Real Estate Finance In Nigeria: Sources And Its Effect On Property Development Review

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Abstract: Next to food, shelter is one of the three essential human needs and the second most significant survival of human. It is the most complex of the three essential man's needs since majority of human activities are accommodates by shelter. Housing demand is associated with increasing rate of urbanization in most cities of the world including Nigeria, which has become a common feature of contemporary societies. This study seeks to review the source of finance and issues related to financing the property development in Nigeria. To achieved the above aim, the objectives were drowned as; To identify the source of finance for property development in Nigeria. To explore the problem associated with property development in the study area. The study adopted a secondary source of data collection as methodology, where various journals/articles were reviewed. Real estate development finance sources can either be internal or external. When the fund was generated internally in the form of estate income is known as internal source, while the mortgage source can be categorized as external. Real estate development in Nigeria has been faced a variety of difficulties. These issues can be two-faced both the commercial banks as well as real estate developers which make it difficult in funding real estate. These problems make real estate lending risky, as it is vulnerable to capital loss and projected interest income, and therefore not attractive to commercial banks, thus restricting the development of the real estate. The FMBN (Federal Mortgage Bank) should focus solely to the wholesale functions as its designated to, and operate in the secondary mortgage sector through providing PMIs, housing finance, and construction companies/associations in the country with mortgage banking services. This would be achieved by acquiring mortgage loan blocks already issued via the main housing finance firm/mortgage institution at the primary sector.

Index Terms: Real Estate, Finance, Housing Finance Source, property Development, Federal Mortgage Bank of Nigeria (FMBN), Commercial Banks, Nigeria.

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1 INTRODUCTION

Next to food, shelter is one of the three essential human needs and the second most significant survival of human. It is the most complex of the three essential needs of man since most of human activities are accommodates by shelter [20, 19, 6]. Shelter provision challenges is due to the domination of the global environment of the 21st century by urbanization in developing nations [9]. It is underpinned via World Bank (2010) projections, a large percentage of the world's population growth will occur in developing countries over the next three decades. Thus, speedy population growth, combined via astronomical rate of urbanization, has increased the need for shelter, further triggering an increase in demand for housing that wants a similar proportion of simultaneous housing development. Adequate housing that is safe, secure, healthy, available, and inexpensive is among the right of citizens protected in the Habitat Agenda the global call on human settlement and shelter [27]. According to Pison Housing Company (2010) [14], there are about 10.7 million houses in Nigeria. Irrespective of the policies, organizations, and regulations which the Nigerian government has put in place since independence in 1960, there is still a shortage of housing, especially for the low-income section. The Federal Mortgage Bank of Nigeria (FMBN), which is answerable for the provision of mortgages to low-income earners through the National Housing Trust Fund (NHTF), has operational and financial capability restraints that limit its efficiency. With this, the few low-income earners who own their houses usually obtain land and build incrementally with their funds, while the high-income house-owners buy with money, or mortgage finance, usually pay back over a maximum period of 10 years [3]. The Nigeria Building Society (NBS) was the dominant institution that supported housing production and finance due to the paucity of funds and the need to create a more focused organization. Decree N0. 7 of 1977 established a Federal Mortgage Bank Nigeria (FMBN) and the state Home Savings and Loans Limited all over the federation. The federal mortgage Bank started its operation with an initial capital base of Twenty Million Naira (N20,000,000) by 1980 the base enlarged to N15 Million. The performance of FMBN leaves little to be desired. Between 1984, 1,105 applied for housing loans on 197 advances were made. FMBN (2006). The various state housing corporation have either had a significant part in housing finance [12]. Thus, the African Housing Finance (2014) [15] report discloses that currently macroeconomic, socio economic, and affordability challenges affecting the residential real estate finance system in Nigeria, and suggests that a viable housing finance system has the potential to create a boom in residential real estate development, this would make it more beneficial to households, financial institutions, and the national economy. identification number. Click the forward arrow in the pop-up tool bar to modify the header or footer on subsequent pages.

