AN EVALUATION OF FACTORS DRIVING PROPERTY INVESTMENT DECISIONS BY PRIVATE DEVELOPERS IN ABUJA

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BY

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Declaration

I hereby declare that the work in the Dissertation entitled "An evaluation of factors driving property investment decisions by private developers in Abuja" has been done by me in the Department of Building under supervision of Dr. I. H. Mshelgaruand Dr. A. D. Abdul-.Azeez. The information provided from the literature has been acknowledged in the work and the list of references provided. No part of this Dissertation has been submitted for any degree award in any university or institution.

………………………	……………………..	…………………..
Name of Student	Signature	Date

Certification

This Dissertation work entitled “AN EVALUATION OF FACTORS DRIVING PROPERTY INVESTMENT DECISIONS BY PRIVATE DEVELOPERS IN ABUJA” by Abubakar Muhammad, meets the regulation governing the award of the Degree (M.Sc. Construction Management) Ahmad Bello University, Zaria, and is approved for its contribution to knowledge.

Dr. I. H. Mshelgaru **………………………** **…………………..**
Chairman supervisory committee Signature Date

Dr. A. D. Abdul’Azeez **……………………….** **…………………..**
Member supervisory committee Signature Date

Dr. D. Kado **……………………….** **…………………..**
Head of Building Department Signature Date

Prof. K.Bala **……………………… …………………..**
Dean of School of Post graduate Studies Signature Date

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Dedication

This study is dedicated to my entire family for their support and guidance throughout the programme.

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Abbreviations

GDP: Gross Domestic Product

FCT: Federal Capital Territory

HND: Higher National Diploma

OND: Ordinary National Diploma

PGD: Post Graduate Diploma

REDAN: Real Estate Developers’ Association of Nigeria

RII: Relative Importance Index

SPSS: Statistical software package and Service Solutions.

Abstract

This study investigates the factors driving property investment decisions by private developers in Abuja. Theimpact of the economic activities and surging population influx in areas with high population growth and urbanization suffer from housing or property deficit due to unassessablity of driving factors that influence private investors' decision into property. The aim of the study is to assess the factors driving private developers' investment decisions with a view to enhancing property development activities in Abuja. The study investigated the reasons why private developers choose to invest in property,the economic and non economic and property related factors that impact on property investment decisions and also examined the property types developed by private developers in Abuja. It further examinedconstraints to property investment. The study population of Real Estate Developers Association of Nigeria (REDAN) in Abuja is 356; quantitative research was adopted for the study. The study made use of well structured questionnaire to collect expert opinion on the issue of interest. The data collected were analysed using the Relative Importance Index (RII) and mean. The study established that capital gain; long term wealth creation and financial security are the reasons why private investors choose to invest in property which were ranked first with Relative Importance Index (RII) of 0.87. The study also established that capital market (equity and debt) is the most influential economic factor that drives property investment (RII= 0.87). Performance of the building construction sector (RII=0.84) is the most significant non economic driver of investment into property. It is also found that mortgage repayment is the major constraint to property investment (RII=0.86). The study concludes that financial security, capital gain, long term wealth creationare thereasons why private investors choose to invest in property. It is also concludedthat capital market and performance of the building

construction sector are the major economic and non economic factors driving investment decision in property respectively .It is recommended that property investors should consider attributes likes workmanship quality, location dimension of land property category (detached, semi-detached) and neighborhood attractiveness significantly affect property values reason being that the value of a property is the key as properties with such attributes are likely to have their value period last longer than the properties with no such attributes.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

According to Lewis (1994), real property has continued to play a role in human's evolution. It is not a coincidence that food, shelter and clothing believed to be the three essentials that sustain mankind, also have some linkage to landed property. Indeed, whether in ancient times or today's modern system, land property constitutes a significant index for man's wealth, and as economic activities have assumed more complication over time, real property has continued to play role in their development. There is hardly any business venture that does not require to be supported by some form of real property. From the small business that requires real estate as office from where its business can be organized, to the major venture that needs it as its factory. Real property investment is essentially connected to the economic development and well being of any nation, thereby necessitating some intervention by prudent governments (Ratcliff, 1999).

According to National Bureau of Statistics (2010) the construction industry in Nigeria is a fast growing sector of the economy which recorded a growth rate of more than 20% between 2006 and 2007, this growth has however, not been commensurate with the growth of Nigeria's total Gross Domestic Product (GDP) as the overall contribution of the construction sector to the country's GDP remains very low at 1.83% in 2008, Key factors that have contributed to the growth in the construction and property sector include high demand for building across all sectors of the economy(Trade Invest Nigeria, 2012).

Property investment is quite significant in Nigeria especially in the Federal Capital Territory (FCT) Abuja. This is basically due to the rapid urbanization and surging population arising from rural-urban and urban-urban migrations created by the natural tendency for people to move toward the FCT as the seat of Federal Government of Nigeria. Ajanlekoko(2007), observed that property demandin the FCT had not been matched with adequate supply. The efforts of the Federal Government to address this led to government's encouragement and partnership with private estate developers on mass housing programmes in the FCT (Fortune-Ebie, 2006). As at 2010 there were 356 private estate developers in partnership with the FCDA on mass housing programmes, with 4,158 complete housing property units as against the projected 35, 859 housing units. This gives an achievement of only 11.6 percent of the targeted housing production and calls for more private investors to participate, (Federal Capital Territory Administration, 2010).

Jhingan (2004), explained that investment involves buying shares, stocks, bonds and securities which already exist in the stock market.But this is not real investment because it is simply a transfer of existing assets; hence it is called financial investment which does not affect aggregate spending.Property investment refers to real investment which adds to capital equipment. Investment leads to increase in the level of income and production by increasing the production and purchase of capital goods;it is often done in the form of capital gain or regular income cash flow or could also be both, (Fidelis and Chinedu, 2011). Investment property include any property that is purchased or built with the intention of gaining a return and it is considered as investment property either by renting the property, profiting over time from appreciation, buying low and selling high, or renovating the property and selling it for more than the purchase price. Investment property can be residential building, commercial building, factory and vacant land. The term investment property usually describes property that the owner does not occupy, but in some cases, the owner may occupy a portion of it(Arrondelaand Leferbvreb ,2001).

Investment decision requires the discounting of future costs and benefits to assess the present value. The optimal allocation ofasset forms an integral part of the investment decision making process(Marks *et al*., 1991). Landed property, as an investment class with a multiple asset portfolio, has long been accepted by individual and even institutional investors as an important asset class for diversification (Adair *et al*., 1994).Every purchase of real property is an investment; the investment aspect of real property is based on its durability and use over time(Henderson and Ioannides, 1983). The owner can transfer the property as rent, the owner is treating the transaction as an investment, he could relinquish the ownership in return for capital sum but prefers to retain it and receive an income(Cadman and Austin, 1990). The income in this case is either a cash payable or savings in rent which will otherwise be payable. Real property has a relative durability and element of protection against inflation with greater security (Jin, 2004).Private developers are property developers within the private sector. They acquire buildings or land in order to construct or refurbish building projects on site. Private developers aim to generate a profit, as opposed to the government which aims to provide buildings for social and welfare reason. The buildings that they construct are typically sold entirely or in part to others or retain as assets to produce cash flow via renting them (Berkovec, 1989).Real property may be acquired by auction, tender, private treaty take-over bid or purchase through the operations of developers(Fidelis and Chinedu,2011).

1.2 Statement of the Research Problem

According to Arrondela and Leferbvreb (2001),real property business remains invariable through out time; this is true because nowadays the demand on land and property is increasingdue to overpopulation, and urbanization and economic activities that have inevitably influenced the rapid property development increase. The problem of property deficit particularly as indicated by many experts is obviously enormous and complex particularly in terms of quantity and quality, the uncontrollable growth of urban settlements and the development of uncoordinated policies encourage the emergence of the slum (Gumel, 2000).

Nigeria is a developing country with fast growing economy, it is ranked with an estimated population of over 140 million which growths at an estimated rate of 2.8% per annum, the rate of urbanization in Nigeria has witness tremendous increase in the last decade (National Population Commission, 2006). As such areas with high population growth and economic activities suffer from housing or property deficit due to unassessablity of driving factors that influence private investors' decision into property.

