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Exploring the Capital Market Option in Financing Real Estate Development in Nigeria

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Abstract
Finance which is the most important aspect of real estate development has not been given the desired attention using the conventional methods of sourcing funds hence it is bedeviled with a lot of problems. This paper seeks to explore the capital market as a viable option in financing real estate development. The study population comprises of Fund Providers, Users of funds, Intermediaries and Regulators, Insurance Companies, Private Property Developers, the Stock Broking Firms and the Nigerian Stock Exchange (NSE) in Lagos metropolis were selected for the study. The study focused on Lagos metropolis being one of the major and biggest investment hubs of the nation's economy. Cluster and random sampling techniques were adopted for the selection. The sample frame comprises the total number of registered insurance companies, stock broking firms, property developers and the stock exchange. 20 insurances companies were selected while 30 were chosen from property developers. 25 from stockbrokers and 10 within the stock exchange making a total of 85 questionnaires that were administered. The results showed that capital market is a better and reliable source of finance for real estate development.

Keywords: Capital market, Real estate, finance, development, Option.

Introduction

The financial system of a country is made up of institutions and entities that make funds available for economic and social development as well as projects committed to such endeavors covering all sectors of the economy. It consists mainly of the money market which makes financial transactions possible by way of loans and advances at short, medium and long term levels on the one hand and the capital market which is involved in capital and equity issues, thereby making funds available on long term basis for industries and projects on the other hand. (Adegbenjo 2000).

"Real Estate Financing is therefore the process of creating a financial package for an income producing real estate investment that satisfies the objectives of the lenders and equity investors" (Ojeme 2004). Several studies have acclaimed finance as the pillar and most crucial element in housing investment, the availability of which determines access to other key input of land, labour and infrastructure (Ojo 2004). Sources of funds to developers or real estate investors could be from different sources such as commercial banks but the long-term nature of property development does not make it attractive to the commercial banks since their funds are short and medium terms in nature, (Anohu 2005). There is the option of specialized financial institutions such as Federal Mortgage Bank of Nigeria, which is the apex of mortgage institutions in Nigeria and is supposed to be a very supportive source of finance for property developers (Agu, 2005; Ezimuo, Onyejiaka & Emoh 2014). However, financing projects through these conventional sources is plagued with a plethora of problems ranging from insufficient funds to stringent conditions for accessing the funds (Ojo 2004; Ojeme, 2004). There is therefore the need for a paradigm shift by exploring the capital market option of finance.

Abina and Lemea (2019) described the capital market as the meeting point of sellers and buyers of shares, stocks and bonds. Taiwo, Alaka and Afieroho (2016) viewed the capital market as a complex institution and mechanisms through which fund raisers for businesses interact directly or indirectly with those wishing to invest surplus fund. It provides the government and private investors the long term capital for public projects and investment. The capital market comprises two main components, which are the primary and secondary markets. The primary market is concerned with the offering of new issues; it involves a previously unquoted firm going public in order to raise funds for financing investments. While the secondary market constitutes the stock exchange, which allows already existing share to be traded or sold for cash in order to meet current need of the shareholder (Keke & Emoh 2017). The study seeks to assess the position of fund providers, private estate developers, the stock broking firms and the Nigerian Stock Exchange on the use of capital market as an option of financing real estate development and to know its implications on the insurance companies, private estate developers, the stock broking firms and the Nigerian Stock Exchange. Also the area of focus of this study was limited to Lagos metropolis being one of the major and biggest investment hubs of the nation's economy.

Sources of Real Estate Finance

There are several sources of financing real estate development in Nigeria. These are classified into institutional and non-institutional sources. There are various institutional sources of fund for real estate investment. The predominant and commonly used ones are: insurance companies, pension funds, investment trust, commercial banks, merchant banks and building societies. Insurance companies have two funds from which investments are carried out, the general funds, which are non life insurance businesses, and the life funds, which are built up returns on investments and premiums paid by members and participants. The life fund is a significant supplier of real estate finance because of its long-term nature. Insurance companies favour large structures and developments. The emphasis is placed on rent producing properties because they often expect to get a higher rate of return on mortgage and they can arrange to participate in the success of the property. They enjoy flexibility in the type of property they can hold and are not subject to withdrawal on demand. A large part of the assets serves as reserve against liabilities, which might arise under insurance policies (Ogedengbe & Adesopo 2003).