1.2 Research Problem

In most cities of the world, housing demand is associated with the increasing rate of urbanization, which has become a common feature of contemporary societies. Undoubtful, in the last century many societies recorded unprecedented industrial and technological development, commercial and economic growth, and improvement in the living conditions of the people. Equally significant is the world population explosion that has been an important trait of the century, which cannot permit overlooked [6]. The real estate development capital intensity has made debt funding unprecedented requirement to households [6]. Homeownership rate at 25% for funding residential real estate debt in Nigeria reflects a weak method; and a lower than 1% GDP ratio mortgage debt [1]. African Housing Finance (2014) [15] further mirrors household mortgage low indebtedness, underdevelopment and mortgage market negligible contribution to the national economy. Also, the supply of low-cost housing is limited and of poor quality and too expensive thus in the end the middle-and high-income groups benefit by buying what is meant for the target group [23, 7]. Furthermore, due to its unaffordable, it is also well-known that the poor still have the challenge of accessing finance [18, 23]. Unsuitable/poor location is among the additional challenges that were identified in the housing delivery which led to failure of government to clear the housing deficit resulting in the beneficiaries abandoning the houses [16, 4]. However, the economic constraints are not different in most of the Nigerian cities, the constraints range from high-interest rate, low budgetary allocation to the housing sector, high inflation rate, incessant increase in the cost of building materials and these have caused a great set back to a prospective investor in the housing industry. It is against this backdrop, that this study seeks to review the source of finance and issues related to property development finance in Nigeria.

1.3 objectives of the Study.

- To review the source of finance for property development in Nigeria.
  - To identify the problems associated with real estate financing in Nigeria.

2 LITERATURE REVIEW

2.1 Introduction

According to Magbogunje (2004) [16], Housing could be defined as not just a chalet, but part of the fabrics of neighbourhood life and whole social milieu, it touches upon many facets of industrialization, economic activities, and development. More so, an international ad hoc expert group on a social program of housing in the urban area viewed housing as an area where individuals become capable of experiencing community and private, social well-being, shelter, and protection against hostile physical force and disturbance. While World Health Organization (W.H.O, 2005) follow suit in the same year by further defining housing as the physical structure used for shelter which includes all facilities equipment services, and devices needed and desired for healthful living. Onibokun (2005) [24] also contributed by defining housing as a significant component of the physical form and structure of a community while the human and the family content of the house is part of every spirit of life and prosperity of the society and shelter. Nubi (2002) [18] thought that housing is far, more than a mere shelter and went ahead to define it as a residential needed or designed for his physical and mental health as well as the social well-being. He also expatiates that apart from the physical structure used for shelter, housing also embraces all facilities and infrastructures that go with it to make a conducive living environment.

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2.2 CONCEPT OF HOUSING FINANCE

Udechukwu (2006) [25] described housing financing as the process of acquiring funds or capital generally for housing development to gain control over the asset. Legal housing finance refers to the process of supporting the development and or/investment by gaining control over property or assets. Under this definition the scope and financing are quite broad and including not only equity, capitals, and mortgage loan as a source of fund, but leases financing as well. Financing consideration is no doubt a part of its great importance devices to the fact that most development projects are carried out with borrowed capitals. Financing will also determine the timing of phasing a scale of operation it will also influence the mortgage policy for the finished product. According to Emorate (2007) [11], housing finance is an avenue, openings, and source of funds available for housing development. Housing finance involved sourcing of funds from both formal and informal avenues available to developers, unlike business finance, housing finance requires the provision of valuable collateral or meeting the requirement for sourcing such funds from PMI's or a mortgage institution. It also can be looked at as the fund needed to bring the development of housing, further related operations. It is an essential ingredient in modern-day that development of housing and most large-scale development would not take their present scale without substantial credit. The housing finance system in Nigeria is not viable and this makes mobilization of finance and credit for housing development difficult. Finance constitutes a fundamental centrepiece in any housing construction; the ability of a developer to mobilize enough funds for the project determines. Any housing finance system performance will depend primarily on the volume and nature of funds within the economy and the proportion of it that can be spread, mobilized, or even dedicated for housing. Housing finance can be viewed as the borrowing of money to carry out housing development.

