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FACTORS INFLUENCING INVESTMENT IN COMMERCIAL REAL ESTATE IN JOS PLATEAU STATE

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Abstract

The investors in real estate are faced with challenges as often stated of knowing if the investment they make will generate returns. The paper aimed to analyse factors influencing investment in commercial real estate in Jos Plateau State, with a view to determining the level of returns of real estate investment. The study adopts survey method using quantitative approach and survey strategy was adopted and data were collected through questionnaire survey. The study adopts multistage sampling because the sampling technique involves taking samples in stages from smaller sampling units.

Keys: Factors, Investment, Commercial, Real Estate, Property, Investors, Market

The study revealed that factors that influence residential and commercial real estate were availability of social amenities, return and profit from real estate investment, availability and cost of acquiring land for investment and location advantage of the area. Urban planners and developers should prioritise the inclusion of social amenities in new developments.

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Collaborate with local communities to identify their specific needs and preferences. Government agencies should invest in infrastructure and programs that support the development and maintenance of social amenities. This includes funding for schools, parks, and public transportation. Real estate investors should consider social amenities as a primary factor when evaluating investment opportunities. Conduct thorough research on the availability and quality of amenities in target neighborhoods.

Introduction

Investment in real estate is regarded as a specialised form of investment which involves the highest risks, and so requires the highest skills to provide the highest returns (Nwankwo, Kalu, & Igwe-Kalu, 2018). According to the Global Real Estate Transparency Index (2020) before investing in real estate, it is essential to consider the characteristics of the proposed real estate investment because the performance of those characteristics will impact the performance of the investment. when considering a real estate investment, one of the most important criteria apart from location is the type of property (Amidu & Aluko, 2006). An investor needs to ask himself whether the underlying properties are, for example, residential, shopping malls, warehouses, office towers or a combination of any of these. Each type of real estate has a different set of drivers influencing its performance therefore; an investor cannot simply assume that one type of property will perform well in a market where a different type is performing well.

Barlowe *et al*. (2015) estimated that 2/3 of investment in United States of America is made up of real estate, the reason being that there is a reasonably large demand for real estate globally be it residential, commercial, recreational, agricultural etc. Similarly, because of the nature of performance in terms of return in real estate investment the sector tends to attract more investors everyday this has an estimate of ₦8.5 trillion worth in Nigeria (Hayford, 2006), therefore, with the various opportunity in the real estate sector, a prudent

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investor will like to determine the performance of the real estate market in order to optimize returns.

Ogunleye (2015), stated that investors in real estate are faced with challenges as often stated of knowing if the investment they make will generate returns. By measuring real estate investment performance, the degree of achievement against set objectives and targets can be expressed in quantitative terms. The shortfall or excess, relative to targets can then be analysed and useful conclusions and explanations drawn for decision- making. Adeniran (2015), believes performance analysis is a very vital component of the decision-making process. It would be virtually impossible to make rational decision at any level without quantified evidence of past performance and a reasoned assessment of likely future performance of an investment. Factors affecting investors stated that, every acquisition of real estate is an investment in the real estate market because the real estate purchaser gives up a capital sum in expectation of a flow of financial and non- financial benefits over time. Hence an attempt is being made in this paper to analysis the factors influencing investment in residential and commercial real estate in Jos Plateau State.

Literature Review

The very objective in relation to any real estate investment is a return or income from the investment; this is the narrative with an investor. However, this return is appreciated by investors if the capital invested appreciates (Olaleye & Ekemode, 2014). Chandra (2017) agrees that the most common stated investment goals are to provide a steady stream of income through regular interest for the investor. Because of the nature of return in real estate investment the sector tends to attract more investors everyday this has an estimate of ₦8.5 trillion worth in Nigeria (Hayford,2006), so also in the works of Wei and Jones (2022) estimated that2/3 of investment in United States of America is made up of real estate, the reason being that there is a reasonably large demand for real estate globally be it residential, commercial, recreational, agricultural etc. therefore, with the various opportunity in the real estate

sector, a prudent investor will like to determine the performance of the real estate market in order to optimize returns.