1.3 Justification of the Study

According to Raji (2008), real property delivery in Nigeria is either provided by the government or private sector. Despite the government access to factors of property production such as land and capital, the country could at best expect 4.2% of the annual requirement. The draw back of property deficit is hampered by the overpopulation and urbanization pattern as well as absence of private developers with motivational factors to develop more properties (Daramola, 2009). Therefore as stated by (Ogungbemi and

Olanrewaju, 2016) increase in property investment through property development is one of the major ways of curbing housing property scarcity in nation like Nigeria that is currently experiencing rapid urbanization.

Since the aforementioned propertydeficit is a reality that we cannot afford to ignore due to its importance in the overall economy of the nation, the logical step to take is to make a careful and in-depth analysis/study on how the property development can be increased with proper assessment of driving factors that influences one's investment decision into property. This is particularly important considering the fact that Nigeria is a developing country. It therefore justify why the study on evaluation of factors driving property investment decisions by private developers in Abuja, Nigeria.

1.4 Aim and Objectives

1.4.1 Aim

The aim of this study is to evaluate the factors driving property investment decisions by private developers with a view to enhancing property development activities in Abuja, Nigeria.

1.4.2 Objectives

1. To investigate the reasons why private developers choose to invest in property.
2. To assess the economic and non-economic as and property related factors thatimpact on property investment decisions.
3. To examine theproperty types developed by private developers in Abuja.
4. To determine constraints to property investment.

1.4.3 Research Questions

In order to comprehend the issues relating to private property investment decisions, this research laid three questions as follows.

1. Why did private developers choose to invest in property?
2. What are the economic and non-economic as well as other related factors that have significant impact on property investment?
3. What are the most common property types developed by private developers in Abuja?
4. What are the constraints to property investment?

1.5Scope and Limitation

1.5.1 Scope

The study has evaluated the factors driving private developers' investment decisions in Abuja being one of the fastest developing cities in the world, where the activities of the private developers are obvious in investment properties. The population of the study coversprivate developers registered with REDAN in Abuja properties (Investment properties).

1.5.2 Limitation

The study faced with lack of cooperation and unwillingness by some private developers, the response rate would have been higher.

CHAPTER TWO

LITERATURE REVIEW

2.1 Concept of Property

According to Lorenz (2006), a property has no single or widely accepted definition and various academic training such as anthropology, economics, law and sociology that treat the concept more systematically and between the various areas and fields the definitions vary. In a well-known imagination and usual usage, a property is regarded as one's possession and this signifies the relationship between the individuals and objects which is always seen as the holders' own things.

Ajanlekoko (2001), asserted property rights are the bases which derive the holders to develop the property, accumulate wealth, and ultimately allocate resources based on the activities of the market for better living. In general, property can be classified into real estate, immovable property, estate inland, tangible and intangible, personal property, and interest; land improvements. Personal property may refers to cars, clothing, animals and intangible ones are financial instrument (stocks and bonds), which includes intellectual property such as patents, copyrights etc.

Ajayi (1998)observed that property is recognized as a distinct asset class, it suggests possession, or better still, the belongings of a person which he can deal with as he likes. In legal term property is defined as the highest right a man can have to anything, being that right while, one has to lands or tenements, goods or chattels which does not depend on anthers courtesy.

Two different meanings of property in law:

1. The right of ownership: where someone lends his goods to a friend, the property is still that person's own. While the goods are with the friend, the property in the goods remains in the lender. This is thus speaks of property in land, which is in the possession of another. This include the right to use, right to alienate, right to assimilation, and right to claim to title.
2. The objective of ownership: it may be said that certain goods are the property of a certain or speaking of land, that the property of one person adjoins the property of another, or that the property may consist either of immovable things, such as lander of movable things as coined money.

The meaning of the word property, when used in connection with values and valuation is closely associated with the idea of ownership. A "valuation" can in fact be defined as the determination of monetary value at some specific date, of property right encompassed in the ownership. Ifediora (1993) these rights are the exclusive rights to possess, to enjoy, and in some case to dispose of a thing owned. Property rights devolve on the legal concept of ownership. This is in general the rights of ownership which are defined and protected by law. It is the exercise of rights of ownership that animals, property to attain its value potential or utility.

Various factors upon which property rights are widely depend on. Below are the three significant ones used under most condition?

1. The use and enjoyment of the income and benefit
2. The use and enjoyment of the property
3. The rights to alienate, dispose of, transfer and otherwise transact with the property.

In general terms, property is the right to the use of an economic good. The right of use and enjoyment of property is one of the fundamental elements of ownership. The valuation of property is indeed, the valuation of the right to the use of the property. This provides one of the value concepts, value in use or value to the owner, the right of use and enjoyment. Together these two groups of property right from the fundamental underpinning of the income or investment valve concept, Adair *et al.* (1996). The right of alienation enables an owner to transact with the property by way of lease.It is this right which results in the exchange or market value concept. According Lerano (1992), the rights of ownership are however not absolute, they may be limited, usually be statues or acts of government or by previous actions and creations of the owner. The scope of property rights and limitation thereto are pertinent, since valuation is an attempt to put monetary value to these rights.

2.2 Nature of Property

First we need to have clear idea of these property rights, what are they? For details of these rights, there’s need to adopt the legal classification of property under the listed items (Bhagwati, 2015):

1. Movable property; chattels;
2. Immovable property; lands and
3. Intangible property; rights

2.2.1 Movable property (Chattels)

According to David (2015), chattels are goods possession over which the rights for ownership here in discussed apply. The determination of the monetary value of property rights encompassedin ownership brings chattels within the orbit of appraisal. The rights of property in chattels include the three significant rights of ownership.

1. The rights to use and enjoyment of the chattels
2. The rights to use and enjoyment of the income from chattels.
3. The rights to sale traffic or dispose of the chattels.

Most chattels are owned for their use and enjoyment consumable goods and possession, because of their very nature, are not generally subject to appraisal functions. Some movable properties are owned for some purpose other than use and enjoyment, for example, investment that is for the receipt of future income or for capital appreciation. Such chattels are capable of valuation and do feature in appraisal application, they include:

1. Machinery
2. Equipment and vehicles
3. Furniture and furnishing

2.2.2 Immovable property- lands

According to Lorenz (2006), land or landed property is the commonly used wealth in Nigeria in referring to ownership of land as district from ownership of other than chattels. Real estate or real property, though known and used is a term for the same thing; they are more commonly used in United States (US), Canada. The use of the term land or real estate appears to refer to the physical land and appurtenances including structure affixed thereto. The main characteristics of land or real estate are its immobility and tangibility. It comprises land and all things of a permanent and substantial nature affixed thereto, whether by nature or by the hand of man. By nature it means trees, natural resources, by the hand of man refers building structures, fences and bridge, which the owner erects upon the land (Bhagwati, 2015).

2.2.3 Incorporeal properties (Intangible)

According to Ken Moon (2009), incorporeal properties are rights of ownership not backed by the physical incident of property. Otherwise, such rights satisfy the other attributes of property, namely: Patent, License, Royalties and Debentures.

2.3 Property Market

According to Marks *et al.* (1991), residential property demand could be divided into two distinct classes that is either for own stay or for investment. They further suggested that even own stay property has both own stay consumption and investment role due the fact that the own stay property comprises a resell value and it could be traded in the subsequent time.Cassidy *et al.* (2012) argued that both the investment demand and consumption demand have their unique purpose,which is for family usage and for income respectively. However residential property is an investment tool that is unique from other economic means andit is said to be illiquid, heterogeneous (unique in location, size, and accessibility to the nearest facilities as high transaction and information cost are incurred.Linneman and Watcher (1989), defines transaction cost as the cost of legal fee, stamp duty, agency negotiation and alike and information cost such as cost individual or company spends for investigating the profitable investment.

2.4 Types of Properties

2.4.1 Commercial properties

According to Lerano (1992), commercial properties are properties built for commercial purpose. Commercial properties are real properties of any kind, which accommodate those who are engaged in any trade or profession with the expectation of profits. However, these properties are used solely for business purposes and investor (developer) usually owns the building and collects rent from each business that operates within the structure. Sometimes, the developer could build for outright sale and subsequently appoint a facility manager.