2.3 SOURCES OF FINANCE FOR PROPERTY DEVELOPMENT IN NIGERIA

There are several sources of finance for real estate development, which can either be internal or external [5]. When the fund is generated internally in the form of estate income is known as internal source. Among this group include properties rental income. External sources include real estate financing outside the real estate commodity that include equity capital of the operator, loan, consociate, and adventitious wealth [13]. Hines (1995) [14] as cited by Fidelis, & Chinedu (2011) [13] exposes six major real estate financing method used worldwide, which include; the mortgage finance, institutional unsecured lending, joint venture equity and debt financing, leaseback sales funding, advance payment key money, and securities sales. Traditional real estate finance can be either by equity funds (equity finance) capital loan (debt fund) or both of them (mixture of two). Fidelis & Chinedu (2011) [13] stated that "equity capital, loan capital, contractor financing, debenture, and mortgage lending are the tested and well-established real estate finance methods In Nigeria, the traditional real estate finance sources constantly remained negotiated fairly long-term loans from specialized mortgage institutions, housing corporations, insurance companies, civil servant housing schemes, individual personal savings, commercial banks, lastly the proceeds reinvestment from developed parties [13].

2.3.1 Equity capital

Real property development has traditionally been built via equity funds. Equity funds are funds wholly generated and owned by oneself and to which there is no place or attachment. Equity fund main source is saving, which will arise from individual's income or corporate organization part [13]. Udechukwu (2008) [26] stated that either public or private may serves as sources of equity funds. Private equity may be drawn from individual or corporate savings, that is earnings retained, cash asset stripping, or companies' revenue reserve over a period of time and individual's savings from employment and business enterprises profit. A part from savings, Family Sources, Isusu system, friend, and Thrift System are among a private equity funds source. On the other hand, public equity is derived from extension invitation to the public to subscribe to the real estate company equities/ownership set up for that purpose. Equity warrant issues, capital issues, securitization, and unitization are among the examples of this equity. As a result, thus fund generated can be applied to:

- Real property portfolio development
- Property development specific objective execution

2.3.2 Loan Capital

Fidelis & Chinedu (2011) [13] explained that, the monetary incentive is caused by negatively skewed exchange volatility to borrow rather than save. It also be found via issues tools of any of the following institutions or sectors of the economy:

- The financial intermediaries of banks: - which includes; depository institutions, mortgage and commercial bank
- Intermediaries from non-bank financial: - which includes among others; pension funds, insurance firms, financial institution (non-depositary institutions), raise money through the investment loan, tools deposit, and lend it via various risk asset creation vehicles.
- Unions, or Associations, or employers.
- Other largely informal

2.3.3 Mortgage Landing

A financial mortgage institution known as corporate entity legally set up to offer the public with finance in form of mortgage/financial transactions engagement. In this transaction, it will be either mortgage bank or other financial outfit involved directly in transaction of mortgage finance. In Nigeria, among the examples of mortgage institution include Federal Mortgage Bank of Nigeria (FMBN) and other several PMIs.

