

The problems of real estate development essay sample

[Finance](#), [Financial Analysis](#)



Problems of real estate development according to Omole (2001) are; 1. land acquisition problems ; The entire real estate development takes place on land, purchase of land from individuals involves exorbitant price due to the activities of land speculators. The land policy was promulgated in 1978 to solve this problems but it failed too. Ironically, the land use act that was enacted to enable Nigeria have access to land, hinders property developers from acquiring land for real estate development. Rigmarole processes involved in acquisition of land, cumbersome and costly procedures involved in processing certificate of occupancy and the section 34(8) of the land use act allows the maximum allocation of half an hectare of land to developers affects the real estate developers in the participation of real estate development in Nigeria. 2. Problem of finance; finance is very important in real estate development because of huge capital outlay it involves. Acquisition of land buying of building material, payment of labour and so on requires finance.

In most situation finance is not adequately provided for the real estate developers. this could be due to the short- term loan that is being granted to the real estate developers. The increase in the monetary policy rate to 9.25% also result to the high interest rate on mortgage loan of the financial institution. Other stringent condition of the financial institutions scare real estate developers away from obtaining loan from them. This affect the supply of real estate in the country. 3. Inflation; The rate of inflation in the country today is quite alarming. Co-peratives which assist its members in the development of real estate through contribution is hampered by this problems. On saving their money in a bank account, they would discover

that the money would not be enough for development as initially budgeted due to inflation. This would make them not to actualize their dreams of real estate development.

4. High cost of building materials; the like in the price of building material in the country hinders real estate developers from participating effectively in the real estate development in Nigeria. This is due to the discriminating importation of building materials into the country. According to the president of the Nigeria institution of estate surveyors and valuers, Mr. Bode Adediji (Thisday Newspaper, August 23) “ uncontrollable reliance on imported building materials affects development in Nigeria. The collapse of formerly thriving building material sub-section and the absence of new building material factories contribute to this. Also the low exchange rate of our currency contributes to high cost building material in the country. Our currency had greatly dedued compared to some currencies like us dollar. Therefore building materials imported into the country is more expensive when the price is converted to the value of the local currency.

5. Lack of basic infrastructure; haphazard condition of basic infrastructure in the country constraints the real estate developers from participating actively in development in Nigeria. The basic infrastructural facilities such as pipe borne water, electricity, access road which attract people to an area are not adequately provide in the buidable site. This would make the developers not to implement their idea of development thereby affecting real estate development in that area. 6. Dearth of building professions; building professionals such as estate surveyor and valuer, town planners architect ,

quantity surveyor , and so on are very crucial in the construction of real estate development . In most areas of the country, especially the rural areas these professionals are lacking. The few ones available take the advantages their unavailability and charge higher on their service. this additional cost result to the increase in the final cost of building. And such discourages real estate developers.

27. THE EFFECT OF THE ABOVE PROBLEMS ON REAL ESTATE DEVELOPMENT

1 shortage of accommodation; housing is one of the basic human needs, the problems and prospects of real estate development in the country has led to shortage of accommodation in such a way that land and the resources that were suppose to be used for the development of real estate were held and delayed during acquisition process thereby leading to shortage of houses for accommodation.

EXCESS DEMAND OF ACCOMMODATION OVER SUPPLY

In carrying out this study, it has been discovered that the hoarding of land by land speculators had led to excess demand of accommodation over supply as a result of shortage in the supply of land for the development of real estate property in the study area Nigeria HIGH RENT: As a result of shortage in the supply of land for the development of real estate, the already developed properties prices and rents tends to rise higher due to the insufficient land for development. ILLEGAL DEVELOPMENT: Due to the excess demand of accommodation and the shortage in the supply of houses in some areas that was not allowed for the development of residential properties by

the government and this resulted to illegal development on drainage channels, high tension wire, and passages etc. this leads to the formation of slums.