA to a proposed development project is that the project cannot be conclusively certified positive by a mere feasibility and viability appraisal without incorporating the environmental factors component. Thus, it is an independent but complimentary study to feasibility and viability appraisal.

### **3.4 Preparation of Bill of Quantities**

The Quantity Surveyor using the architects working drawings and the engineer's drawings prepares the bill of quantities. This document provides a guide to the cost components of the project.

### **3.5 Pre-Investment Studies – Feasibility and Viability Appraisal**

The Estate Surveyor using the project drawings and the Bill of Quantities carries out a feasibility and viability appraisal of the proposed project. He may however, require some input from some other professional, depending on the project scope. The basic concern in the feasibility appraisal is the work ability of the proposed development with regard to some feasibility criteria/indicators. (Ogbuefi, 2002) classifies the indicators into economic and non-economic.

The economic indicators answer the question as to whether the project can be executed in the light of the prevailing or future economic conditions – the availability of development fund for the project. The non-economic feasibility criteria/indicators consider the physical, technological, socio-cultural and political aspects of the proposed project.

The question as to the worthwhileness of the proposed project will be answered by the viability appraisal. This aspect of the study looks at the costs and benefits implications, and the profitability or otherwise of the proposed project. A decision as to whether the project design should be altered, or the project relocated elsewhere, or whether an alternative project should be proposed will be taken based on the Appraisal and the EIA Reports.

### **3.6 Sourcing of Project Finance**

Finance is a major component of real estate development. Real Estate financing include:

- Pre-development financing (prior to commencement of construction work).
- Construction financing
- Permanent financing
- Equity financing
- Grants to fill gaps for public purpose projects.

Funds can be sourced from:

- Banks
- Insurance companies
- Pension funds
- Governments (Federal, State and Local Government)
- Mortgage Bank
- Real Estate Investment Trusts, etc.

### **3.7 Project Development and Monitoring**

This is a critical stage in real estate development process. At this stage all the preparations for the project are being brought into physical reality – the actual construction of the proposed project is done at this stage. This phase poses great challenges to the various roles of the professionals and on the need for them to work as a unified multidisciplinary team, to produce a satisfactory result. The estate surveyor and valuer, the architect, the quantity surveyor, the engineers (civil, mechanical-electrical, structural) and the builder are all involved on this stage.

### **3.8 Management of the Completed Development**

It is the estate surveyor's role to draw up a management plan for the completed development, where it is a building project.

This may include:

- Selling, Letting, Arranging of title documents in case of purchases (liaising with legal personnel), Arranging of lease documents (liaising with legal personnel as appropriate), Routine inspection of the developed property, Drawing up maintenance schedule, Carrying out valuation for insurance and ensuring that the development is adequately insured, Advising on renovation, replacement and redevelopment where and when applicable.

### **4.0 Contributions of real estate to economic DEVELOPMENT**

It has been established that real estate development can contribute tremendously to economic growth in the formal and informal sectors of a nation's economy. It provides the backbone for the development of other facets of the economy through a multiplier effect:

- It generates earning and stimulates spending
- It has indirect and induced impacts on the economy
- It adds to country's Gross Domestic Product and Gross Domestic Income.

Thus, Nigeria which has been enjoying oil boom, and with substantial oil reserve can launch an articulate Real Estate Development Policy over a time period that will see the country investing some of the oil proceeds in mega real estate

projects. The country can through well-defined and attractive policy thrust engage in robust Public-Private Partnerships in Mega Real Estate Development. The World Trade Centre presently under construction in Abuja, Federal Capital Territory is highly commendable. The World Trade Centre owned by First Continental Properties Ltd, a subsidiary of Churchgate Group is located along Constitution Avenue, Central Business Area, Abuja. It is a 37 storey building complex on a 6,102 hectares parcel of land. When completed, it will contain a shopping mall of 40,000 square metres space, office towers, luxury apartments, conference facilities, leisure (recreation), cinemas and entertainment facilities. The project which has the Churchgate Construction Company Ltd as the lead Contractor has a team of professionals involved in the construction management. It is being financed through private funds, and local and foreign sources finances. The first phase was completed in 2013 (Guardian, 2015).