2.3.3.1 FMBN (Federal Mortgage Bank of Nigeria)

For real estate development, FMBN provides the country with a significant long-term source financing. FMBN was fully owned by the Federal Government of Nigeria, and it introduced to replace Nigerian Building Society (NBS) in 1977, under Decree No.7 of 1977, where all liability asset of NBS was taken over by FMBN [13]. Ebichikhalu and Dawon (2015) [10] itemized that the fundamental FMBN functions is to be the top mortgage institution in the country, under the 1977 bill that established the bank, the below are the main activities of the bank;

- Provision of credit facilities to Nigerian mortgage institution on long-term basis to the individuals need to acquire and own their houses, depend on how the Board determined under the term and condition of the mortgage bank.
- Encouraging and promoting mortgage development institutions at national and state.
- Following the directives, control and supervision of mortgage institution activities in Nigeria on behalf of Federal Government.
- Provision of credit facilities to individual directly as a basis of long-term at a given terms and at a specified rate as decided by the board in accordance with the federal government policy.
- To provide credit facilities to commercial property developers, developers offices, and other specialized types of building at competitive commercial interest rates through Minister approval.
- The Bank also must also engage in the company's investment through the building materials manufacturing and production, technical and financial provision, and to provide for property development and construction company in Nigeria mortgage-based financial activities.

a. FMBN Function

By the promulgation of Decree No.53 of the Hypothecary institutions of 1989, the Federal Government of Nigeria has strengthened and expanded the FBMN functions. Two-tier of mortgage service structure was formed by the Decree, FMBN at the apex and PMIs at the second tie (Fidelis & Chinedu, 2011). According to Chionuma (2000) [8], the encouraging of creation and supervision of PMIs as a main role of FMBN is derived primarily from the Decree No.7 of 1977. Mortgage Institutions of the Decree No.53 of 1989 (now act) was defined the legal framework and execution of organization function as follows;

a) Primary Mortgage institution licensing processing
b) Promote the protection of both shareholders' and depositors' funds in PMIs.
c) Promoting the financial stability of mortgage institutions in general by creating such guidelines and control measures to enable PMIs to function effectively and effectively in the housing finance market.
d) To ensure that the main function of PMIs remains that of raising funds primarily from their shareholders and the personal savings market for granting advances to individuals on first mortgages, i.e., advances secured on real estate;
e) To make recommendations, advice and administer to the honourable Minster of works and housing, PMIs regulation system provided for under the Decree and/or the Federal Government in respect of any mortgages institutions matter.

2.3.3.2 Primary Mortgage Institutions (PMIs)

Fidelis & Chinedu (2011) [13] stated that the CBN (Central Bank of Nigeria) Revised Guidelines for Primary Mortgage Institutions started from 1 September 2001 explain the following;

a) A primary mortgage institution shall be construed as any company licensed in Nigeria to operate a mortgage business.
b) Mortgage business' (which must mean primary mortgage business by implication) shall include the following:

- Granting loans or advances for the building, improvement, or extension of a dwelling/commercial house to any person or group;
- Granting loans and advances for the purchase of a dwelling/commercial house to any person;
- acceptance and payment of interest on savings and deposits by the public;
- Management of the pension fund/schemes;
- Offering technical advisory services for the purchase or contraction of a dwelling;
- performing the duties of estate management;
- Provision of project consultancy services for the development of estates;
- Participation in the development of properties using loan syndication subject to restrictions imposed by the shareholders' funds against loss;

- Engaging in the trading of property, including the acquisition and disposal of land;
- Engaging in other activities that may be approved by the Bank from time to time'

Fidelis & Chinedu (2011) [13] further stated that the PMIs is the mortgage retail market and deals directly with individual mortgagors. Therefore, the PMIs is the first mortgage-to-mortgagor lending transaction. In the implementation of the NHF Scheme, the role of PMIs primarily includes;

1) Loan applications received from fund contributors for residential development, purchase or renovation.
2) Request processing, and in turn apply for approval and fund disbursement to the FMBN.
3) To disburse the amount of the loan upon FMBN approval, if: (a) Property purchase outright in a lump sum, (b) an improvement or restructuring of building under construction on a schedule to be agreed with PMIs.
4) Purchase/construction process monitoring to ensure advert diversion and proper funds utilization.
5) FMBN contributors fund recovery and remit.