The pension funds are funds that are accumulated through regular contributions by members usually employers and employees and the profits thereof are to make provisions for the future payment of pensions to their members. Their investment is long term, which is what the real estate development is all about. Investment trust consists of the real estate and mortgage trusts. Mortgage trust focuses on the investment of assets in mortgage, while equity trusts are engaged primarily in the ownership of real property which may or may not be subject to mortgage or other encumbrances.

Commercial Banks are important sources of mortgage loans of properties. The banks are allowed more flexibility than other financial institutions in the types of assets and liabilities they can hold. Commercial banks are more concerned with the asset base to which they lend rather than the project in hand. The banks either package property loans with other financial services, which they provide to customers and businesses or make short-term construction loans (Interim financing), which lead to permanent loans sourced by a mortgage commercial property. Due to the flexibility they enjoy, regulations are stipulated to reduce the activity of commercial banks in the mortgage markets.

The Merchant banks accept from those who have surplus and lend to investors needing finance. They are concerned primarily with supplying short and medium term loans; they value packages for linking their short term lending with other investors long term aspirations. They help package a project into an acceptable form usually with the willingness to be responsible for or skillfully eliminate the extra element of risk or uncertainty. Building Societies have the direct investment in commercial properties. They engage in direct development or financing projects for developers who get in contact with them or sometimes a group of developers get together to make such societies for the primary purpose of financing projects. The society initially operated as a savings and loan scheme to owners' occupiers and intending developers who first save for their future housing development to qualify for loan for their development (Aibangbee 2003). Non-institutional sources of fund are the equity capital, communal contributions and sales and leaseback transactions. Equity capital are personal savings. In the rural areas of the country, these appear to be major, if not the only source of development finance available. They saved up to everything including construction of residential and commercial buildings (Koleoso, 2000; Ogedengbe & Adesopo 2003; Giwa, 2004).

Communal Contributions predominates in the rural areas and also known as the traditional source. It grew and developed out of our indigenous culture to solve certain needs of the society. These include 'Esusu', Age grade association, village/town union or group contributions etc. (Kuye, 2018; Ogunba & Ajayi, 2018), communities contribute to build their markets, town halls, churches, schools, etc. A sale and leaseback transaction is one, which enables owner of property to sell his interest, freehold or leasehold without losing the use of the property. The essence of such transaction is that in return for capital sum, an estate, freehold or leasehold is sold on condition that it is leaseback to the vender.

Problems of Conventional Finance Methods

Conventional sources of real estate finance, apart from equity sources include: loans from banks, finance houses, insurance companies, pension funds, sale and leaseback transactions, etc. Private equity including informal sources have been noted to be grossly inadequate due to huge capital outlay needed for real estate investment and relatively paucity of equity funds emanating from retained earnings or profits, accumulated savings or revenue reserves (Ojeme, 2004; Ezimuo, Onyejiaka & Emoh 2014). Debt financing is very common but constrained by long term nature of real estate investment as against the short term nature of the lenders' own sources of funds. Debt financing might be sourced through employers (employee loan schemes) but these are usually for small scale individual land purchase or housing construction projects, (Ojeme, 2004). In addition, debt financing is available through non-bank financial intermediates such as pension funds, finance houses and insurance companies but these are limited by regulations, which dictate the proportion of total funds that can be lent for real estate development purposes. In general, the problems of debt financing include: High interest rate; difficulties of access; dearth of funds; uncertainty among lenders; unhelpful regulatory environment; and competing investments, which attract funds away from long term lending for real estate development.