2.4.1.1 Types of Commercial Properties

According to Ifediora (1993), basically the decision to lease, rent or purchase commercial properties is generatedby prospect for returns from the use of properties that suit the needs of a firm or company. Investors might make purchases just rent out to the prospective tenants. Builders, promoters and speculators, may develop new properties for lease of sale to business firms. The decision to engage in such business there fore depends on present level and future prospects of general business conditions or the relative prosperity of that particular line of business. Some of the categories of commercial property include: Ultra-modern malls and event centers, office buildings, recreation centers, concession, hospitality, restaurant and fast food outlets etc. but this study will consider a few commercial properties.

There are three main types of commercial properties namely: Office, Shops, Commercial and Warehouse, etc.

Offices:

These are premises which are generally used for professional or trade purpose. They do not consist of selling goods or showrooms, they are buildings where higher sectors of economic activities are carried out such activity includes the services rendered by banks, insurance companies and professional lawyers, valuers etc. however, offices are service industries consisting of those experts whose role essentially advisory as opposed to being directly productive in the industrial sense (Ifediora, 1993).

Shops:

According to Gareth (2012), shops are buildings or part of building where goods are displayed for sale on either the retail or wholesale basis. They are very wide in area from small sized shops cover floor spaces of about $20m^2$ or less net floor area. The medium cover floor spaces between $50m^2$ and $100m^2$ net floor area and are found in major streets or roads in some part of the town. Income from shop property generally forms a very sound type f investment, attractive both the private investors and to cooperate bodies such as institutions, pension funds and insurance companies.

Commercial Warehouse:

This is a commercial property usually for storage purpose or sale of goods at same time. However, the warehouse has been generally understood as a building used primarily for the storage purpose and has been define as a property or structure designed and used for storage of wares, goods and merchandise (Ifediora, 1993).

2.4.2 Residential properties

Residential properties are properties that provide housing for accommodation,. Residential properties cover the whole area of property types such as condominiums, residential house, service apartments, townhouses and bungalow. They are characterized to providing shelter, security, comfort, privacy and investment. They are type of properties meant for living purposes. It is ranked second in the hierarchy of human needs; being most important after food (Lerano, 1992).

2.4.2.1 Types residential properties

According to Lerano (1992), residential properties cover a wide range of properties which are categorized into the following:

1. Bungalow (detached/semi-detached)
2. Block of flat
3. Detached houses
4. Duplex (detached/semi-detached)
5. Service apartments

2.4.3 Industrial properties

Pearl mutual consult (PMC, 2009), explains industrial propertiesare used for manufacturing and production. Usually involves the construction of warehouse and factory floors. This sector of industry is not so robust in, due to the current low level of manufacturing activities in the country. Industrial properties can generally be broken down into three sizes namely: small (single or double-storey building) zoned for industrial used, large (medium to large warehouses and factories) design to manufacture or store goods and enormous (big-box industrial space) used as logistics and distribution centers. Investing in industrial estate provides benefit including higher rents, longer leases, low-maintenance building.

2.5 Classification of Property

According to Trott (1980), properties are classified into three namely:

Investment Property,

Marketable non-investment properties and

Non-investment and non-marketable properties.

2.5.1 Investment property

Gareth (2012), investing is a choice many people make at one point or another, in the hope of bringing wealth to their lives, an investment property has many benefits and if chosen carefully can provide solid financial returns. However, it can also be an expensive asset to acquire andmaintain. Trott (1980), discovered that there are many upfront and ongoing costs which need to be taken into this include: initial cost (e.g. deposit, loan establishment fees, mortgage insurance, connections, stamp duty and legal), cost of investing (e.g. insurance, yearly mortgage fees, land tax, government taxes), cost of investing (e.g. body corporate fees, mortgage repayments, utilities, property management, repairs).

Gareth (2012), further explained that basically, there are those properties which are expected to produce benefits in the form of direct monetary return, an investment property is one, which is produced, acquired or held for the sake of monetary income or monetary profit. An investment property is thus said to have an earning expectancy, the term earning expectancy denotes the net monetary returns beginning with the valuation date and continuing to the data the ownership terminates. The property maybe classified for valuation to determine whether or not it may be expected to produce benefits in the form of direct monetary returns, if the subject property does have earning expectancy, it is classed as investment property regardless of any other consideration, if it does not; it is classified as a non-investment property. Examples of investment property include interest or estate (PMC, 2009).

1. Residential property
2. Commercial property
3. Industrial property etc.

All are held for flow of income, capital gain or both. This study will focused on residential and commercial properties.

2.5.2 Pros and Cons of investment property

However, property investment is not for everyone. Thus if you are considering investing in property, it is important to weigh up the pros and cons, (David,2016).

2.5.2.1 Pros

1. Capital growth: the value of your property will grow over time and may be extremely beneficial financially if chosen well. Not only will you benefit from steady capital growth, but regular monthly rental returns.
2. A Safe investment: this is the only investment market which is not dominated by investors, hence creating a natural buffer in the market. It is also the most forgiving investment; if you purchase the worse house in the area, chances are that its value will still increase over time.
3. Anyone can invest: you do not have to posses a vast amount of knowledge, as you may with stocks or opening up a business.
4. Control: Unlike other investments, you are in full control of your property investment; you can make all the decisions and have control over all of your returns.
5. Tax Benefits: Although tax benefits should not be used as a decision-making factor, it can be a benefit of investing in property. If your property is negatively geared, it may provide tax benefits.

2.5.2.2 Cons

1. Liquidity: Although you can sell your property if things get tough, the process is not as quick as it is to sell other investments such as shares.
2. Hidden and ongoing costs: Along with the initial costs of investing in property (i.e. stamp duty, deposit, legal and conveyance fees), you will need to consider the ongoing hidden costs of property investment such as fitting out the property,

maintenance and repairs, building and landlord insurance etc. other investment do not incur ongoing fees.

3. Rent free period: During the periods when you are unable to find a tenant and the property is vacant, you will need to cover the mortgage repayments.
4. Other costs: Although negative gearing may offer tax deductions, you will need to consider and budget for the shortfall between repayments and rental income as well as the cost to cover repayments when the property is vacant.

2.6 Private Developer

A private developer is a property developer within the private sector. A private developer acquires buildings or land in order to construct or refurbish building projects on site. A private developer aims to generate profit, as opposed to the government which aims to provide buildings for social and welfare. The buildings private developer constructs are typically then sold entirely or in part to others, or retained as assets to produce cash flow via renting them out to occupiers who lease them as opposed to owning their own (www.ukhousing.wikia.com, 2015).

A property developer is defined as an entrepreneur who is committed to assuming the risks of mass housing production in advance of sale (Mabogunje, 2002). Another researcher, Gumel (2000), classify private property developers into four: the first is land developer, one who acquires land (s); prepares the plots and make them available for prospective builders. Second is on-site developer, one who acquires land(s) and builds structure for sale. Third are merchant builders, developers who could be local industrialist that build several units of houses of similar design with the aim of achieving economies of scale in the production house and sell them right away to home buyers. The last are Developers investors who are similar to merchant developers except that the ownership of the constructed building is retained and then rented out as tenants, and a prefabricated housing producer who is a developer that produces housing units with prefabricated components on site. Okupe (2000), also in his study categorized property developers into two basic categories: first are those who most of the time are invited to construct housing project funded by private sector or government and second are those mostly involved in building houses and sell them directly to members of the public.

2.6.1 Characteristics of a private developer

In the developing countries of the world, government controls the national resources, makes annual budgets and polices aimed at improving the country's economy. It also the one (government) controls demand and supply and the flow of money through the Apex bank (e.g. Central Bank of Nigeria) and other policies (e.g. taxation). Bamisile (2004), in his study stated that a property developer must be able to analyze how every move of government will impact on the direct residential and commercial property delivery. He should be able to have clear idea of cost of construction materials and when they are likely to increase and why, when it is safe to import certain material. He must understand the government housing policies, he should be aware of laws and policies that are either favourable or unfavorable to housing delivery. He also needs to understand the demand and supply pattern regarding housing in nation, determine areas of shortfall in supply to have a clear idea where he concentrates his investment. Bamisile (2004), concluded that a property developer should be aware of the population distribution and urbanization pattern. His analyses of population distribution must be in line with the socio-economic to determine the type of suitable property for different location. He must also monitor policies and activities concerning the five factors of housing production (e.g. land, labor, capital and equipment).