2.3.4. Commercial Banks (Debentures)

Commercial banks form a significant source of financing for property projects to many developers. The banks are money-creating financial institutions that perform three main purposes which include acceptance of deposit, lending/granting and payment and mechanism operators settlement, whereas the banks obtain their funds from two main sources that include;

- Reserve and Capital: the capital stock and debenture are under capital bank, surpluses and undistributed profit are under reserve. Debentures means the debt instruments or securities issued by banks to increase their capital for long-term basis. They represent debt, not ownership; the debentures are specifically subordinated debts. In case of bank liquidated, debenture will only be paid if all depositors were fully paid. Therefore, like any other capital account, it provides protection to other creditors.
- Deposits: – Bank deposits can be classified as the amount that the bank owes to its customers. When an individual deposit the money to the bank, then the money now belongs to the bank and it will use the money as they wish, it can either be aimed at lending basis and for current expenses paying, idle mere funds. Based on the need of additional reserves and lending power increment banks are eager to attract new deposits. Without adequate saving, no any commercial bank can effectively operate successfully.

2.3.5 Types of Deposit Accounts Provided by Commercial Bank

Fidelis & Chinedu (2011) [13] stated that there are various forms of deposit accounts provided by commercial banks, which include:

- Deposits of Time
- Saving Account Deposits
- Current Account or Demand Deposit.

In commercial bank operations, the edifice of these deposits plays an important role. The more time deposits, for instance, the better the bank is placed to undertake term loans. Since bank deposits are generally and theoretically repayable on-demand or on short notice, banks prefer to provide their lending on a corresponding short-term basis. Similarly, the need for commercial banks to maintain a high liquidity ratio makes them lend mostly on purposes of short-time.

Commercial Bank are not only on the basis of short-time preferences, also their mortgage prices go beyond the majority of socio-economic realities. In mortgage finance responded of the bank is based on the loan guidelines than the portfolio advantages associated with mortgages of Central Bank.

According to Adegbenjo (2000) [2], because of the nature of their operation, long-term credit facilities were not granted by the financial institutions, and also due to some other factors that include;

- At short notice, there is need to meet their customers/depositors cash withdrawal need.
- Regulation by the Central Bank demanding to maintain with it on specified percentage of their total deposits as a reserve money.
- Except to run their own business or accommodate their staff, the banks are prohibited in real estate projects directly.

Due to their nature their business and the adequate liquidity purpose occasioned, they can only offer short-term loans and high interest rates appeal advances that is inconsistent with investing or funding long-term projects like real estate development and property acquisition. They are mainly mandated for trade and commerce funding and serves as agencies for FMBN and PMIs [2].

Mostly in the form of mortgage and housing loan scheme, commercial banks provided residential housing loan, and commercial property development loans. They required security on their loans on mortgage basis, usually in the other asset of the mortgagor or on the property themselves so as to determine that the loans are self-liquidating at the end of the term. Their condition for granting loan is too stringent, which make people scared from applying the mortgage loan, and also the interest rate charged on the capital borrowed makes it extremely very difficult for prospective real estate developers to borrow from them, also among the problem reduce the capacity of the bank to grant additional loan to mortgagor is their repayment program [13].

2.3.6 Insurance Company

The main business of insurance company is to guaranteeing the risk faced by individual, group or corporate organization. Typically, insurance nature business is a time delay between premiums payment and claims settlement. Then, huge amount of money is accumulated in feature anticipation policy holders' liabilities [13]. He further stated that, depend on the time when these monies need to be claim, they invested the money in to difference way. The provide mortgage loans as well as conventional loans. Where a life insurance immensely benefits from building loans.