Another Mega Real Estate Development that deserves mention is the Eko Atlantic City project sited on a vast reclaimed area of land measuring about 9 square kilometers in Lagos State. The project will accommodate 1500 planned plots of lands, residential and commercial and it will be protected by the "Great Wall of Lagos". Land reclamation was projected to be completed in 2015, but not yet completed in 2016 (Administrator, 2011). The development of more Mega Real Estates should be encouraged in Abuja, Lagos and Port-Harcourt with attractive locations and where the level of city development and market conditions are ripe, most germane and very attractive.

The potentials in Rail, Sea, and Air Transportation in Nigeria should equally be well explored and exploited. The rail infrastructure should be fully developed. There should be functional, modern and effective rail network linking the major cities of the country. This will go a long way to off loading the road traffic which presently is estimated to carry over 80% passenger movements in Nigeria and a great percentage of freight movements (Financial Business News, 2012). By extension, it will lead to substantial reduction in the prices of goods and services, available in the Nigerian urban and rural areas.

Furthermore, the country's estimated 3000 kilometres inland navigable waterways and extensive coastline of about 852 kilometres should be explored and developed for effective water transportation. The waters transverse 20 of the 36 states of the Federation and could be an easy facilitator for moving goods and services from the coast to the interiors of the country at very low costs. This will again lead to substantial reductions in the cost of goods and services. Linked to this, is the Nigerian seaports which handle about 68% of West African's Maritime Trade. These ports require substantial improvement and better management in order to realize their enormous income potentials.

Again, the country's airports facilities – the terminal buildings, maintenance hangers, car parks, hotels and catering services need urgent improvement to bring them to international standards for optimum income generation.

Also, the road networks are in deplorable conditions and require immediate rehabilitation and reconstruction, in many cases new roads are required. At this juncture, the Lekki – Epe Expressway deserve special mention. The road is a Public-Private Partnership Project (PPP) between the Lagos State Government and the Lekki Concession Company. The developers have a concession to develop and manage the road through toll collection for a given time period. The project appears to have recorded great success so far. Thus, it has added a niche to PPP in real estate and infrastructural development in Nigeria and more of such projects should be encouraged.

Another potential area of real estate development in Nigeria is the tourism industry. The country is endowed with vast tourist centres that require development, redevelopment and efficient management to realize their immense income potentials. These are spread all over the country-

- The waterfalls, springs, and mountainous temperate climate of the Mambilla Plateau, Gambu, in Adamawa State.
- Yankari Games Reserve in Alkelari Local Government, Bauchi State.
- The Jobs Wildlife in Jos, Plateau State.
- The Oyo National Park in Oyo State.
- The Ancient Ogbunike Cave, in Ogbunike, Anambra State.
- The Obudu Cattle Ranch in Cross River State.
- The great opportunities in Deep Sea recreational fishing, beach resorts and recreation, among others.

These can be developing into international standards by providing adequate accommodation, good restaurants, recreation facilities, adequate communication networks and adequate security. If well developed and efficiently managed, they will provide great tourist attractions and they are veritable sources of foreign and local currency earnings for the nation.

Massive Real Estate Development in Nigeria will have a cumulative effect of providing tremendous employment opportunities for numerous unemployed people, thereby, reducing crime in the society, it will lead to improved standard of living, thereby making life better for Nigerians, it will also reduce the pressure on the nation's oil resource, thereby reducing the devastating effects of oil production on the environment of oil producing communities. Real Estate Development, through multiplier effect, will generate funds for the development of other Key Sectors of the

economy – agriculture, education, health, etc. ultimately, contributing greatly to the Country's Gross Domestic Product (GDP) and Gross Domestic Income (GDI).

