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REAL ESTATE AND CHALLENGES OF SUSTAINABLE DEVELOPMENT IN NIGER DELTA, NIGERIA

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Abstract

Real estate embodies the land, developed buildings and associated infrastructures that help to add value to the bare or developed sites. Two categories of real estate investments are identified: namely direct investment which covers agricultural, residential, commercial, industrial, recreational, educational land uses; and indirect investment which involves purchase of liquidated interests in landed property. The study revealed that sustainable development of real estate involves the actual physical development and accompanying maintenance works to sustain the project by meeting basic human needs, respecting environmental limits and ensuring a viable economic growth of the affected region today and for the future. This study was carried out in the Niger Delta region of Nigeria which is abundantly blessed with natural resources like forest, water and mineral resources. The policy thrust of responsive government all over the world is to achieve sustainable development, but the situation in the Niger Delta Region of Nigeria leaves much to be desired. The research highlighted the challenges of daily activities of exploration and exploitation on sustainable development of real estate by multi-national oil companies in the region to include land degradation, water contamination and air pollution which have resulted in diminishing property values. It calls for good governance on the parts of Nigerian governments and inclusive industrial activities from operating oil companies in order to enhance sustainable real estate investment in the region.

Keywords: Real estate, infrastructure, development, maintenance, Niger Delta.

Introduction

Real estate includes allthe natural and artificial resources found on the earths' surface.Specifically, it covers the entire landmass, its numerous resources and human creations on, in, above or under the surface of the earth. This conception agrees with the opinions of Ratcliff (1972), Egbenta (2012) and Udoudoh (2019) that see real estate to embody land, buildings, associated infrastructures and any other objects which are permanently affixed thereto to add value to the bare or developed sites. Land does not just mean the surface of the earth only but an embodiment of the entire fabric of the earth; which embraces the soil and all things of permanent nature affixed to the ground such as herbs, grasses, crops and trees. It covers the air space, water bodies upon the land and other natural substances embedded beneath the earth's surface such as coal, rock, oil, marble, etc. Access to land is the basis to socio-economic life in almost all developing countries of the world. As an economic asset, land is a major factor of production used in conjunction with capital, labour and entrepreneur for the production of economic goods and services.

Buildings are attractive investments on land especially in urban centres. They include residential houses which are built for the occupation of individuals and members of the family; commercial buildings used in carrying on any trade or profession in the expectation of profits; industrial buildings use as factories for

production, processing and storing of raw materials and finished goods; educational buildings provided for training and acquisition of knowledge and skills; recreational buildings for relaxation; and special purpose properties such as worshipping centres. They are seen as investment assets when put for purposes that generate a flow of income to the investors.

Infrastructure includes physical structures and facilities that are developed or services provided by the public or private institutions to enhance the efficient functioning of an urban centre. It is divided into two major groups: physical or economic and social infrastructure. Physical infrastructure sub-sector covers the hardcore construction activities which relate to the provision of transportation, electricity, water and communication services; while social infrastructure covers services such as education, health, religion and other social welfare services generally provided to improve, promote and enhance total wellbeing of the people (Udoudoh, 2014). Generally, infrastructure plays an important role in the development and well-being of any society to an extent that the level and standard of the society can be inferred from the state and performance of existing infrastructure.

Most people are often confused between the term real estate and real property, and thus using them interchangeably. The distinction is that real estate is tangible asset while real property is intangible asset. The driver of real estate is real property which includes all the rights, interests or benefits inherent in the ownership of the estate. The wealth of real estate represents all previous contributions individuals and corporate institutions made to improve physical development in various communities that add to overall wealth of the nation. There are indications that show inept lack of sustained physical development in many urban centres within the study area. Thus, the accumulated stock of wealth and flow of real estate investment in the Niger Delta region when compared to other regions of Nigeria leaves much to desire.