According to section 2 of insurance Decree of 1997, in Nigeria insurance business was divided into two which include; Life and General insurances business.

a. Life Insurance can be either individual life insurance business and life insurance business group.
b. General insurance business can be either motor vehicles insurance business, all contractors risks and engineering risk insurance business, oil and gas insurance business, fire insurance business, accident insurance business, workmen's compensation

insurance, among others. The main sources of insurance companies' funds are;

- ❖ Life insurance business premium; which is divided into insurance and ordinary life insurance business
- ❖ Non-life insurance business premium.
- ❖ Investment income forms

2.3.7 Contractor Financing

Through the contractor, the contractors financing is offered aimed at the development or redevelopment of a piece of property in long-term capital form. This form of procedure frequently arises once the property owner is unable toward raise enough money to property development or redevelopment. Most of the Nigerian urban towns adopting this type of finance. Developing or redeveloping of property is usually located strategically, with high value as it is developed in prime commercial and residential areas. The consideration usually approved to the contractor for bringing his capital is that he will participate based on agreed basis in income sharing accruing form the property when fully developed over a specified number of years [13].

3 Problems Associated with Real Estate Financing in Nigeria

Real estate development in Nigeria has been faced a variety of difficulties. These issues can be two-faced both the commercial banks as well as real estate developers which make it difficult in funding real estate. These problems make real estate lending risky, as it is vulnerable to capital loss and projected interest income, and therefore not attractive to commercial banks, thus restricting the development of real estate [21].

3.1.1 problems Faced by Banks

According to Mapaderu (1998), as cited by Okafor (2016) [21], some of the problems of real estate from a bank perspective include:

a) Fraudulent Information by Mortgagor: one of the most common problems Commercial banks encountering beneficiaries of loans is the supply of false information by the Mortgagor. Loan beneficiaries more often pledge the same security to two or more commercial banks, resulting in bank litigation.

b) Default on the Mortgagor Part: - Most of the time, the beneficiaries of loans either deliberately or for other reasons fail to repay loans granted for the development of real estate or other purposes. This has become a phenomenon in bank credit lending and has seriously limited Commercial banks' ability to lend for real estate or other purposes. Loan default happens when the mortgagor is unable to honour the repayment of the instalment loan and therefore renders the loan extremely vulnerable as bad and doubtful debts that have to be issued by law in the financial accounts of the banks, thus decreasing the profits of the banks. When default occurs from lower than anticipated rentals, the issue is a minor one.

c) The Land Use Act: - By the Land Use Act, the right to pledge land or allocate an interest in land or buy land no longer belongs to the person. The Certificate of Occupancy (C of O) is very much under the jurisdiction and oversight of the State and Local Governments that allocate such occupancy rights. Banks usually find it to be safer security for real estate lending. However, the procedures for obtaining the Certificate of Occupancy have been unduly lengthy and tortuous in recent times. The reliance on banks' Certificates of Occupancy for lending for real estate or other purposes has also resulted in the incidence of forged Certificate of Occupancy. The procedure for conducting searches at the Land Registry about the validity of C of O is also lengthy. Such illnesses act as a disincentive for banks to fund real estate.

For easy management purposes, the Land Use Act aimed at streamlining the land tenure systems in the country vest possession and radical title to all land in the Federation on the governors of the respective states. The controversial issues of the approval of the Governor for any subsequent land transaction and the intractable government bureaucracy, however, have made land acquisition problematic, excessively costly, and unquestionably out of the reach of the poor [21].

d) Unanticipated Request by Mortgagor: - Today, it is common for a mortgagor to make an unexpected request for an extension or renewal of mortgage terms before or at maturity. This is a serious problem for banks and may discourage them from borrowing for the development of the real estate.

