

# Nigerian Real Estate Sector

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*SUMMARY REPORT: 2010-2012*



**NATIONAL BUREAU OF STATISTICS**

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Table of Contents	Page
<b>1 Real Estate in Nigeria</b>	<b>2</b>
1.1 The Nigerian Real Estate Sector: A History .....	3
1.2 The Nigerian Real Estate Sector: At Present .....	5
<b>2 Composition of The Real Estate Sector</b>	<b>8</b>
2.1 Establishment Composition by State.....	8
2.1.1 Real Estate Activity in Nigeria .....	9
2.1.2 Real Estate Product .....	10
2.1.3 Establishment Legal Structure .....	10
2.1.4 Professional Body .....	12
2.1.5 Year of Business Commencing .....	13
2.2 Distribution of Property Form .....	14
<b>3 Growth, Assests and Profitability</b>	<b>16</b>
3.1 Contribution to GDP .....	16
3.2 Establishment Income .....	16
3.2.1 Income by Leasing Product .....	17
3.2.2 Income by Service .....	18
3.3 Cost of Operation .....	19
3.4 Employees' Compensation.....	21
3.5 Gross Capital Formation .....	21
<b>4 Employment</b>	<b>23</b>
4.1 Aggregate Employment .....	23
4.2 Distribution of Employment by State .....	23
4.3 Composition of Employment .....	24
4.3.1 Distribution of Employment by Gender and Nationality.....	24
<b>ANNEX 1: Tables</b>	<b>26</b>

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## 1 REAL ESTATE IN NIGERIA

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The Real Estate sector offers a great potential source of growth for Nigeria. Until now, the understanding of its composition and growth has been somewhat limited to its required use in Nigerian national accounts.

The Real Estate Survey (2013) was designed to capture the activities of formal establishments that deal in real estate in Nigeria. It must be noted that the survey does not cover owner occupied dwellings, and therefore does not cover the real estate sector as a whole. This report aims to give an overview of the findings of the Real Estate survey, and to serve as a starting point in understanding the composition of the real estate sector in Nigeria.

Following the housing bubble in 2008-2009 and the ensuing global financial crisis, house prices are beginning to show a discernable upward trend worldwide. Although financing remains a challenge, especially in Europe where debt liquidity continues to hinder growth, in developing markets, it generally appears that the market has stabilized and activities in the sector are returning to normal. However, post crisis, global markets are giving increased attention to local market conditions and regulations when evaluating the real estate sector's growth prospects.

This report is structured as follows: section one will give a background of the real estate sector including its history and current climate; the second section will outline the sector's growth and profitability prospects; and the third will look at employment.

## 1.1 The Nigerian Real Estate Sector: A History

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The evolution of Nigerian real estate has been greatly influenced by the laws and institutions in which it is nested, as well as the policy environment through time. From the legal right to own land, to the limits on leasing, to the mortgage interest rate charged; all have had a bearing on the profitability of the form of real estate developed.

### *Institutions and Legal Framework*

Prior to colonial times, indigenous institutions relating to land rights varied across Nigeria. Southern states followed more dispersed customary laws of inheritance rights to land, whereas the Northern region operated largely under the more paternalistic Maliki Law, a legacy of the Fulani control of Hausaland in the 19<sup>th</sup> century. Upon colonisation in 1900, British Land Law was imposed in the South, which operated alongside customary law in a dualistic system. This caused conflict as land was sold multiple times under different laws. In the Northern region, under the Land and Native Rights Law, the British were able to adapt and consolidate this existing institution, to create a single overarching land tenure system.

It was not until several years following independence, in 1978, that the military government sought to unify the two systems under the Land Use Decree (now the Land Use Act). The need arose from heightened tensions created by the Southern dualistic system; as many titles overlapped, the cost and time taken to take disputes to court was increasing. This was combined with rapid migration to the new cities that had arisen after the oil boom of the 1970s, creating need for schools, hospitals and housing. The decree therefore sought to extend the more paternalistic Northern system to Southern regions, by effectively putting all land rights in the hands of the Governor of the

state, or the local government agency in the case of more rural areas, with few restrictions<sup>1</sup>.

The Decree allowed easier acquisition of land by both the public and private sectors, facilitating housing development and public policy implementation. It dramatically reduced court litigations, not to mention the amounts paid in compensation to land owners. To prevent its amendment it was included in the 1979 Constitution, and again in the later 1999 Constitution.