2.6.2 Major intensions of private developer

The National Housing Policy (2006),stated that despite the government intervention in the property market, private developers have been consistently responsible for providing about 90% of the total housing stock in Nigeria. Okupe (2000), in his study also declared that viewing the past and present contributions of the private property developers, in order to increase the nation’s property stock, they need to be mobilized, organized and motivated. Olanrewaju (2010),identified four major intensions of private developers’ participation in property development. These are investment, speculation, occupation and motivation.

2.6.2.1 Investment

In this case, the property constructed is retained but let out for prospective tenants. This secures to the developer a regular flow of income through rents.

2.6.2.2 Speculation

The property is built for sale, but the huge cost of construction and relatively low sale price due to market price would not allow an immediate disposal of completed property basically for a reason of insufficient return on capital invested. Generally, the property is normally speculated until when the price is satisfactory.

2.6.2.3 Occupation

Some of the private property developers also engaged in property development to provide for owner occupied development schemes, for instance, when a company builds for members of the staff to occupy.

2.6.2.4 Motivation

Private property developers are often motivated by certain incentives from government. This occurs when granted some tax exemptions on their investment projects, if basic infrastructures are made available, when land is allocated to them without any controversy and alike.

2.6.3 Reasons private developers choose to invest in property

According to Seelig*et al.* (2006), investors are motivated to invest in the property for a variety of reasons; however, the expectation of profit dominates. Investors embark on a clear plan of wealth creation, to develop long-term financial security and build an asset base, and to secure future retirement income. For others, it is connected to the need to diversify investments, to spread financial risks, establish an alternative to superannuation, and build a balanced portfolio. Investors also feel a sense of control with property as it is a tangible product; one that can be seen and visited, and potentially adapted or used in various ways.

Some researchers Cassidy *et al.* (2012),identified a very strong demand in the property investment and this has become one of the most preferred investment asset classes by the investors. De Bruin and Flint (2000), in their research opined that benefits of rental income and long term capital gain are main reasons why investors chose to invest in property investment.Similarly, Gaynor (2000) revealed that property investments were actually used to hedge against stock market risk thus being as a diversification tool. Investors over the world preferred to invest in the stock market due to higher liquidity and lower entry costs. However when the stock market is overpriced comparison to suit profit levels, the stock market becomes a risky investment and thus private investors will diversify in property investment. The same study argued that rental income was one of the reasons for property investment as being able to “get rich because the tenant pays for the mortgage”. Mathew (2013),concluded that property investment performed well with positive return. The above studies recognized that property investment is a common investment diversification tool. Therefore, the superiority of risk-return performance of direct properties investment relative to common stocks and other type of investment have yet to be proven (Sirmans and Sirmans, 1987).

2.7 Factors that Drive Property Investment Decision

Property investment decisions are reliant on information upon a property as a low-risk investment, guaranteed to yield long-term capital gains, are key motivators for small-scale private property investors, (Gallimore*et al*., 2000). However, not all motivating factors are economical, but personal goals and personal or family circumstances are among the non-economical factors that play key part in investment decision. However, Seelig*et al.* (2009), opined that investors are motivated to invest in the private property market for a number of reasons. These include economic factors, personal goal (i.e. retirement home or future home for children at university) and household circumstances (i.e. proximity to their own dwelling). Investors perceive property as a long-term, safe and stable investment that is low risk and will produce guaranteed returns(Seelig*et al.*, 2006). Investors largely expect capital gains from investing rather than other yield .This study will focus on the economic and non-economic factors.

2.7.1 Economic factors

Brown *et al.* (2008), studied the factors for property investment in Australia, and asserted that the most important factors were increase in disposable income, low mortgage loan interest, high inflation rate, and easy access to mortgage loan, low Real Property Gain Tax (RPGT). They were of the opinion that these economic factors are the major factors that drive property investment market. In New Zealand,De Bruin and Flint (2000) found that economic factors were entirely the major purpose for property investment. The factors include wealth accumulation and capital gains, as well as for retirement income. All this are among the factors of property investment decisions. De Bruin and Flint (2003), argued that low property gain tax does not affect the property investment in New Zealand as the gain from property is tax let off.

Hashim (2010), opined that property investment is the tool for personal wealth and has identified three (3) economic factors that affect its value which are user market, capital market and the government. Shemin (2002), also explained that property investment is the best in class wealth builder for five major reasons: property appreciation, consistent rental income, ability to lock in profit immediately when purchasing under value property, tax advantage, and ability to invest with zero down payment. Some researchers such as Goodhart (2011), (Kupke*et al.*, 2005) added a valuable variable which is inflation rate and money supply while Halicioglu and Ghatak (2007) were of the opinion that the driven needs of property rental income include positive capital gain, retirement income needs, and influence from family and friends. They further highlighted that the macroeconomics factors such as GDP growth, alternative investment such as stock exchange index, income per capita are among the motivators for property investment. Another Malaysian researcher, Tang (2008) reaffirmed that household income, unemployment rate, low interest rate and expected return on alternative investment from stock market raised the property investment demand in the Malaysian context. Brian *et al.* (1991), have identified distinct economic factors which include cash-flow benefits flowing from rental income, capital gain from property values increasing over time, 'equity' profits derived from attaining substantial or outright ownership of property, and taxation benefits from off-setting rental losses or reducing taxable income through negative gearing.

Shroder (2001), in his research found that the economic models of personal investment decisions tend to emphasis the after-tax returns to alternative investment and size of personal net wealth. He added that there are essentially three motives governing the investment decisions. First, whether the net return from rental investment is higher than alternatives; second, the liquidity of the asset that is the vehicle for investment and accumulation of savings, and third, the perceived risk.Seelig*et al.* (2009),uncovered important information about key parameters closely related these motives.

2.7.1.1 Capital gain

The expectation of capital gain is an important influence or attraction for investors. Those expecting healthy capital gains are more likely to retain investment properties. Seelig*et al.*

(2009), also reported that capital gain is found to be one of the strongest motivating factors. It is reported to be an almost ‘universal’ belief that if you stay glued to the property for quite long time, a capital gain will eventuate, and ‘capital gain will double (the value of your property) in ten years’ is a common expectation

Clark (1995), in study reported that properties that have low current gross rental yields will tend to have higher expected capital gain. This means that market competition will equalize rates of return across market segments; if there are segments with relatively low gross rental yields, this must reflect high expected capital gains and a healthy interest from the investors who forced down yields as they compete to acquire properties in these market segments. He concluded that investors are less likely to hold on to properties with low expected capital gain.

2.7.1.2 User cost

The returns to an investment will help determine whether investor acquires an asset to add to wealth portfolios, and will help determine future investment intensions. The investor’s user cost of capital is the hurdle rate that gross rental yields must at least equal if a competitive return is to be achieved and will therefore be a potentially critical variable (Clark, 1995).

2.7.1.3 Wealth portfolio and debt considerations

Shroder (2001), commented on the emphases of fixed cost of participatory in property investment, he said these are the cost that must be met if one is to become a real property investor, and do not vary or vary very little with the amount of investment. Typical example might be deposits and transaction costs, such as stamp duty. He added, the implication is that there is some size threshold that wealth portfolios must reach if rental investments are to be an asset in portfolios that command competitive returns.

Seelig*et al.* (2009), discovered that the need to diversify investment or spread financial risks is also motivator for investment in property. Those who hold life insurance and have large amounts of wealth tied up in superannuation may therefore be more likely to invest in property to balance their portfolios, and be more likely to stay glued to their property investments, Landstron (1995). Chan (2002) considered that another motivator for property investment is the ability to leverage by using other people's money. This leveraging method does not apply on other investment asset classes such as stocks, commodity, and forex investments. Due to the leveraging feature of property investment things like interest rate, easy access to mortgage financing will influence property investment decision (Kennedy, 2003). The need to eliminate or pay off debt could be a factor influencing both the capacity to leverage acquisitions of rental property and future intensions. Wood (2002), concluded that the models of survival and propensity both include measures of gross wealth, superannuation balance and secured debt.

2.7.1.4 Capital Market

Capital market refers to the market for all the various sources of capital for either lending or investment including government and corporate bonds and corporate stock, as debt and equity capital for real estate. Real estate income property is often brought and sold by investors who are primarily interested in the rate of return that they expect to earn on the investment. Real estate investments are typically financed with mortgages that are obtained from various types of financial institutions, including banks, insurance companies and mortgage real estate investment trust. Real estate values are influenced by the trends in the broader capital market. This is important for real estate appraisers to be aware of rates of return that are currently available for alternative investment and have general understanding of the market for real estate capital(Jeffrey and Robert, 1994).