Concept of Sustainable Development

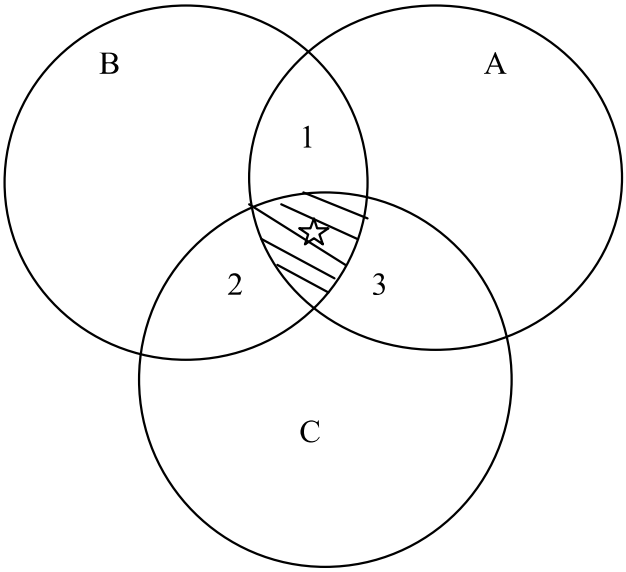
According to Lichfield (1974), development is the process of carrying out the constructional works, which are associated with changes in the use of land with its building or re-establishment of an existing use. Such works include construction of new buildings or alteration of existing buildings and provision of essential infrastructure. Development commences with the destruction of existing use on anticipated project site to pave way for the proposed use. From the above definitions, development comes in three dimensions: creation of a new structure from a latent land; creation of a new structure from an existing structure by way of renovation, alteration, expansion etc; and maintenance of existing structure to serve the purpose it was established for (Udoudoh, 2016). Many real estate investors do not build in maintenance works as major aspect of development process.

This leads us to the concept of sustainable development which emerged in 1987 as a dynamic process of change in the direction of investment, orientation of technology and institutional changes which are in harmony to meet human needs and aspirations. It is a global concern and approach towards political mobilization, funds raising and appropriate utilization through good governance for environmental protection and economic development. The approach embodies the notion and ideals of a development process that is equitable and socially responsive, recognizing the extensive nature of poverty, deprivation and inequality between nations, regions and communities. Thus, sustainable development of real estate involves two major components that appear incompatible at first sight: the actual physical development and accompanying maintenance works to sustain the project.

Going by the Brundtland Commission's definition, sustainable development is any development that meets the needs of the present generation without compromising the ability of the future generations to meet their own needs. What this implies is an equitable distribution of available resources between users in a given location now and in the future. It requires proper harvesting of the natural resources today without depriving the future generations of their rights to use the same resources tomorrow. In order words, the resources should continually meet the needs of the present generation means that there must be continued growth and supply of essential infrastructure and services while ensuring their availability for future usage and satisfaction. The concept confers on the people the right to have their environment protected for the benefit of the living and future generation.

According to Barton (1996) and Fiksel, Eason & Frederickson (2012), in order for any development to qualify as being sustainable, three criteria have to be satisfied. These are social criterion that meets basic human needs; environmental quality that respects neighbourhood limits; and economics policies that ensure investment growth. This concept is illustrated with sustainable development represented at the shaded point where three interlocking circles overlap.

Figure 1. Interdependency of the three pillars of Sustainable Development



A. Economic B. Social C. Environment
1. Viability 2. Equitability 3. Respectability
☆ Sustainability
Source: Fiksel, Eason and Frederickson, 2012.

Generally speaking, sustainable development is concerned with providing qualitative development by taking appropriate decisions to stimulate regional economic growth that will secure the basic needs of the people and at the same time conserve existing natural resources. It recognizes the integration of environment with development, while emphasizing sustainability as a major attribute (Udoudoh and Ujeni, 2015). The need to highlight what sustainable development is becoming very important in view of the daily activities of exploration and exploitation by numerous

multi-national oil companies operating in the Niger Delta region of Nigeria and its attendant effects on real estate development.

The Niger Delta Region

The Niger Delta region is the thick forest region of Nigeria blessed with oil mineral resources covering all the six states in the South-South geo-political region, two states in South-East region (Abia and Imo) and one state in South-West region (Ondo). The last three contiguous oil producing states were added to the region to increase the number of states benefitting from the 13% oil derivation revenue; an exercise that is better described as *politics of oil money.* The core Niger Delta region contains the most treacherous terrain and perhaps one of the largest wetlands in the world with estimated area of about 70,000km2 made up of vast areas of waste ridge barriers, brackish or saline mangroves, freshwater, swamp forest, river and their tributaries, streams, canals and creeks (Ujeni and Achuenu, 2006; Udoudoh, 2008). Describe further, the region is abundantly blessed with unquantifiable forest, water and mineral resources.