e) Economic instability: - The prevalent economic instability is also a major problem faced by banks in the development of real estate lending. With the hope of expected returns on investment, most loans are obtained. However, with economic uncertainty, most financial forecasts do not come to fruition, with the consequence that borrowers are unable to fulfil their obligations to repay their loans to the bank. In such cases, the bank is at risk of losing money, including the expected interest on the loan. This ultimately erodes the profits of banks. As a result of such incidents, banks find it difficult to issue loans for the development of the real estate, which is traditionally futuristic with long gestation periods and highly vulnerable to economic vagaries. Much of the housing finance issues faced today, according to Okafor (2016) [21], are an unequivocal expression of cumulative distortions from past policy weaknesses. He further argued that, with the introduction in 1986 of the Structural Adjustment Program (SAP), banks needed to lend a prescribed minimum percentage of their loanable funds to housing. All such loans were at the concessionary interest rate prescribed. Therefore, because of the relative non-profitability of the prescribed interest rate level, lending institutions such as state housing corporations and commercial banks felt compelled to limit their exposure to mortgage lending. It is instructive to suggest that structural distortions were caused even though interest rates were raised in later years. Consequently, the cumulative result of the SAP initiatives was that, as the flow of savings into the system suffered and financial institutional development was stunted, the growth of the housing finance system was subdued for many years. As a result, credit lending for housing development has increasingly become dependent on government patronage for long-term lending.

3.1.2 Problems Encounter by Beneficiaries.

Potential real estate developers also face some problems when obtaining bank loans. Any of the problems arise from the very strict circumstances that the bank normally stipulates. Additional issues include;

a) Level of Applicant's Income: - One of the essential factors for a bank loan application is the level of income of the applicant. The average Nigerian earns less than US$350 per month, according to a report carried out by the World Bank, and this is one of the lowest among countries in the world. As a result, the average Nigerian finds it difficult to secure loans from the bank for real estate development with a low level of income.

b) Ignorance: - Most applicants come with building designs that, if developed, are too grandiose to be viable. This is because, from the point of view of the Estate Surveyor, the basis for recommending any individual applicant for loan consideration depends on the development's revenue-earning capacity. Building designs submitted for the loan most often contain unnecessary items, such as uneconomic use of floor spaces. This raises construction costs. Therefore, the amount that the bank is willing to grant would not be enough to cover the total project cost, rendering the project unfeasible.

c) High-interest rates: - Nigeria is one of the countries with the highest interest rates in the world. Until when the Central Bank released a circular to commercial banks pegging interest rates in November 2002, maximum lending rates not exceeding 25 percent were as high as 45 percent. The high-interest rate has been a major constraint on the development of key economic sectors, such as manufacturing, agriculture, solid minerals, oil and gas, and housing development.

With the prevalence of high-interest rates, investors in the development of real estate are discouraged from bank borrowing. Even when they can secure loans at such a high rate of interest, the development costs are very high and such projects are not completed and are abandoned in some cases.

d) High construction costs: - Because of the high construction costs, - building materials, labour costs, professional fees, potential investors in real estate development, it is difficult to secure adequate funding to cover the overall cost of the project as loans from the bank. In Nigeria, this has significantly impeded the development of the real sector.

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4 CONCLUSIONS.

Source of real estate development in Nigeria can be either through internal or external sources, when the finance generated internally in the form of estate income it can be categories as internal sources, while mortgage source can be known as external. Despites of these sources there is a problem encountered in the real estate development finance due to the lack of equity funds through the Nigeria's weak saving culture. Commercial bank and insurance companies as financial institution also contributed small parts of their funds to real estate development, and doing their security choosing and lending terms they were so discriminating as a result only few people among the applicant are benefiting. A part from that the concentrated only in urban area, and neglected non-urban areas.

Based on this, there is need for both the stakeholders that include; government and its agencies, financial institutions, corporate and private investors to concentrate on their main functions in solving the lack of finance in real estate development in Nigeria. For instance; FMBN should focus on its wholesale functions, and mortgage banking service provision to the housing finance, PMIs, construction companies in the country through buying of mortgage loans block granted by the PMIs and other mortgage institution in the primary market. And also, to intervene in real estate development by providing the finance to the housing and designated construction companies and state housing corporation that meet all development scheme condition, and extended their services to non-urban areas.

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