2.7.2 Non-economic factors

Seelig*et al.* (2009), in their study augmented on the knowledge of motives prompting investment in real property in Australia. Their study has investigated the non-economic factors that motivate property investment in rigorous manner. King and Leape (1998), suggest that the following personal circumstances and attitudes feature as factors of importance in shaping invest to realize investments in real property.

2.7.2.1 Age and retirement

Kennedy (2003),found that numerous investors claim that they are embarking on a plan of wealth creation, developing long-term financial security building an asset base through capital gains or rental return. This thinking is formalized in the life cycle model of consumption and saving. Also, kohler and Rossiter (2005) reported that household will seek to smooth consumption in old age by saving and accumulating assets once during their working lives, and drawing down on these asset once retired.

2.7.2.2 Windfall gains and changing personal circumstances

According to Kemp and Rhodes (1997), windfall receipts (e.g. bequests, inheritance/gifts) and changes in personal circumstances (e.g. divorce and re-partnering) can closely associate with investment and disinvestment.But Kohler and Rossiter (2005), said that abrupt changes in personal circumstances can also be associated with major changes in the size and composition of wealth portfolios. Divorce, for example, requires the division of assets, and this might well require couple to sell a rental investment.

2.7.2.3 Attitude to risk and saving

Property investment appeals to the risk averse because it is perceived as a low risk tangible asset that can be consumed by moving in and using it as a principle residence, it include Life insurance whether own life insurance, financial risk-taking whether unwilling to take financial risks, savings time horizon whether savings time horizon is less than one year saving habit whether save regularly each month (King and Leap, 1998).Property's real returns are also believed to have lower mean and variance than stock and bond returns and it is a feature that is attractive to the cautious investor(Norman *et al*., 1995).

2.7.3 Factors that affect the value a property

Ge and Du (2007),discovered that real property has no value if it has no utility, nor scarce or effectively demanded neither is the utility derived from the brick and mortar alone but in some unique characteristics packaged in its location, neighbourhood and infrastructure which are equally desired by the consumers. Various studies have examined factors affecting property values and have identified the following, location, size, neighbourhood characteristics, economic activity, population, transport etc.(Oyebanji, 2003). Kauko(2003), group the variables determining property values into neighbourhood variables, accessibility (location) variables and property variables. Nicholls (2002), further classified factors affecting property values as follow:

1. Neighbourhood attributes e.g. socio-economic characteristics of neighbouring residents, quality of neighbouring structures,ownership/rental, ethnic composition
2. Locational attributes e.g. proximity and accessibility to various amenities including waste sites, powerlines, highways,shopping centers, churches, schools, cultural opportunities, airport, public transportation.

Igbinosa (2011), discovered that factors like property features such as property category (detached or semi-detached house etc.) Neighborhood attractiveness (highly, fairly or poorly attractive etc.) number of bathrooms, dimension of land, the age of property, property type (mansion, tenant house etc.) and neighborhood have significant influence on property investment decision. He conclude that property developers should focus more on property features as they have a greater impact on market values for efficient valuation, improved quality of their sales/ purchase decisions. Nasir (2009), in his study found that quality of workmanship also affects the market value of a property. Abdul Majid (2008), reported location comes down to affordability more than anything else, he added that some property buyers very specifically targeted low-cost properties in high demands areas to guarantee return through minimal vacancy periods. Some were attracted to the low end through renovation or development potential. Investors must generally take note of physical features and condition of a dwelling when it comes to investing in property.

Location is the dominant consideration when selecting a particular property. Inner city dwellings are popular due to a perception of high demand and thus guaranteed capital gain. However proximity to the investor’s residence is also as important for property management.

2.8 Constraints to Property Investment Decisions in Nigeria

According to Fidelis and Chinedu(2011), in their study**,** discoveredconstraints facing real estate development investment in Nigeria ranging from shortage of finance, institutional factors such as the effect of the Land use Decree and Rent control, edicts, shortage and high cost of building materials, manpower and management problems. About 90% of total housing property provision has traditionally been provided by the private sector(FRN 1992; Buckley 1993; Ajanlekoko 2001).

However, Ogu (1999), noted that 54% of residential accommodation is being provided by individual private property developers as a result a property might take a longer period to complete or acquired because finance is not available. Unfortunately, the private sector is saddled with numerous problems which make supply always fall far short of demand and lower production quality (Nubi, 2008). Okupe (2000) and Gumel (2000), concluded that factors that limit the number of property production include high cost of land, accessibility to finance, mortgage repayment, high cost of building materials, Government regulations and bye laws, cost of labour and inadequate facilities, improper distribution of funds and improper management.In property business investors appreciate transparency of information and trustworthiness in a market. They are afraid of risk factors like market transparency, lack of market knowledge and lack of investment experience (Kahraman 2011; Trappey*et al.* 2007), which are likely to make them under invest (Volker *et al.*, 2009).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Preamble

This chapter highlights the data collection and analysis procedures used in this research work. The main thrust of the chapter includes information on the research design, the target population, the sampling procedure adopted, description for the instrument for data collection and statistical analysis employed.

3.2 Research Design

The research method adopted for this study was a quantitative research as it is mainly involves a categorical data which seeks private developers' responses in attempt to examine the area of interest concerning the study. A well structured questionnaire was adopted and used to collect data from respondents regarding the study in the area of interest as it allows drawing a statistical inference to be made from the study through the sample of the population; this is becauseDe Briun and Flint (2000), in their study stated that questionnaires are associated with quantitative research. A questionnaire is simply a tool for collecting data and information about a particular issue of interest; it is prepared in a well structured format and covers large number of population. Questionnaires have a definite purpose that is related to the objectives of the research. For this purpose a questionnaire is considered to be more suitable for the collection of data for the study.

3.3 Data Collection

The primary source of data for the study was obtained through field survey. A structured questionnaire was used and adopted in order to collect data from the respondents regarding the study in the area of interest. Questionnaires are distributed through various ways such as by mail, email, internet etc. The questionnaires were self administered and collected back within the period of four (4) months. The questionnaire for the study was designed to achieve the objectives of the study. This was done to ensure that the responses received are relevant to the study.

The questionnaire was designed in five sections namely: the personnel and organizational data, private developers' choice to invest in property, assessment of impact of economic, noneconomic and other property related factors on property investment decisions, examining the property types developed by private developers and determining the constraints to property investment decisions in the study area.

Section A – General Information about the Company and Respondent

This consist multiple choice questions that deal with the organization and respondent's information which include the name of the organization, location, membership status with REDAN, years of experience of the respondent, qualification of the respondents.

Section B – Assessing Private Developers' Choice into Property

This section attempts to investigate the reasons why respondents choose to invest in property in the FCT Abuja using Likert scale of 1-5.

Section C- Assessment of Impact of Economic and Non Economic as well as otherProperty Related Factors on Property Investment Decisions

In this section, respondents were requested to indicate their level of agreement on weather they strongly disagree or agree with the factors that drive their decision to invest in property as well as other property related factors that affect the value of their investments using the Likert scale of 1-5.

Section D- Examining Common Property Types Developed by Private Developers

This section examined the common property types developed by private developers from very infrequent to frequent using the likert scale of 1-5.

Section E: Determining the constraints to property investment decisions

This is the last section of the questionnaire and respondents were asked to indicate the constraints towards their investment decision in property using the likert scale of 1-5.

3.4 The Population of the Study

Questionnaires have a definite purpose that is related to the objectives of the research. The population of this study is private investors who according to Olanrewaju (2010),are private developers who established companies or firms who operate and registered with Real Estate Developers Association of Nigeria (REDAN) in Abuja Municipal.They consist of different professionals with knowledge regarding the property investment. The population frame is 356, registered with REDAN in the study area, retrieved from Federal Capital Territory Administration (2010). Their primary function is to engage in production of housing and other landed properties

3.5 Sampling Techniques

A simple random sampling techniquewas adopted to select the sample frame. This is because it gives equal chance for samples/respondents to take part in a research.The criteria chosen for selecting the sample was ballots which involve listing out of entire population of a research and attaching a number to each of the samples listed. Then, selection involves picking at random samples from a box of samples thoroughly mixed to make up the required sample size.