The exploration, exploitation and refinement of the abundant natural resources particularly crude oil has led to environmental devastation and pollution of the region. The multinational oil companies seriously contaminate the water through their leaked pipelines, and other activities such as dumping of dangerous chemical and industrial wastes. The air is polluted through uncontrollable gas flaring causing much damage to roofing sheets. The forest resource is threatened by deforestation. The environmental devastation caused by operations of oil companies' results to diminishing real estate values. The lack of political will to curb this menace explains why the region is crises prone.

Real Estate Development Process

This is a process that involves acquiring a parcel of land which is developed into specific land use option. The ultimate goal is to obtain a satisfactory environment taking into account the social and economic needs of the society. The various stages involved in real estate development process as tabulated by Udoudoh 2017 & 2020 are discussed below:

Site Acquisition and Demarcation

This is the first stage in development process where the developer acquires a suitable piece of land for the envisaged project. Where need arises, he engages the services of an estate agent who scouts for the land particularly in the urban centres. After a successful land acquisition, the property developer consults a land surveyor to demarcate the boundary lines of the plot and produce the survey plans showing the total land area.

Preparation and Approval of Development Plans

Based on the survey plan, an architect is consulted to draw the building plans while a quantity surveyor prepares the bills of quantity specifying the various building materials and advises on the effective utilization of the materials required for the project. Depending on the size of the project, a structural engineer is required to calculate the strength of materials like columns, beams, steels, floors and other building components; while an electrical engineer draws the layouts of the electrical installations and recommends appropriate electrical materials needed for the project. This would be followed by submitting these documents to the relevant planning authority for development approvals and permission to commence the project.

Sourcing for Finance

This is the stage where the developer is faced with the task of raising funds to embark on the envisaged project or to complete it. Where the developer cannot raise enough funds through equity capital for the project, he resorts to credit facility from a financial or mortgage institution. Credit facilities for property development are obtained on production of a feasibility and viability appraisal report on the envisaged project prepared by a qualified and licensed real estate valuer or investment appraiser. The loan granted is refunded together with certain percentage of interest as agreed between the financial institution and loan beneficiary.

Construction

Building construction requires the services of experts, people vests with the skills in different aspects of building construction and technology. The consultant may be an individual or corporate body with proven experienced in building construction. The construction stage involves clearing and excavation of trenching, pecking and pouring of foundation, block work, roofing, dooring and windowing, rendering, electrification, and painting of wall. Each of these stages requires the services of specialists to ensure that the work is carried out to specifications. There is no law that such a person should be a building engineer or technologist.

Management

This stage requires the services of an estate surveyor andvaluer to exercise his professional skill of managing/maintenance, arranging for leasing or sales of the developed property. In any case, to enable him fix appropriate capital or rental value for the property in question, he has to carry out on-the-site inspection and valuation of the property; and then advertise the property, if need be, to the interested public calling for tendering and bidding.

Real Estate Investment Options

There is a wide spectrum of investment options a potential investor has to commit his resources in expectation of a future benefits, though with different investment characteristics. The investment options are categorized into direct (property) investment and indirect (financial) investment. Direct real estate investment covers all types of development on land carried out with the intension to generate income. This requires the investor to embark on direct construction of the building on a latent site from foundation to finishing, or purchase of an existing structure from the original owner or developer. On the other hand, indirect real estate investment involves purchase of liquidated interests in landed property; a situation where an investor does not actually acquire a physical property but purchase securities, stocks and shares, bonds or private equity from corporate property companies. It is a financial transaction outlay typified by Real Estate Investment Trusts (REITs). However, our major focus in this research is on direct real estate investments which include:

a. Agricultural land use refers to the fertile farmlands where economic trees, crops and vegetables are cultivated and arable farm land used for cattle rearing. The incessant oil spills occasioned by leaked pipelines have affected most fertile farmlands rendering such barren for agricultural purposes in the Niger Delta region.

b. Residential land use includes the various houses that are built for the occupation of individuals and members of the family. It may be tenement houses, flats, bungalows, storey blocks and maissonnettes. It is usually the largest land use within the urban areas.