Property Market Investment in Nigeria

The Nigerian property market has evolved extensively with great opportunities for investors, particularly in states like Rivers, Kano, Enugu, Kaduna, Oyo, Lagos and the capital city Abuja. These regions have witnessed great upturn of investors, plunging millions of dollars in the real estate sector, especially in the commercial sectors. The growing interest in the Nigerian Market is due to high demand raised by the increase in urban population and change in shopping culture among the increasing population. These factors have resulted in the upspring of numerous shopping malls. The Nigerian property market remains attractive with numerous opportunities in the following sectors of the market; Retail Real Estate, Office blocks and Serviced Apartments (Kleit & Page, 2015). Nigeria has several major cities across the states and the federal capital; Lagos, Abuja, Enugu, Ibadan, Jos, Kano, Kaduna and Port-Harcourt and which are the nation's first tier cities. Each of them has its own distinct economic drivers and they all function on a somewhat national scale. They all have potentials for investors in the property market due to the upsurge in urbanization (Sonibare & Akeredolu, 2016). For instance, according to the National Population Census (2006), the city of Lagos is a metropolis of about 14 million people and for all practical purposes encompasses the entire state of Lagos. It is the financial capital of the country and arguably of West Africa as a whole: Home to the headquarters of the major financial institutions in the country as well as country headquarters for multinational companies such as ExxonMobil and Chevron (Falola & Heaton, 2008). Thus, it is a hub of property investment. The city of Abuja is located in the country's Federal Capital Territory (FCT) and is home to the Federal Government Executive, Legislative and Judiciary. As such all the other operations, both public and private, that are related to Federal Government activities are also present in the region (Falola & Heaton, 2008).

Even though the population, is about 1.5million inhabitants it is much less than 14 million of Lagos, it provides a very elite population with a significant number of foreign nationals and expatriates due to the presence of embassies, consulates and international organizations (Odosute, 2008). Port-Harcourt is the capital city of Rivers state, and as the state name implies is located in the riverine areas of the Niger delta, home to the bulk of the country's famous oil deposits. Port Harcourt has become the center of the activities for this region, and is driven primarily by the oil extracting and exploration industries (Odosute, 2016). Based on what little real estate information available, and the macro-economic potentials of the country, the real estate sector is beginning to see dedicated capital being raised towards investment. International Private Equity firms and fund managers - most of them with an emerging market focus, having invested in other such markets as India and China - are slowly beginning to seek real estate investments in Nigeria (Federal Housing Authority, 2015).

Nigeria's real estate industry is still grossly underdeveloped, with very limited and in some cases non-existent institutional quality product (Odusote, 2016). However the continued interest of investors in the region , spurred by current real estate fundamentals and a positive macro-economic outlook, point to growth in the market; if not all over the country, in the short to medium term, at least in its major markets of Lagos, Abuja and Port-Harcourt (Udobi, Kalu & Elekwachi, 2016).). The evolution of Nigerian real estate has been greatly influenced by the laws and institutions in which it is nested, as well as the policy environment through time. From the legal right to own land, to the limits on leasing, to the mortgage interest rate charged; all have had a bearing on the profitability of the form of real estate developed (Falola & Heaton, 2008).

Nigeria is in the midst of a housing boom, primarily due to the great demand created by a rising population. Nigeria"s housing deficit is estimated to be 17 million as of August 2015. Yet demand is characterized by high inequality, creating a dichotomy between the demand for luxury secure accommodation for high-income earners, and low-cost, affordable housing for the masses (Aliyu, 2012). In Nigeria"s urban centres, particularly Lagos, Abuja and Port

Harcourt, recent years have seen a hike in housing prices on a scale that is rarely seen in developing cities. Globally, the highest real estate price rises over the last decade have been recorded in nations such as India, which saw prices rise 24% between 2001 and 2011, and Russia, which saw an increase of 20% in the same period. However, in cities such as Lagos, it is estimated that house prices rose by 400-500% between 1998 and 2013 (Federal Housing Authority, 2015).

According to the Federal Housing Authority (2015), approximately 7,343 establishments make up the real estate sector in Nigeria. Lagos State and the Federal Capital Territory (FCT), Abuja dominate, with 2,342 and 1,677 establishments respectively making a combined total of over 50% (31.89% and 22.84% respectively) of all real estate establishments in Nigeria. Proportionally, Abuja has a far greater number of establishments per capita, and a higher real estate value than Lagos. The third greatest number is Rivers State, with 422 establishments, at a much lesser 5.75% of the total. Both Borno and Jigawa states have the fewest Real Estate Establishments, with 7 each, representing less than 0.10% of the total, yet these are two of the states where property registration is easiest.