3.6 Sample Size

Since the number of private developers registered with REDAN and operate in the study area is finite, the sample size was determined using the formula in Yamani(1964)which shows that a sample size can be determined as far as the targeted population is known. The formula stated that:

$$\mathbf{n} = \frac{N}{1 + N(e)^2} \qquad \textbf{3.1}$$

Where n = Sample Size

N = Total population

e = Standard error of sampling distribution or margin of error (95% confidence interval)

1 = Unit constant

Therefore,

N = 356

e = 0.05

n =?

$$\mathbf{n} = \frac{N}{1 + N(e)^2}$$

Substituting the values above with the formula above, the sample size is

$$\mathbf{n} = \frac{356}{1 + 356\,(0.05)^2}$$

$$\mathbf{n} = \frac{356}{1 + 0.89}$$

$$\mathbf{n} = \frac{356}{1.89} = 188$$

Vandushe (2012), stated that it is suitable to add ten percent for non-responsiveness or missing questionnaires.

Therefore by adding 10% of 188 for non-responsiveness = 18.8

188 +18.8 = 207

3.7 Tools for Data Analysis

Descriptive and Inferential analysis were used to for simplicity and clarity.Data were analysedusing Frequency, Tables, Means, Percentages and Relative Importance Index (RII).This was achieved with the aid of SPSS 20.0.

Relative Importance Index (RII)

Relative importance index was employed for the inferential statistics as appropriate. This was used to rank the factors related to the study. This was calculated as follows:

Relative Importance Index (RII) = $\frac{\sum fx}{\sum f} \text{x} \frac{1}{k}$**……………………………… 3.2**

$\sum fx$ = is the total weight given to each attributes by the respondents.

$\sum f$ = is the total number or respondents in the sample.

K = is the highest weight on the Likert scale.

Ranking of the item under consideration based on their**RII** values. The item with the highest RII value was ranked first (1), the next (2) and so on.

Vandushe(2012), interpreted RII values as follows:

RII $<$ 0.44 below, item is assessed to be not significant

$0.45 \leq$ RII<0.66, item assessed to be fairly significant

$0.67 \leq$ RII< 0.75, item assessed to be significant

RII ≥ 0.76, item assessed to be very significant.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DICUSSION OF RESULTS

4.1 Data Presentation and Analysis

The data obtained for the research work is presented and analyzed in statistical form showing the mean, relative importance index and their rank. These set of data were collected through the use of questionnaires which were administered to Private Property Developers who are members of Real Estate Developers Association of Nigeria (REDAN).

The aim of this study is to evaluate the factors driving property investment with a view to enhancing property development activities in Abuja, Nigeria. This aim translated into four objectives as stated in chapter one. The analysis of data and discussion of results are presented in this particular chapter.

4.2Analysis of Administered Questionnaires

Table 4.1 shows the number of questionnaires administered to private Estate Developers. Two hundred and seven (207) questionnaires were administered. One hundred and sixty one were properlyused for study there by giving seventy eight percent (78%). This proportion can be considered appropriate and good representation of the population of the study and therefore justifiable for consideration and use based on the assertion ofAlbinu and Jagboro (2002), which stated that result of a survey could be considered as biased and of little significance if the response rate is lower than thirty percent to forty percent of the questionnaires distributed.

Table 4.1: Descriptive results of response to questionnaires administered

Questionnaire	Number	Percentage (%)
Administered	207	100
Used for the study	161	78
Not used	46	22

Source: Field survey 2015

4.3 Demography of Companies and Respondents

4.3.1 Profession of respondents

Table 4.2 shows that the respondents (37%) are Estate surveyors; this is followed by Engineers (23%), then followed by Builders, Quantity surveyors, others and Architects respectively. This can be inferred that people from all profession can invest in property provided they have some adequate knowledge about it.

Table 4.2: Profession of respondents

S/N	Respondents	Frequency	Percentage (%)
a.	Architects	12	7
b.	Estate surveyors	59	37
c.	Builders	22	14
d.	Quantity surveyors	18	11
e.	Engineers	37	23
f.	Others	13	8
	Total	161	100

Source: Field survey, 2015

4.3.2 Respondents working experience

Table 4.3 shows that the majority of the respondents (83%) have working experience of less than 10 years. This implies that new investors are just getting into the business for one reason or the other such as for wealth, building their portfolios, for financial security etc.

Table 4.3: Average years of experience of the private developers

S/N	Years of Experience	Frequency	Percentage (%)
a.	1-under 5 years	64	40
b.	6-under 10 years	69	43
c.	11-under 15 years	26	16
d.	16-under 20 years	2	1
	Total	161	100

Source: Field survey, 2015

4.3.3 Academic qualification of respondents

Table 4.4 shows the academic qualifications of the respondents. 44% have first degree, followed by those with Master Degree (25%), HNDand Postgraduate Diploma (PGD) respectively. The table further shows that none of the respondents possess either OND or other qualification. The response pattern for investors revealed that the respondents are holders of first degree, Masters Degree, HND, and PGD. The result shows that the respondents have good knowledge to provide a reliable data for the study.

Table 4.4: Descriptive Results of the Academic Qualification of Private Developers

S/N	Qualification	Frequency	Percentage (%)
a.	OND	-	-
b.	HND	37	23
c.	PGD	13	8
d.	First Degree	71	44
e.	Master Degree	40	25
f.	Others	-	-
	Total	161	100

Source: Field survey, 2015

4.4 Reasons Private Developers Choose to Invest in Property

Table 4.6 shows thatlong-term capital gain, wealth creation, financial security, rental income, tangible investment, control and diversificationare the most significant reasons why developers invest in property being ranked 0.76 and above on the relative importance index, while spread financial risk with RII 0.67-0.75, falls in significant reasons. Table 4.6 further indicates that alternative to superannuation fallsin fairly significant reasons. Therefore the study has established from the weighted RIIs obtained that the reason why private property developers chose to invest in property includecapital gain, wealth creation, financial security, rental income, tangible investment, control and diversification. This is in line with De Bruin and Flint (2000), which portrays that the benefits of rental income and long term capital gain are the main reasons why investors chose to invest in property. This is also in accord withSeelig*et al.* (2006),who asserted that investors are motivated to invest in property for a variety of reasons among which are the perceptions of positive financial returns, diversify investments, spreading financial risks and establishing an alternative to superannuation. This result implies that profit and financial security are major concern for the investors for investing in property. This is because investment property generates fixed returns to the investors, they receive constant rental payment from the tenant, the property value will increase and investors can generate more income. The result also indicated that investors can use the existing equity in property to get another loan or to purchase another investment. Investors also have control with property as it is a tangible product; one that can be seen and visited, and potentially adapted or used in various ways.

Table 4.5: Reasons private developers choose to invest in property

S/N	Reasons	Frequency response				of	No.	score	Mean	RII	Rank
		1	**2**	**3**	**4**	**5**					
a.	Capital gain	0	0	0	103	58	161	702	4.36	0.87	1
b.	Wealth creation	0	0	0	104	57	161	701	4.35	0.87	1
c.	Financial security	0	0	0	107	54	161	698	4.34	0.87	1
d.	Rental income	0	0	32	90	39	161	651	4.04	0.86	4
e.	Tangible investment	0	14	23	66	44	147	581	3.95	0.81	5
f.	Control	0	0	11	87	63	161	696	4.32	0.79	6
g.	Diversification	0	8	31	96	26	161	623	3.87	0.77	7
h.	Spread financial risk	0	17	79	39	22	157	537	3.34	0.67	8
i.	Alternative superannuation	0	14	83	16	0	113	341	3.02	0.60	9
j.	Building balanced portfolio	0	30	63	18	0	111	321	1.99	0.40	10

(1=Strongly disagree, 2=Disagree, 3=Undecided, 4=Agree, 5=Strongly Agree)
No.= Number of respondents
Source: Field survey, 2015

4.5 Economic factors that drive property investment decision

Table 4.7 shows that capital market (equity and debt interest), GDP, and user marketare the economic factors that affect privateinvestors' decisions to invest in property being ranked 0.76 and above on the Relative Importance Index, this is closely followed by high saving rate, household income, high inflation rate and income per capita with RIIs between 0.67-0.75. Moreover, low interest rate, Government policy and low property tax have the RIIs between 0.45-0.66, meaning they have less influence in property investment.This result is in line with(De Bruin and Flint, 2000). It can be inferred that the economic factors play a role in mobilizing resources and diverting them in productive investment. This brings together the buyers and sellers of securities and thus to ensure the marketability of investment.