c. Commercial land use includes shops and offices occupied for the purpose of carrying on any trade or profession in the expectation of profits. They may be converted or purpose – built like the shopping Centers or UAC Trading Company found in Nigerian major cities. It also includes the traditional market, lock-up market complexes, motels and hotels, cinema houses, petrol/filling stations, supermarkets, etc.

e. Industrialland use includes factories where production, processing and storing of raw materials and finished goods are done. The range of properties to be considered is extensive and varies from shops to residential properties converted for use as storage or for factory purposes, to well constructed and lighted up-to-date promises with many amenities. The light industries may be located within the residential areas while heavy industrial outlet noted for industrial pollution are located at out-skirt of the city.

There are several other land uses an investor may wish to develop his land into, including recreational activities, educational purpose, and so on.

Qualities of Expected Investment Outlay

Generally, a prudent investor considers the types of investment available to him by comparing their qualities and sustainability potentials with those specific to investment of his choice (Richmond, 1985 & Udoudoh, 2016). The goal of investment in real estate is to develop the land to its highest and best use, the use that will produce the highest net return to the investor. Thus, we shall focus on qualities of an ideal investment vis-à-vis their sustainability in the study area.

i. *Security of Capital:* Before embarking on any development, a potential investor has to ascertain the security of capital to be sunk into the envisaged project and possibility of converting such investment into cash at short notice when need arises. Thus, the capital invested should be intact and must be realized assuming the business is folded up. Occasionally, this is not possible due to incessant occurrences of natural disaster such as urban flooding occasioned by unplanned physical development which causes untimely decay and deterioration.

ii. *Security of Income:* In an ideal situation, the investor should articulate an option that guarantees secured and steady income flow. Such investor has to consult a real estate appraiser for advice on a realistic project that will ensure steady income generation. Alternatively, where the property is developed as owner-occupied, the satisfaction the owner derives should equate or outweigh the financial returns that the property would have generated assuming it is let out to a tenant. But when the region is ravaged with incessant flooding or gas flaring that destroyed the roofing sheets, the expected incomes from the affected properties are not secured.

iii. *Durability:* Real estate investment requires huge capital outlay and as such supposed to be properly managed for durability. However, there should be

minimum inconvenience and expense in the course of managing it. To keep the property in a good state to attract occupation and higher value in return, the services of estate managers are required to identity decaying assets for maintenance. The cost of maintaining buildings and other ancillary facilities is herculean because of the peculiar terrain, effects of oil spill, gas flare and insecurity in the study area.

iv. *Appreciation in Value:* Landed property is a secured and stable form of investment as it possesses the characteristic of appreciating in value with the passing of each blessed day. To enhance value appreciation, the estate requires regular improvements by way of renovation, alteration, expansion, fencing, opening of new access roads and landscaping of the courtyard. Because of the terrain of the region and negative effects of oil exploration activities, it is rather expensive to keep buildings and associated facilities in good state of repairs.

v. *Transfer of Ownership:* It is pertinent to ensure that expenses are reduced to the barest minimum while arranging for outright sales, transfer of ownership or letting of the property. From the investment point of view, the cost of embarking on such transactions should not outweigh the expected returns. To ensure that an investor does not run into a default, he requires the services of qualified estate surveyors and valuers for this purpose.

Challenges to Sustainable Real Estate Development in the Region

This discourse would attempt to identify the major challenges militating against actualizing sustainable real estate development in the Niger Delta region of Nigeria.

Physical Factor

The physical characteristics of any piece of land are very essential in determining its suitability for a particular project. Factors such as soil contents, climatic and topographic conditions, and accessibility affect the sitting of project in different proportions. The Niger Delta region is noted for its peculiar terrain, particularly its swampy nature and low lying flat landscape which are prone to heavy flooding during the rainy season. Whereas it is cheaper to develop any building project on a seemingly flat terrain, it is very expensive to construct on sloppy, undulating, swampy or marshy land. Notably, the operations of oil companies require the removal of vegetation and sometimes destruction of farmlands during traversing of routes, sitting of flow stations and laying of pipelines. The resultant effect is seasonal flooding which constitutes great threat to agricultural development.