There are also the regulatory constraints such as the cash reserve, liquidity, ratio, stabilization securities, credit expansion rate and minimum equity requirement. Financial institutions lending to real estate investments are often limited by corporate policies of their owners or management. Beyond these endogenous factors, the financial market is inherently weakened by poor savings culture. By nature, conventional estate financing relies extensively on collaterals, principally the real estate itself. The unclear property laws, uncertain titles and vulnerability of rights of occupancy to litigation, revocation etc. further exacerbates the problems. Alienation of rights of occupancy either by mortgage or assignment is cumbersome, time consuming and unduly expensive. In summary, apart from a stringent regulating environment, debt finance for real estate investment is severely hampered by the highly illiquid nature of real estate, its long term nature, high capital requirement and risk arising from high rate of loan repayment default among borrowers. These difficulties have made it imperative that alternative methods of financing real estate investments be found which could be through the capital market (Ojeme, 2004; Hoesli, Lekander & Witkiewicz 2003).

The Nigerian Capital Market and Its Operations

The existence of the capital market in Nigeria can be traced as far back as 1946 with promulgation of the ten-year plan local ordinance. This ordinance provided for the floatation of 300,000 local loan stock bearing interest at 3¼%. In 1951, in order to finance four commercial corporations, an attempt at capital accumulation in the public sector was made through the creation of a loan development fund for financing such public utilities. These and similar endeavours forming part of the implementation strategy for the ten year development plan 1946-1955, constituted the first significant attempts made under the British Colonial Administration to give investment opportunities to Nigerians. It was therefore considered as their attempt to carry an "open door policy" and to revolutionize the capital market as a means of fastening share's markets in Nigeria. The favourable report of the committee led to the establishment of the Lagos stock Exchange in March 1960 followed by its incorporation under section 2 of the companies' ordinance on 15th September 1960. The Lagos stock exchange Act approved by the Governor General on 6th June 1961 gave it further protection under the Law.

At its inception in 1961, the market did not lack securities to commence trading, as the first and second development stocks of the Federation of Nigeria issued in 1959 and 1961 respectively and a few other industrial securities were presently available. However, trading during the early years were extremely poor due to low rate of capital formation at the time, poor communication and lack of awareness or knowledge of the mechanisms of the capital market by the general public. On 2nd December 1977, with the report of the Pius Okigbo commission of 1976, the Lagos Stock Exchange was transformed into the Nigerian stock exchange with branches initially in Lagos, Kaduna and Port Harcourt. In 1979, the Securities and Exchange Commission was introduced as the apex regulatory body for the market (Adegbenjo, 2000; Oteh 2010).

The market operation is classified under the New Issues Market and the Existing Securities Market. The New Issues Market **a**lso called the primary market, is concerned with the offering of new issues or the initial issuance of securities in the exchange. It involves a previously unquoted firm going public in order to raise funds, which go to finance expansion. The Existing Securities Market also referred to as the secondary market, is what properly constitutes the stock exchange, as it is the mechanism, which allows for the liquidity and/or transfer of securities listed on the exchange. It is the market, which allows already existing shares to be traded or sold for cash in order to meet current needs of the shareholders.

The fund raising process and other trading activities in the capital market are facilitated by a number of financial intermediaries and professionals, which include stockbrokers, registrars, lawyer, accountant etc. The main institutions that regulate the capital market are; the securities and Exchange commission and the Stock Exchange. The Securities and Exchange Commission (SEC) is an agency of the Federal government of Nigeria under the supervision of the Federal Ministry of Finance. It is the apex regulatory agency of the Nigeria Capital Market and has specific roles to regulate and develop the market by inter alia exercising powers conferred on it by its enabling law, the investments and securities Act No 45 of 1999, that replaced an earlier enactment. The Securities and Exchange Commission was originally established under Decree 71 of 1979, which was re-enacted as Decree 29 of 1988.