Table 4.6: Economic factors that drive property investment decision

S/N	Economic Factors	Frequency of Response					No.	Score	Mean	RII	Rank
		1	2	3	4	5					
a.	Capital market	0	0	8	112	41	161	677	4.20	0.87	1
b.	GDP	0	3	21	107	30	161	647	4.02	0.80	2
c.	User market	0	6	19	123	13	161	626	3.89	0.78	3
d.	High saving rate	11	13	29	75	33	161	589	3.66	0.73	4
e.	Household income	11	21	17	83	29	161	581	3.61	0.72	5
f.	High inflation rate	0	33	31	72	25	161	572	3.55	0.71	6
g.	Income per capita	0	15	83	46	17	161	548	3.40	0.68	7
h.	Low interest	20	27	30	53	31	161	531	3.30	0.66	8
i.	Government policy	23	32	17	63	26	161	520	3.22	0.64	9
j.	Low property tax	24	78	37	18	4	161	383	2.38	0.48	10

(1=Strongly disagree, 2=Disagree, 3=Undecided, 4=Agree, 5=Strongly Disagree)
No. = Number of respondents
Source: Field survey, 2015

4.6Non economic factors that drive property investment decision

Table 4.8 shows that performance of the building construction sector and personal goal ranked highest among the listed non economic factors that drive property investment decision.This is followed by attitude to risk and saving, changes in personal circumstance, windfall gain and incentive from government which isranked fairly significant with RIIs between 0.45-0.66. This is in line with Seelig*et al.* (2009), which established that these non-economic factors: windfall gains and changes in personal circumstance influence property investment in rigorous manner. It can be inferred that privateinvestors engaged in property development asperformance of the construction sector is the area upon which the economic activities of area relied on.

Table 4.7: Non economic factors that driveproperty investment decision

S/N	Non economic Factors	Frequency of Response					No.	Score	Mean	RII	Rank
		1	2	3	4	5					
a.	Performance of the construction sector	0	6	12	88	55	161	675	4.19	0.84	1
b.	Personal goal	0	19	14	86	42	161	634	3.94	0.79	2
c.	Attitude to risk and saving (low risk)	0	26	81	42	12	161	523	3.25	0.65	3
d.	Changes in personal circumstance	15	26	48	72	0	161	499	3.10	0.62	4
e.	Windfall gain (bequest)	31	39	46	37	8	161	435	2.70	0.54	5
f.	Allocation of land	41	52	46	17	5	161	376	2.24	0.45	6

(1=Strongly disagree, 2=Disagree, 3=Undecided, 4=Agree, 5=Strongly Disagree)
No. = Number of respondents
Source: Field survey, 2015

4.7Other property related factors that impact on property investment decision

Table 4.9 shows that the four (4) property features that have impact on value of a property are "most significant" with their RIIs between 0.76 and above except one that falls in the range of 0.67-0.75 which is "significant". Out of the five features listed, the private developers revealed that physical quality (quality of workmanship), location, property category (detached/semi-detached), neighborhood attractiveness and dimension of land have impact on their investments. This result is in line with Igbinosa (2011), which ascertained that factors like property features such as property category (detached or semi-detached house etc.) Neighborhood attractiveness (highly, fairly or poorly attractive etc.), dimension of land, and neighborhood have significant impact on property investment. This implies that the value of property is a key in property as properties with these attributes are likely to have their value period last longer than properties with no such attributes.The result also indicates that investors are concerned with the quality of life of the occupants.

Table 4.8: Other property related factors that impact on the property investment decisions

S/N	Property features	Frequency of response					No.	Score	Mean	RII	Rank
		1	2	3	4	5					
a.	Physical features (workmanship/quality)	0	0	10	71	80	161	714	4.43	0.89	1
b.	Location	0	0	28	72	61	161	677	4.20	0.84	2
c.	Property category (detached, semi-detached)	0	0	37	98	26	161	633	3.93	0.79	3
d.	Neighborhood attractiveness	0	0	62	57	42	161	624	3.88	0.78	4
e.	Dimension of land	17	34	66	28	16	161	475	2.95	0.59	5

1=No impact, 2=Low impact, 3=Medium, 4= High, 5= Very high, No. = Number of respondents

Source: Field survey, 2015

4.8 Common property types developed by private developers

Table 4.10shows that bungalows (detached/semi-detached) and block of flats which haveRIIs of 0.82 are the property types that are most frequently developed by private developers in Abuja, while duplexes (detached/semi-detached) and shopping centers are frequently developed with a weighted RII of 0.73. The rest are less frequently developed property types. From the study, it was found from the result, property types such as bungalows (detached/ semi-detached) and block of flats are most frequently developed.This can be inferred that prospective buyers/ tenants affect their decisions in determining the kinds of property types to develop in the study area.

Table4.9: Most common property types developed by private property developers

S/N	Type of property	Frequency of response					No.	Score	Mean	RII	Rank
		1	2	3	4	5					
a.	Bungalow (Detached/ Semi-detached)	0	0	26	93	42	161	660	4.10	0.82	1
b.	Block of flat	0	0	14	76	27	117	481	4.11	0.82	1
c.	Duplex (Detached/ Semi-detached)	14	10	31	68	38	161	589	3.66	0.73	3
d.	Shopping center	33	25	31	35	16	109	396	3.63	0.73	3
e.	Shop office	22	32	45	43	19	161	488	3.03	0.61	5
f.	Service apartment	17	21	77	28	14	157	472	3.00	0.60	6
g.	Restaurant	39	24	52	29	17	161	444	2.76	0.55	7
h.	Hotel	26	32	34	20	6	118	273	2.31	0.46	8

1=Very infrequent, 2=Infrequent, 3=Fairly frequent, 4= Frequent, 5= Very Frequent

No. = Number of respondents

Source: Field survey, 2015

4.9 Constraints to Property Investment Decision

Table 4.11 indicates that mortgage repayment, shortage of finance, effect of land use decree, and high cost of building materials have RIIs between 0.76and above and are ranked as the most significant constraints towards investment decision in property.This is closely followed by lack of transparency in the market with RII between 0.67-0.75 which is ranked significant. Table 4.12 also indicates that property management andpoor demand have their weighted RIIs falling between 0.45-0.66 and are ranked fairly significant. Moreover, human powerhas the minimum RII weighted between 0.44 which is considered not significant, meaning it is the least constraint to property investment. This is in line with the findings of Fidelis and Chinedu(2011),who discovered constraints facing real estate development investment decision in Nigeria to include: shortage of finance, effect of the Land use Decree and Rent control, edicts, shortage and high cost of building materials, manpower and management problems. Okupe (2000) and Gumel (2000), concluded that factors that limit the number of property production include high cost of land, accessibility to finance, mortgage repayment; high cost of building materials, Government regulations and bye laws. It is inferred that despite much potential for property investment in the study area developers still face challenges towards investing in property and it is not mentioned that these challenges have been fully addressed by the government to enhance their activities in the area. These constraints decreaseall forms of property developments. It further indicates that only investors with privilege and access to finance are in the property development.