### **5.0 A critique of the activities of built environment professionals**

The crucial role of built environment professionals in real estate development process is not in any way in doubt, but how far they have played these roles in Nigeria need a critical examination.

In many cases, there are lack of precise understanding and acceptance of what each professional does at various stages and how they relate to one another. Often there is difficulty in defining specific boundaries as to where the work of one professional starts and where it ends, hence, overlapping roles. Consequently, you find professionals abandon their core area of training and competence in preference to other areas where they are at best quacks, especially, if by their judgment, that area affords them 'cheap' money. The conflicting roles many a time become apparent at the project development/construction stage. Taking building development process as a typical case, the estate surveyor, the architect, the quantity surveyor, the civil engineer, and the builder, all claim to be the right professional to lead project construction/development team. The project leadership tussle should not in any way arise if the real estate development process is well understood and appropriately executed. This paper contends that the nature and scope of a real estate project should determine the project management/development team leadership. In all building development projects: mass housing development, private estate development, industrial and commercial building and related building developments, the estate surveyor and valuer whose role starts at the project conceptualization stage and continues after the completion of the project (management of the completed development), should be the team leader, while the other professionals involved in the development process play their appropriate roles when such roles arise. The estate surveyor is well equipped to play that role by virtue of his training and practice. This position is buttressed by the fact that on completion of the project, all the other professionals quit the site while the estate surveyor remains behind and continues with the management of the completed development.

Similarly, in core engineering projects, like bridges, pure concrete and steel works, sewerage construction, dams, airport runways and tarmacs, road construction etc, the appropriate engineer should be the project leader, since he has the training and expertise for such projects design and supervision. This however precludes the site acquisition stage which is core function of the estate surveyor and the land surveyor.

On the other hand, where the architect procures a "design- build" brief which empowers him to handle the design and construction of the project, he automatically assumes project development team leadership. He selects his construction team, including a builder. In this case, he is responsible for delivering the project which indisputably places the project team leadership on him. It is however noteworthy that not in all "design-built" project cases that the architect leads. The project leadership can be held by some other professional, depending on who procures the brief. But the common feature is that the owners deal with one single project leader (Solomon N, 2005).

Another phase/stage of real estate development process that has turned out to be all comers business is management of the completed development. The level of quackery on this phase is alarming. There is a general perception that anybody can be an estate agent so far the person can find a tenant or a buyer for a developed property. With this wrong notion, you find all manner of people parading themselves as estate agents. Many "educated" quacks and uncountable illiterates operate all over our urban centres as estate agents. It is imperative to emphasize that property management, including agency, is a specialized professional practice of the estate surveyor and valuer. Starting from tenant selection, through the all challenging management functions, require the expertise of a qualified estate surveyor and valuer. A well managed property starts with selection of credible tenants, and good management not only enables the property realize its full income potentials and intrinsic values, it also helps sustain and preserve the economic and physical life of the property, thereby, checking incipient decay and dilapidation.

The consequence of lack of understanding and clear cut definition of roles of built environment professionals in real estate development often manifest in collapse of buildings under construction, and in some cases completed ones. Many buildings collapse due to factors ranging from poor design and specifications as to quality of materials without regard to soil suitability, approval of substandard drawings by the regulatory authorities, supervision by unqualified personnel (quacks), use of poor quality and substandard materials in utter disregard to design specifications, among others. Furthermore, uncompleted projects litter all over the country due to lack of finance, consequent upon non pre-investment appraisal of these projects or disregard of recommendations contained in the pre-investment expert report. Whenever there is failure in project execution, the professionals trade blames and counter blames. In all honesty, the Nigerian built environment professionals have great gap to fill towards playing their respective and appropriate roles in real estate development. And they must play these roles rightly and effectively in order to realize the great potentials in real estate development.