The commission regulatory role is aimed at protecting investors through registration, surveillance, investigation, enforcement, compliance and rule making. The regulatory role covers both Primary and Secondary segments of the capital market with the following functions;

i. Determining the amount of, and time at which securities of a company are to be sold to the public either through offer for sale or subscription;
ii. Registering all securities proposed for sale to or for subscription by the public or to be offered privately with the intention that the securities shall be held ultimately other than by those whom the offers were made.
iii. Maintain surveillance over securities market to ensure orderly, fair and equitable dealing in securities.
iv. Registering stock exchange or branches, registrars, investment advisers, securities dealers and their goods and controlling and supervising their activities with a view of maintaining proper standards of conduct and professionalism in securities business.
v. Protecting the integrity of the securities market against any abuses arising from practice of inside trading.
vi. Creating the necessary atmosphere for the orderly growth and development of the capital market.

The Nigerian Stock Exchange currently has two exchanges, the Lagos and Abuja stock exchanges, both of which are regulated by the Securities and Exchange Commission (SEC). However, as Self-Regulatory Organization (SRO) the exchanges also formulate rules and regulations to guide the professional and business conducts of their members. The commission usually approves such rules and regulations. The primary function of exchange is to provide trading facilities for exchanging stocks, shares and other securities, which are listed on it (i.e. the exchange) There are also plans to establish capital trade points (Stock exchanges) in various part of the country.

The Major Participants in the Nigerian Capital Market includes the Securities and Exchange Commission (SEC), which is responsible for the overall regulation of the entire market. The Nigerian Stock Exchange (NSE), a self-regulatory organization in NCM that supervises the operations of the formal quoted market. The Market Operators, which consists of the Issuing Houses (Merchant Banks and Stock broking firms), Stockbrokers, Trustees, Registrars, etc. others are Investors, Insurance Companies, Pension Fund, Unit Trusts (Institutional Investors) and Individuals. The Central Bank of Nigeria (CBN) and the Federal Ministry of Finance. The Market is regulated by The Federal Ministry of Finance, the Central Bank of Nigeria (CBN), the Securities and Exchange Commission and the Nigerian Stock Exchange. The Nigerian Capital Market can be broadly classified into four categories: first, the Fund Providers. They include Individuals, Unit Trusts, Pension Funds, Insurance Companies, etc. second the Users of Funds comprising Companies and Governments. Third is the Intermediaries that is the Stock broking firms, Issuing Houses, Registrars and Audit Firms and lastly, the Regulators such as Securities and Exchange Commission, The Nigerian Stock Exchange, Central Bank of Nigeria and Federal Ministry of Finance (Adegbenjo, 2000; Oteh 2010).

Vehicles for Investing In Landed Property via the Capital Market

There are a number of identified vehicles that can be used for investing in landed property through the capital market. Such vehicles include; Purchase of Shares, Corporate Image Based, Project Success Based, Acquiring Debenture and Loan Stocks, and Property Unit Trusts. Ordinary and preference shares of companies could be purchased on the floors of the stock exchange after the Securities and Exchange Commission (SEC) has certified such companies fit for public issues. The initial or face value of the shares will also be fixed as well; individuals and organizations can then purchase different number of units of stocks or shares, which shall entitle them to part ownership of the property company. Public offers of shares of property companies could be promoted in two ways.

In Nigeria, shares of property companies could be promoted based on the corporate image of the company. Its track record of accomplishment generally in business will put at stake to ensure that the shares are well subscribed. Most of the time, the bio-data of the directors and major promoters will also manifest in order to convince prospective investors of the seriousness and sincerity of such offers. The first property company to be quoted on the stock exchange, United Africa Company of Nigeria (UACN) properties Plc utilized the corporate image of the mother company, United Africa Company of Nigeria (UACN) Plc, to effect a good subscription of its first public offer on the floor of the stock exchange. The advantage of this type of offer is that funds realized would be utilized to carry out development or acquisition of any project that comes the way of the company. Profitability will be based on the overall performance of the company rather them the individual projects thereby ensures that the interest of the investors is well taken care of. But then, their ownership of shares may not necessarily make them key claim to part ownership of any particular project within the company portfolio (Hoesli et al 2003).