Property Market Investment in Plateau State, Nigeria

Nigeria is made up of thirty-six states with Abuja as the capital city. Plateau State is situated in the North-Central and the middle belt zone of Nigeria. Jos is the capital city of Plateau State, linked by road, rail and air to other parts of the country. Plateau state is known among the thirty-six states in Nigeria to be endowed with cool and temperate climate as against other states in the country with hot weather conditions. This has attracted both serving and retired top government officials and businessmen from all parts of the country to invest in the property market in the state as most of them prefer to reside in the state after their retirement. The state has often been classified as a miniature Nigeria with virtually all the tribes in the country residing there (Dashol, 2018).

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Apart from its favourable climate and tourist attractions, the state is also known to be blessed with natural resources such as tin, columbite, and lead among others. These resources have attracted investors from within and beyond which has resulted in the increase in property development by investors (Nwude, 2012). However, most of the investors tend to exhibit certain biases as overconfidence, representativeness bias and herding in making their investment decisions in the property sector in Nigeria (Obamuyi, 2013).

Although ethnic differentiation has been a factor of most Nigerian states, including Plateau State, the situation on the ground reveals that property rates have maintained an upward movement from 2001 to 2009 (Dung-Gwom & Rikko, 2009). With a population of above three million people, Plateau State remains one of the cherished states for investors in Nigeria. It was adjudged the "home of peace" or as the safest state to live in Nigeria (Dung-Gwom, 2008). Likewise the sales value of tenement, flat, duplex, semi-detached house and four bedroom bungalows have increased gradually from 2001 until 2009 when a sharp rise was observed, which continued till 2012. Looking at what is being witnessed in the state presently, the scenario is entirely different because the sales and rental values of landed properties is increasing and is maintaining a steady upward movements as at 2012, and this contrasts the reality on other major states where there is a decline in the property market due to global decline of the oil sector (Aliyu, 2012). Housing and land price in the state has been on an upward increase (Aliyu, 2012). The basic questions arising from this scenario are: What are the factors influencing investment in residential and commercial real estate in Jos Plateau State..

Methodology

The paper approach considered most appropriate for this study is the survey method using quantitative approach. The population was comprised estate surveyors who manage properties in Jos metropolis such as; Ahmadu Bello Way, Murtala Muhammed way for commercial properties and Rock Haven,

Nassarawa Gwom, and Government Reserve Area, for residential properties. Multistage sampling because the sampling technique involves taking samples in stages from smaller sampling units at each stage. The questionnaire instrument was used for the data collection and descriptive statistic was used to analyse factors influencing investment in residential and commercial real estate in jos plateau state.

Finding

Demographic Characteristics of the Respondents

The analysis of demographic characteristics of the respondents was presented below.

Table 1: Demographic data of Respondents

Item	Classification	Frequency	Percentage
Gender	Male	10	58.8
	Female	7	41.2
Educational Qualification			
	ND	5	29.4
	HND B.Sc (B.Tech)/	7	41.2
	M.Sc (M.Tech)/PhD	3	17.6
What category of membership do you belong to in NIESV	ANIVS (above 10 years)	3	17.6
	ANIVS (Below 10 years)	7	41.2
	Probationer	4	23.5
	Graduate	3	17.6
For how long has your firm been in practice?	0-5 years	3	17.6
	6-10 years	4	23.5
	11-15 years	5	29.4
	16-20 years	3	17.6
	21 years and above	2	11.8

Table 1 indicates that 10(58.8%) of the respondents were male and 7(41.2%) were female. The analysis based on educational level indicates that 2(11.8%) had SSCE, 5(29.4%) had ND/NCE, 7(41.2%) had HND/BSc/B.Tech and 3(17.6%) of the respondents had MSC/M.Tech/PhD. The analysis as presented in Table 4.2 also indicates that 3(17.6%) of the respondents were members of NIESV for more than 10 years, 7(41.2%) of the respondents were members of NIESV for below 10 years, 4(23.5%0 were probationers and 3(17.6%) were graduate. The analysis based on years in practice indicates that 3(17.6%) of the firms have been in practice for less than 5 years, 4(23.5%) of the firms have been in practiced between 6 to 10 years, 5(29.4%0 of the firms have been in practice for 11 to 15 years, 3(17.6%) of the firms have been in practice for 16 to 20 years and 2(11.8%) have been in practice for more than 20 years.