Table 4.10: Constraints to investment decisions in property

S/N	Constraints	Frequency of response					No.	Score	Mean	RII	Rank
		1	2	3	4	5					
a.	Mortgage repayment	0	0	20	73	68	161	692	4.30	0.86	1
b.	Shortage of finance	0	9	16	81	54	160	660	4.13	0.83	2
c.	Effect of land use decree	0	9	6	89	47	151	627	4.15	0.83	2
d.	High cost building materials	0	0	43	82	35	160	632	3.95	0.79	4
e.	Lack of transparency in the market	17	19	37	53	35	161	553	3.43	0.69	5
f.	Property management	21	24	45	43	28	161	516	3.20	0.64	6
g.	Poor demand	32	62	25	22	18	159	409	2.57	0.51	7
h.	Man power shortage	48	71	19	15	8	161	347	2.16	0.43	8

(1=strongly disagree, 2=Disagree, 3=Undecided, 4=Agree, 5=Strongly Disagree)
No. = Number of respondents
Source: Field survey, 2015

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Research Findings

The study has assessed the various factors driving property investment in Abuja, Nigeria. The data were collected from the Private Property Developers who are members of the Real Estate Association of Nigeria (REDAN). The following can be summarized as the major findings of the research.

a. Although majority of the private developers in the study area revealed that capital gain, wealth creation, financial security are the reasons why they choose to invest in property due to the fact that they have their weighted RIIs lied between 0.76 and above which implies “very significant”. Building balanced portfolio has the least RIIs falling below 0.45 which indicates “not significant”. This invariably implies that profit and financial security are reasons for the investors for investing in property.Developers believed that property investment requires a huge capital, create wealth, provides rental income and ultimately it is a source of financial security in the study area.
b. It was further discovered that capital market, GDP, and user market, performance of the construction sector as well as investor’s personal goal have their RIIs between 0.76 and above which falls in the range of “very significant”. It can be inferred that the economic factors play a role in mobilizing resources and diverting them in productive investment. This brings together the buyers and sellers of securities and thus to ensure the marketability of investment. This also indicates that private

investors engaged in property development as performanceof the construction sector is the area upon which the economic activities of the area relied on.

c. The study also discovered that workmanship/quality, location and property category as well as neighborhood attractiveness are leading factors affecting the property values in the study area. This implies that people who patronize such properties in the study area directly pay more attention to such factors when owning a property.This implies that value of a property is a key in property investment as properties with these attributes are likely to have their value period last longer than properties with no such attributes.

d. The study also found that bungalows (detached/semi-detached) block of flats, duplexes (detached/ semi-detached) which have RIIs between 0.76 and above are the most frequently developed property types by the private developers in the study area. This can be inferred that developers develop/obtain properties according to the needs of the people in the study area. This means that prospective buyers/ tenant affect their decisions in determining the kinds of property types to develop in the study area. It was also indicated that developers engaged in residential property types than commercial and other property types. This portrays that the people in the study buy/ rent a property mostly for shelter needs.

e. The study has established that mortgage repayment, shortage of finance, effect of land use decree by the government as well as high cost of building materials are the major constraints to property developers the study area due to the fact that they have a weighted RIIs between 0.76 and above which indicates “highly significant”.

Despite much potential for property investment in the study area it observed that developers still face challenges towards investing in property.

5.2 Conclusion

The following conclusions were made from the findings of the study.

a. The study concludes that private developersare motivated to invest in property for number of reasons. These include wealth creation,long-term capital gain, rental income, diversification, and financial security.
b. The study concludes that capital market, GDPand user market are the economic factors that drive investment decision in property while personal goal and performance of the building construction sector are the noneconomic factors that drive investment decision in property. Moreover Location, workmanship/quality, property category as well as neighborhood factors have significant impact on property values in the study area.
c. With regards to properties that are frequently developed in the study area, it is concludedthat bungalows and block of flats are the frequently developed property types by private developers in the study area.
d. Developers affirm that mortgage repayment, shortage of finance, effect of land use decree by the authorities and high cost building materials are the constraints to property investment in property in the study area.

5.3 Recommendations

Based on the findings of this study, the following recommendations were made:

a. Private developers should do more assessment on property types, location, population distribution and the socio-economic activities to have a clear idea where to develop a property.
b. Since property investment requires a huge capital outlay, therefore, there is need for developers to source more fund from various sources.
c. Further research should be conducted to determine more driving factors and should cover more types of respondents and further be extended to compare among places (locations) in order to enhance the sector.
d. The study forms a basis for guidance for prospective property investors, advisers as well as government.

5.4 Contribution to Knowledge

a. The study contributed to understanding the reasons that drive private investors into property and factors that makes them stay in the business.
b. The study found that mortgage repayment, shortage of finance, effect of land use decree by the government as well as high cost of building materials are the constraints to private developers in the study area.
c. The study also established that private developers engaged in residential property development than commercial and other types of properties.

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Appendix I

Department Of Building

Faculty of Environmental Design

Ahmadu Bello University Zaria, Nigeria

Dear Respondent,

This questionnaire is administered for a postgraduate research at the Department of Building, Ahmadu Bello University, Zaria. It is designed to get relevant information on **Factors Driving Property Investment Decision by Private Developers in Abuja, Nigeria.**

Your response will be treated with utmost confidentiality and shall be used strictly for academic purpose only. Thank you

Abubakar Muhammad

msc8097abubakar@gmail.com

0803 694 6525

QUESTIONNAIRE

Section A: Personnel and Organizational data

Please tick ( ) as appropriate.

1. Name of your organization……………………………………...……………………………………………………………………………………
2. Location ……..
3. Your profession?
   Architect ( ) Land surveyor ( ) Builder ( )Estate surveyor ( )
   Engineer ( ) Other, please specify ___________________________
4. Average years of experience of respondent.
   1 – under 5 years ( ) 6 – under 10 years ( ) 11 – under 15 years ( ) 16- under 20 years( )
5. Highest level of educational qualification attained.
   Ordinary National Diploma (OND) ( ) Higher National Diploma ( )
   Post Graduate Diploma (PGD) ( ) First Degree ( ) Master Degree ()
   Doctorate Degree ( ) Others (please specify)_______________________

Section B: Assessing private developers' choice into property

6. Kindly indicate the reasons why you choose to invest in property
   1= Strongly Disagree, 2= Disagree, 3= Undecided, 4= Agree, 5= Strongly Agree

S/N	**Reasons for investing in property**	**1**	**2**	**3**	**4**	**5**
a.	For Rental income					
b.	For Capital gain					
c.	For Diversification					
d.	For Taxation benefit					
e.	Wealth creation					
f.	Spread financial risk					
g.	Alternative to superannuation					
h.	Build balanced portfolio					
i.	Tangible investment					
j.	Control					

SECTION C: Assessment of impact of economic, non economic and other property related factors on property investment Decisions

7. Kindly indicate the economic factors that influenced your decision in property investment.
   1= Strongly Disagree, 2= Disagree, 3= Undecided, 4= Agree, 5= Strongly Agree

S/N	Economic factors that drive investment decisions in property	1	2	3	4	5
a.	Low real property gain tax					
b.	High inflation rate					
c.	Wealth accumulation (for long term)					
d.	High saving rate					
e.	GDP					
f.	Income per capita					
g.	Household income					
h.	Low interest rate					
i.	User market					
j.	Capital market (equity and debt)					
k.	Government policy					

8. Kindly indicate the non economic factors that influenced your decision in property investment.
   1= Strongly Disagree, 2= Disagree, 3= Undecided, 4= Agree, 5= Strongly Agree

S/N	Non economic factors that drive investment decisions in property	1	2	3	4	5
a.	Allocation of land					
b.	Personal goal					
c.	Windfall gains (bequests)					
d.	Changes in personal circumstance					
e.	Attitude to risk and saving (low risk)					
f.	Performance of the sector					

9. Kindly indicate the other related factors that has impact on the value on your property investment (please assess)
   1= No impact, 2= Low impact, 3= Medium impact, 4= High impact, 5= Very high impact

S/N	Property features	1	2	3	4	5
a.	Property category (detached, semi-detached etc.)					
b.	Neighborhood attractiveness					
c.	Location					
d.	Dimension of land					

e.	Physical features (quality of workmanship)					

SECTION D: Examining property types developed by private developers in Abuja

10. Kindly indicateby ticking the property types you normally develop using scale of 1-5.1= Most infrequent, 2= Infrequent, 3= Fairly Frequent, 4= Frequent, 5= Most Frequent.

S/N	Property Type	1	2	3	4	5
a.	Bungalow (Detached/ Semi-detached)					
b.	Block of flat					
c.	Duplex (Detached/ Semi-detached)					
d.	Service apartment					
e.	Shop office					
f.	Hotel					
g.	Restaurant					
h.	Shopping center					

SECTION E: Determining the constraints to property investment decisions

11. Kindly indicateby ticking () constraints to property investment decision.
1= Strongly Disagree, 2= Disagree, 3= Undecided, 4= Agree, 5= Strongly Agree

S/N	Constraints	1	2	3	4	5
a.	Property management					
b.	Mortgage repayment					
c.	Poor demand					
d.	Man power shortage					
e.	Lack of transparency in the market					
f.	Shortage of finance					
g.	Effect of land use decree					