Though, shares and stocks of property companies have not been offered for subscription based on success of projects handled by such companies, thereby making it possible for specific projects to be financed by such funds raked via public offer, it is quite possible in practice. In fact, companies with existing project success stories such as Wemabod Estates Limited, NEWDEVCO (New Nigeria Development Company) etc.; once they go public, could offer shares for funding of specific projects that are proposed in future. This will make the investors who buy the shares or stocks by public offers to be part owners of the project but not necessary part owner of the companies. The advantage of this is that their fortune is fixed to the success of the project and not to the company. Long term credit paper or loan capital such as debenture stocks and loan bonds that can last for life of a project or property company, or even forever can be acquired by investors. The beauty of the arrangement is that while the investors are necessarily shareholders of the company or part owners of the project, they are long term shareholders who are entitled to fixed interest on the debenture or loan stock holding and who must be paid whether the company or project declares profit or not. The major advantage to the company is that, it is not under pressure to repay the loan stock (its indebtedness) while the investors are entitled to their annual fixed interest on their investment.

Nigerians are already familiar with the operation of the investment unit trust in trading, commercial and manufacturing business activities, but existing laws do not permit them to invest trust funds in property. However, subject to necessary control and regulation of the Securities and Exchange Commission (SEC) the property unit trusts in Nigeria are just like Authorized Property Unit Trusts (APUTS) in Great Britain. They shall be vehicles for investors with small funds to enter the commercial property market in exactly the same way as the unit trusts offer small time investors exposure to shares. Like APUTS the property unit trust in Nigeria will be entirely free from capital gains tax arising on the disposal of property. The structure of a property unit trust is such that they will mobilize funds from different small time investors which they will invest in different properties and projects and thereby spread the risks and uncertainty of profitability or viability problems over all the properties or projects within the portfolio. There will be trustee and a manager. The manager will be responsible for the day-to-day management of the scheme while the trustee and manger shall owe a fiduciary duty to the unit holders. Invariably, there are two emerging vehicles for funding real estate development and acquisition in the capital market, which are unitization and securitization. (Adegbenjo 2000). Unitization is a variant of securitization. It involves the creation of multiple shares in the ownership of a single property while Securitization is the re-financing of existing income producing assets by packaging them into a tradable form through the issuance of securities (Hoesli & MacGregor, 2000).

Purpose of the Study and Research Question

The purpose of the study is to investigate the awareness of real estate developers on the concept of securitization, practicability of real estate securitization, factors militating against the workability of securitization, the integration of real estate into securitization market and the performance of property stock in the capital market in Nigeria.

The research seeks to answer questions on: (i) to what extent has the Insurance companies meet up with loan demands? (ii) What are their views on better means of funding real estate development? (iii) Is the capital market as a source of real estate funding reliable? (iv)

What are the sources of finance for real estate development? (v) What are the likely problems encountered from the various sources of fund to developers? (vi) Are real estate developers aware of the capital market as a means of financing real estate development? (vii) Will the practice of real estate securitization possible in Nigeria? (viii) What are the factors militating against the workability of securitization? (ix) What are the possibilities of integrating real estate into securitization market? (x) What is the level of performance of property stock in the capital market in Nigeria?

Methodology

The study population comprises individuals or firms that are players in the real estate finance market and the capital market, in Lagos metropolis. They include: Fund Providers, Users of funds, Intermediaries and Regulators. (NigeriaBusinessinfo.com). Out of the Fund providers, the insurance companies were selected for examination because they contribute much of their funds to real estate developments. From the Users of funds, private property developers were selected because they have the objective of profit maximization. The Stock broking firms were selected from the list of intermediaries since they are more involved in the activities of the capital market. The Nigerian Stock Exchange (NSE) was also selected for study in the list of regulators because it is the center point of the Nigerian Capital Market and its primary aim is to mobilize long-term funds for investments. Also the area of focus of this study was Lagos metropolis being one of the major and biggest investment hubs of the nation's economy. Cluster and random sampling techniques were adopted for the selection.