Environmental Factor

The Niger Delta region is the home of several multinational oil companies that carry out oil exploration and exploitation operations. Consequently, the region is faced with severe environmental challenges in the form of oil spillage, gas flaring, release of toxic waste, air pollution, land and water contamination, flood menace, environmental devastation and degradation. The fumes and smoke emitted by the industrial plants and machines, the ash/dust particles, offensive gases and acid rain that settle on the roofs of buildings cause corrosion. Also, vibration associated with the exploration activities result in tremours which lead to failure of building foundation, development of cracks in walls, deterioration of building, hence fallen property values that discourage many investors into real estate sector.

High Cost of Construction

As mentioned under physical factor, the terrain in the region has very severecost implications on the project development, particularly in transporting building materials from point of sales to project sites. Another teething problem is non-availability of qualified and experienced workers (skills and artisans) to handle the building construction in accordance to approved plans and specifications. The option then is to import the workforce from the nearby urban centre at a higher cost to the site.

Political Factor

The introduction of politics into every aspects of socio-economic activity has greatly hampered spate of physical development and in particular real estate development in the Niger Delta region of Nigeria. Statutory allocations and ecological funds budgeted and released by the federal government for the regional development are being mismanaged by some government officials to the detriment of the affected communities. This misappropriation of funds has led to crises between the indigents of the region and various state governments. Recently, many non-governmental and youth organizations have called on the federal government to desist from giving these funds directly to state governors because of their perceived lack of genuine interest to the development of the region.

Poor Quality Construction Materials

As earlier mentioned, it is difficult to source for and transport quality building materials to various project sites due to poor transportation facilities in the region. The production of properly seasoned materials such as timbers, functional machines for block molding, glass cutting, and other construction materials are lacking. If the developer is specifically interested in the use of quality building materials and finished products, such are sourced for and brought to sites from the nearby urban centres at additional cost. The machinery for monitoring or controlling the quality of works to specifications is at the mercy of contractor handling the project, local traders and masons.

Poor Infrastructural Facilities

Most parts of the Niger Delta region are noted for lack basic infrastructure like good roads, electricity, pipe-borne water to mention but a few. Provision and maintenance of these infrastructures engenders real estate development in the region. Unfortunately, the many oil companies have tactically refused to provide and/or maintain essential infrastructure in their host communities citing youths' restiveness as excuse.

Insecurity

The entire Niger Delta region is often identified with insecurity and youths' restiveness. The question that freely comes to investors' minds while contemplating on real estate development is safety of the project. The insecurity in the region is traceable to forceful take-over of building land, destruction of farmlands, pollution of the existing water bodies and air. Despite these damages, the operating oil companies do not adequately compensate the youths from the affected communities for consequential damages, hence incessant crises in the region.

Conclusion and the way forward

Sustainable development is a dynamic process that calls for equitable utilization of major socio-economic elements of life to produce a comfortable and

habitable environment. It requires an approach that integrates the community, economic and environment simultaneously and equally. This approach enhances continuous economic growth when the investors consider the environment as a sensitive component of the project development. Development without regards to the ecological principles results in uncontrollable growth of slums, unsanitary living conditions, and incessant flooding as obtainable in many parts of the region. In order to achieve a balanced development therefore, environmental incompatibility that may bring about harmful healthy livelihood caused by land degradation, water contamination, air pollution and incessant flooding need to be identified and tackled from the root.

Sustainability principles are essential ingredients that should be applied to enhance the planning and development of real estate in the Niger Delta region. This requires proper design, planning, development and management of the region to attract real estate investors. It brought to fore the concept of highest and best use of land which emphasizes proper real estate development that will provide optimum return to the investor and society at large (Barlowe, 1978. This research has revealed that investment in real estate has a proportional relationship to the general economic activity, growth and prosperity of any community.

The challenges faced by real estate investors in Niger Delta region are enormous ranging from the swampy nature of the land and poor state of infrastructure which made physical development very expensive, to the industrial activities of oil companies that resulted to land degradation, air and water contamination. These have caused the entire region to be prone to insecurity and youths' restiveness. In conclusion, the research calls for good governance on the parts of both Nigerian governments and operating oil companies in order to enhance sustainable real estate investment in the region. This action will certainlybreak the link between poverty and environmental degradation and at the same time raise the living standards of residents.

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