## **6.0 Things that have to be done to facilitate real estate development and to harness its immense potentials in Nigeria.**

A number of things need to be put in place to foster real estate development in Nigeria. Some of these will be discussed in this section:

### **a) Appropriate Policies Must Be Put in Place.**

All real estate development process starts with site selection and land/site acquisition. Any policy on land invariably affects real estate positively or negatively. The first positive move should be to make land acquisition and transfers easy and functional. This immediately calls to mind, the bottleneck created by the Land Use Act. Until this Act is expunged from the Nigerian Constitution and appropriately amended, land acquisition and transfers will remain a major constraint in real estate development.

### **b) Converting Land Resource to Developable Real Estate.**

Great percentage of Nigerian Land are not surveyed and they do not have certificate of occupancy, thus, not developable real estate. About 99% of the rural land do not have the status of real estate (Mabogunje, 2005). For the vast area of land in the urban and mostly in the rural areas to qualify as developable real estate, they have to be surveyed and certificate of occupancy appropriately issued. Their ownership and titles must be determinable for ease of acquisition and transfers. This can be achieved through deliberate Government Policy which has to be logically implemented.

### **c) Need to have Accurate Land Data Bank.**

Through the use of Geographic Information System (GIS), the Federal and State Governments need to establish Land Data Bank for the country. The Federal Government through, the Federal Lands Information System (FELIS) Department, should have accurate data on all Federal Lands in the federation. Similarly, the States should through appropriate state departments build up data on all lands within that state, including the Federal lands. The Abuja Geographic Information Systems (AGIS) is already doing a great job in this regard in the Federal Capital Territory and this deserves commendation and should be sustained.

### **d) Availability of Real Estate Finance.**

Real Estate Development requires huge amount of funds. Nigeria Mortgage System is not well develop. The secondary mortgage bank, the Federal Mortgage Bank of Nigeria (FMBN) needs adequate funding in order to make money readily available to the primary mortgage institutions for disbursement to prospective developers. Funds from Insurance Companies, and idle Pension Funds should be released for real estate development. Private sector funds should also be channeled into real estate development.

### **e) Public Private Partnership (PPP) should be Encouraged.**

The Governments (Federal and States) should explore Public Private Partnership (PPP) arrangement in Real Estate Development. Options available include:

- Build Own Operate (BOO): Where the private partner builds and retains the ownership and the right to operate for an indefinite period while the Government receives an agreed sum in return.
- Build Operate and Transfer (BOT): Where the private partner builds, and retains ownership and the right to operate for a time period, thus recovering all costs and making the some profit and at the end of the period ownership reverts to the Government.
- Build Transfer Operate: The partner, develops, transfers the ownership to the Government on completion and retains the management right.
- Rehabilitate Operate and Transfer.

### **(f) Implementing Recommendations of EIA.**

Recommendations of the Environmental Impact Assessment Report should no longer be treated as an academic exercise or just as one of those requirements needed to procure project approval at the planning stage.

The professionals involved in the project development and execution should ensure that all palliative measures recommended on the EIA Report are fully implemented. This will enhance the protection and sustainability of the built environment. The environment that accommodates the real estate development must be protected and preserved for present benefit and for the benefit of future generation.

## **7. Conclusion**

Real Estate Development can serve as a spring board for the transformation of the Nigerian economy. Through its multiplier effects many facets of the economy can be developed and these will bring about tremendous increase in the Nation's Gross Domestic Product and Gross Domestic Income.

However, a number of things need to be put in place in order to facilitate and harness the potentials in real estate development. These have been extensively discussed.

The professionals in the built environment whose responsibility it is to see to the efficient and satisfactory execution of real estate projects need adequate training and high level of professional competence. They need good understanding of their respective roles and cooperation of each other is necessary for the desired successes. Real Estate Development should be vigorously pursued by the Nigerian Governments as its success will tremendously uplift the Nation's economy.

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