The sample frame comprises the total number of registered insurance companies, stock broking firms, property developers and the stock exchange. The number of stockbrokers trading on the Exchange stood at 168 in 1996 (Nigerian Investment Promotions Commission). The Nigerian Stock Exchange, Lagos State, The number of property developers was 166 in Lagos metropolis, (Real Estate Developers Association of Nigeria (REDAN) List 2016) while the number of insurance companies in Lagos Metropolis was 103 (National Insurance Commission (NAICOM). Twenty insurances companies, 30 property developers, 25 stockbrokers and 10 stock exchange companies were selected, making a total of 85 questionnaires that were administered out of which 66 questionnaires were retrieved and analyzed for the study, represent a response rate of 77.65%. The questionnaire contains information on the extent to which insurance companies have been able to meet up with loan demands, reliability of the capital market for funding, sources of finance for real estate development, practicability of securitization in Nigeria, the performance of property stock in the capital market, involvement in securitization transaction, factors militating against the workability of securitization in Nigeria, the performance of property stock in the capital market amongst others. Descriptive method of analysis were used to analyze data from the questionnaire instrument using percentages and mean with frequency tables.

Data Analysis

Insurance Companies

Insurance companies representing the fund providers in the capital market presented their views on the questions presented to them as shown in Table 1 below:

Table 1: Responses from Insurance Companies

Questions	**Options**	**Responses**	
		Frequency	**Percentage**
The extent to which insurance companies have been able to meet up with loan demands	Fully	10	55.6
	Partially	8	44.4
	Total	**18**	**100**
View on better means of funding real estate development	Agree	17	94.4%
	Indifferent	1	5.6%
	Disagree	-	-
	Total	**18**	**100**
Reliability of the capital market for funding.	Yes	15	83.3
	No	3	16.7
	Total	**18**	**100**
Advantages of the capital market to insurance companies	Enlarged opportunities	7	38.9
	Increased profit potentials	9	50.0
	Others	2	11.1
	Total	**18**	**100.0**

Table 1 shows the responses of insurance companies to the questions asked. It shows the extent to which insurance companies have been able to meet up with loan demand for real estate development in which 55.6% of the respondents said their companies were able to meet up with their loan demand while 44.4% could only meet up partially. This implies that a good number of insurance companies have not been able to fully meet up with all loan demanded, hence the need for alternative source of funding. It also shows the responds of insurance companies on if there was need for exploring better option for funding real estate development instead of relying on insurance companies. A total of 94.4% of the respondents agreed to this view while 5.6% were indifferent to it. This implies that insurance companies are in support of an alternative means of financing real estate development since many of them were not able to meet up fully with loan requests from real estate development. The table further revealed the responses of the respondents on the reliability of the capital market for funding of real estate development. A total of 83.3% agreed that the capital market is a reliable option while 16.7% disagreed with this option. This implies that the capital market is a reliable option of funding real estate. It can also be seen that increased profit potentials is a major advantage of capital market to insurance companies representing 50.0% followed by enlarged opportunities and others having 38.9% and 11.1% respectively. This implies that capital market as an alternative to real estate development funding will increase the profit potentials of insurance companies.

Property Developers

Property developers' view on the option of financing development through the capital market with the use of securitization were presented below:

Table 2: Sources of finance for real estate development

	Frequency	Percentage
Equity capital	10	50.0
Commercial Banks	13	65.0
Pension Funds	1	5.0
Insurance Companies	2	10.0
Others	5	25.0

**Number of responses to this issue is greater than the sample size because the question allows for selection of multiple responses.*

From Table 2 above, it can be seen that the developers get their finances mainly from commercial banks represented by 65% followed by equity capital with 50%, insurance companies represented by 10% and pension funds with just 5%. This implies that the bulk of finance for real estate development comes from commercial banks.