The Factors Influencing Investment in Residential and Commercial Real Estate

Table 2: Factors that influence Investment in Commercial Real Estate

Factors	Mean	Std. Dev.	Ranking
Availability of social amenities within the neighborhood	4.00	1.118	1st
Return and profit from real estate investment	3.88	1.111	2nd
Availability and Cost of acquiring land for investment	3.71	1.263	3rd
Locational advantage of the area	3.59	1.176	4th
The level of security in real estate investment	3.59	1.372	5th
Cost of construction materials and availability	3.53	1.179	6th
For socio-political reason as prestige	3.47	1.138	7th
To serve as a store of wealth	3.47	1.419	8th
Government policies on real estate investment	3.24	1.522	9th
The performance from previous real estate investments	3.12	1.576	10th
Accessibility to funds from financial institutions	2.94	1.676	11th

Table 2 presents the results of descriptive statistics of factors that influence investment in residential and commercial real estate. The mean scores were used in ranking the factors that influence investment in residential and commercial real estate. The availability of social amenities within the neighborhood had a mean score of 4.00 and SD of 1.118 and ranked 1st. The return and profit from real estate investment had a mean score of 3.88 and SD of 1.111 and was ranked 2nd factor that influence investment in residential and commercial real estate. Also, the availability and Cost of acquiring land for investment had a mean score of 3.71 and SD of 1.263 and was ranked 3rd. In addition, locational advantage of the area had a mean score of 3.59 with SD 1.176 was ranked 4th. The level of security in real estate investment which had a mean score of 3.59 with SD 1.372 was ranked 5th. Furthermore, the cost of construction materials and availability had a mean score of 3.53 with SD 1.179 was ranked 6th. The socio-political reason as prestige had a mean score of 3.47 and SD of 1.138 was ranked 7th. Serving as a store of wealth had a mean score of 3.47 with SD of 1.429 was ranked 8th. Government policies on real estate investment had a mean score of 3.24 with SD of 1.522 was ranked 9th. The performance from previous real estate investments had a mean score of 3.12 with SD 1.576 was ranked 10th and accessibility to funds from financial institutions had a mean score of 2.94 with SD 1.674 was ranked 11th. The availability of social amenities within a neighborhood is a critical factor influencing real estate investment decisions. This study investigates the significance of social amenities in shaping investor preferences for residential and commercial properties. The findings reveal that social amenities are indeed a primary driver of investment, outperforming return and profit from real estate investment. The mean score of 4.00 for social amenities, coupled with its top ranking, underscores its pivotal role in attracting investors. Social amenities, such as schools, healthcare facilities, parks, recreational centers, and shopping areas, significantly enhance the quality of life for residents. This, in turn, increases property values and attracts potential buyers and tenants. Several studies support the correlation between social amenities and real

estate investment. For instance, Udoekanem, Ighalo and Sanusi, (2015) found that proximity to schools and parks positively impacts property prices. Similarly, Umeh and Adilieme (2019) demonstrated that the presence of amenities like shopping centers and public transportation can boost commercial real estate values.

Conclusion and Recommendations

It is evident that social amenities are a key determinant of real estate investment decisions. Investors prioritize neighborhoods with robust social infrastructure, recognizing the long-term benefits it provides. The availability of amenities not only enhances property values but also contributes to a vibrant and desirable community. The ranking of average returns on commercial real estate investments in Jos highlights the importance of location and other factors in determining investment performance. Ahmadu Bello Way emerges as the most lucrative location based on the data provided. However, it is crucial to consider the factors mentioned above when making investment decisions, as local market conditions and trends can change over time. Urban planners and developers should prioritise the inclusion of social amenities in new developments. Collaborate with local communities to identify their specific needs and preferences. Government agencies should invest in infrastructure and programs that support the development and maintenance of social amenities. This includes funding for schools, parks, and public transportation. Real estate investors should consider social amenities as a primary factor when evaluating investment opportunities. Conduct thorough research on the availability and quality of amenities in target neighborhoods.

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