Table 3: Problems encountered from these sources

Problems	N	Sum	Mean
High interest Rate	18	79.00	4.3889
Collateral securities	19	77.00	4.0526
Profit erosion	19	70.00	3.6842
Tight loan Assessment	19	67.00	3.5263
Control over project	18	52.00	2.8889
High equity Share	17	47.00	2.7647

**This question allows for selection of multiple responses*

From Table 3, it can be seen that the major problem of these sources of finance is high interest rate, collateral securities, profit erosion, tight loan assessment, control over project and high equity share represented by 4.3889, 4.0526, 3.6842, 3.5263, 2.8889 and 2.7647 respectively. This implies that, high interest rate, collateral securities, profit erosion, tight loan assessment, control over project and high equity share are problems associated with the sources of finance mentioned above which means that other means of funding real estate that will mitigate these problems is worth opting for.

Table 4: Awareness of the capital market as a means of financing real estate development

	Frequency	Percentage
Yes	18	90
No	2	10
Total	**20**	**100**

The table shows that majority of the property developers represented by 90% are aware of the capital market as a means of financing real estate development.

Table 5: Securitization provides cheap fund and easy accessibility to long-term funds for property developers

Options	Frequency	Percentage
Strongly Agree	6	30
Agree	11	55
Disagree	3	15
Total	**20**	**100**

Table 5 shows that majority of property developers agreed that securitization provides cheap and easy accessibility to long-term funds in which 30% strongly agreed, 55% agreed while 15% disagreed. This means that majority of the respondent developers agreed that Securitization provides cheap fund and provide easy access to long-term funds. Implying that securitization through the capital market is a reliable option of financing real estate development.

Table 6: The practicability of securitization in Nigeria

	Frequency	Percent
Yes	9	45.0
Partially	9	45.0
No	2	10.0
Total	**20**	**100.0**

Table 6 revealed that, 45% of the respondents believed that securitization is practicable in Nigeria and 45% said partially while 10% said no. This means that it could be practicable in Nigeria.

Table 7: Factors militating against the workability of securitization in Nigeria

	N	SUM	MEAN
Lack of awareness and acceptability	15	64.00	4.2667
Inappropriate legal environment	15	56.00	3.7330
Level of availability of property information	14	52.00	3.7143
Lack of 100% ownership	13	33.00	2.5385

This question allows for multiple responses

Table 7 shows the factors militating against the workability of securitization in Nigeria the major factor from the views of property developers is lack of awareness and acceptability followed by inappropriate legal environment, level of availability of property information and lack of 100% ownership with the mean of 4.2667, 3.7333, 3.7143 and 2.5385 respectively.

Table 8: The integration of real estate into securitization market in Nigeria

	Frequency	Percent

Strongly Agree	5	25
Agree	14	70
Disagree	1	5
Total	**20**	**100**

Table 8 indicates that real estate can be integrated into securitization market in Nigeria with 25%, 70% and 5% respectively for strongly agree, agree and disagree.

Stock Brokers

The stock brokers represent the intermediaries in the capital market and their views are shown below:

Table 9: The performance of property stock in the capital market

Questions	**Options**	**Responses**	
		Frequency	**Percentage**
The performance of property stock in the capital market	Very good	6	28.6
	Good	12	57.1
	Fairly	3	14.3
	Bad	-	-
	Worst	-	-
	Total	**21**	**100**
Involvement in securitization transaction	Yes	6	28.6%
	No	14	71.4%
	Total	**20**	**100**
The practicability of securitization in Nigeria	Yes	12	57.1
	No	9	42.9
	Total	**21**	**100.0**

Table 9 shows that 85.7% of the stockbrokers believed that the property stock will perform very well in the capital market while 14.3% believed that the performance will be fair. This means that stockbrokers, there experience in the stock market believed that real property stock when started in Nigeria will perform well. It further shows that 71.4% of the respondents had not been involved in securitization transaction before, which implies that it is not well used in Nigeria. Finally, it shows that securitization can work in Nigeria with 57.1% saying yes and 42.9% said no.

Table 10: Factors militating against the workability of securitization in Nigeria

	N	**SUM**	**MEAN**
Lack of awareness and acceptability	10	32.00	3.2000
Inappropriate legal environment	9	29.00	3.2220
Level of availability of property information	9	26.00	2.8889
Lack of 100% ownership	9	23.00	2.5556

**This question allows for selection of multiple responses*

Table 10 shows that the major factors affecting the workability of securitization in Nigeria is lack of awareness and inappropriate legal environment followed by level of availability of property information and lack of 100% ownership with means of 3.200, 3.222, 2.889 and 2.556 respectively.

Stock Exchange

The stock exchange represents the regulators in the capital market. They should know how securitization could work in Nigeria. Their view is presented through the following tables:

Table 11: Responses from Stock Exchange

Questions	**Options**	**Responses**	
		Frequency	**Percentage**
	Better	2	28.6
	Not Bad	2	28.6
	Fair	2	28.6
The performance of property stock in the capital market	Bad	-	-
	Worst	-	-
	Missing	1	14.3
	Total	**7**	**100**
	Yes	5	71.4
The Practicability of securitization in Nigeria	No	2	28.6
	Total	**7**	**100.0**

Table 11 indicates that property stock will perform well in the capital market because the respondents either said better, not bad or fair, no respondent chose neither bad nor worst. The table also shows that 71.4% agreed that securitization is practicable in Nigeria and 14.3% said it is not practicable. This implies that securitization is practicable in Nigeria from the stock exchange respondents' views.

Table 12: Factors militating against the workability of securitization in Nigeria

	N	**SUM**	**MEAN**
Level of property information	2	8.0	4.0
Lack of 100% ownership	2	7.0	3.5
Inappropriate legal environment	2	6.0	3.0
Lack of awareness and acceptability	2	6.0	3.0

Source: Field survey

Table 12 represents the view of stock exchange on the factors militating against the workability of securitization in Nigeria. The major factor is level of property information followed by lack of 100% ownership, followed by inappropriate legal environment and the least is lack of awareness and acceptability with the mean of 4.0, 3.5, and 3.0 respectively in the capital market.

Findings of the Study

The study found out that the conventional sources of real estate finance currently available have various problems suggesting capital market as a better alternative. Majority of the respondents agreed that the capital market is a better option for financing real estate development. It was discovered that respondents were aware of securitization but it was not yet working in Nigeria due to lack of awareness and acceptability, lack of property information, inappropriate legal framework etc. Finally, the integration of real estate into securitization market has advantages to both issuers of securities and investors. It provides source of finance to issuers of securities and to the investors who would prefer to invest in an asset that is backed by long term income as well as the flexibility to close whatever portion of risks suitable. It provides increased flexibility, liquidity and reduced cost of transaction to parties involved.

Conclusion

The problems associated with the conventional means of financing real estate development need to be addressed and any option that will provide better means of financing will be of additional benefits to all stakeholders and the country as a whole. Property securitization through the capital market is an alternative source of financing real estate development with the benefits of solving the problems of illiquidity, required huge capital outlay, difficulty in transferring interest etc. Property securitization gives smaller investors opportunity to participate in property investment, which will in turn enhance the socio economic development of the company.

Recommendations

The findings revealed that it is possible for real estate to be integrated into securitization market, which has more benefits, and this calls for concerted effort from all stakeholders in the capital market and the public authority. It is therefore important to make the following recommendations based on the implication of the study.

1. Estate Surveyors and Valuers Registration Board of Nigeria, Royal Institution of Chartered Surveyors (RICS) together with other interested professional bodies should facilitate the creation of a conducive market and regulatory environment for the introduction of securitization in Nigeria.
2. Property developers need to be enlightened and made aware of the use and benefits of securitization in the capital market. There is need to understand the process which should be familiar and comparable to existing alternatives.
3. Public authorities and stock exchange should carry out further researches on the practicability of securitization and also make stakeholders aware of the use and benefits by organizing seminars and also implementing polices that will encourage investors in the capital market.
4. Nigerian institution of Estate Surveyors and Valuers should also organize seminars and conferences from the level of tertiary institutions and should also encourage further researches on the use, benefits, and practicability of securitization in Nigeria.

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