The 1978 Land Use Decree was also unable to wholly change the issues of the past; there is still a clear divide as to the ease by which property is registered in Nigeria. Northern states of Gombe Borno Zamfara, Kano and Jigawa are the top 5 easiest to register property, whereas the Southern States of Rivers, Osun, Ogun, Ondo and Oyo are most difficult<sup>2</sup>. Yet the Degree remains in use today; its inclusion in the constitution means that implementing reform will be a slow process.

### *Housing Finance Policy*

Alongside this, the 1980's saw the emergence of housing finance as a constraint to supply. New policies were formulated to stimulate this area of the housing market, beginning with the National Housing Policy with its renewal in 1990. This time its focus switched to financing the housing sector, providing government facilitation through the 1992 Housing Fund Act and the Federal Mortgage Bank of Nigeria (FMBN)<sup>3</sup>. Initially FMBN was mandated to solely provide loans for the purpose of

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<sup>1</sup> The only influence beyond this was given by Land Use and Allocation committee, which played a purely advisory role. Individuals could own a maximum of 0.5 hectares in urban areas, and 500 in rural.

<sup>2</sup> World Bank (2012)

<sup>3</sup> <http://www.fmbn.gov.ng/vault/documents/nhfact.pdf>

The Housing Fund Act allowed low earners (including those on minimum wage) to contribute to the fund and gain access to long term loans. However, as of August 2012, only 12,031 of the 3.8million contributors had actually received mortgages. Those on minimum wage of N18,000 pm were asked to contribute 2.5% of income, which was then matched by their employer.

<http://www.fmbn.gov.ng/>

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social housing, as the main government sponsored institution financing real estate. However, over time the Federal Government's National Policy on Housing and Urban Development (2002/6) expanded its role to include commercial lending for housing, and estate development loans to real estate developers.

Access to finance remains a constraint to real estate development. Less than 1% of private sector lending from Deposit Money Banks (DMBs) is for mortgages, and other sources of longer term lending represent less than 11% balance Sheet<sup>4</sup>.

## 1.2 The Nigerian Real Estate Sector: At Present

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Currently, Nigeria is in the midst of a housing boom, primarily due to the great demand created by a rising population. Nigeria's housing deficit is estimated to be 17 million as of August 2012<sup>5</sup>. Yet demand is characterised by high inequality, creating a dichotomy between the demand for luxury secure accommodation for high-income earners, and low-cost, affordable housing for the masses.

### *High End Vs. Low End Housing Demand*

In Nigeria's urban centres, particularly Lagos, Abuja and Port Harcourt, recent years have seen a hike in housing prices on a scale that is rarely seen in developing cities. Globally, the highest real estate price rises over the last decade have been recorded in nations such as India, which saw prices rise 284% between 2001 and 2011, and Russia, which saw an increase of 209% in the same period<sup>6</sup>. However, in cities such as

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<sup>4</sup> (WB 2013:2)

<sup>5</sup> (WB 2013:3)

<sup>6</sup> [http://www.lloydsbankinggroup.com/globalassets/documents/media/press-releases/lloyds-bank/2012/1703\\_global.pdf](http://www.lloydsbankinggroup.com/globalassets/documents/media/press-releases/lloyds-bank/2012/1703_global.pdf)

Lagos, it is estimated that house prices rose by 400-500% between 1998 and 2008<sup>7</sup>.

Land area is the main supply constraint; secure areas that are close to central business districts (CBD) and offices are limited. Yet as the upper class grows richer, and foreign investment and increased development aid brings foreign construction and aid workers, demand is perceived to be growing. Pressure for affordable housing in high demand areas has been released, allowing prices to skyrocket. The private sector is capitalising on this, with many choosing to invest in high-end property. However, many new houses sit unoccupied in these areas, giving rise to speculation as to whether this is simply a house price bubble<sup>8</sup> that will soon burst.

Demand for housing is simultaneously rising further down Nigeria's income spectrum; a growing number of middle class young professional Nigerians have jobs in city centres. This represents the majority of city workers in white-collar jobs. Their salaries are well above the Nigerian average, yet there is no source of housing nearby that they can afford to rent, let alone buy.

### *Housing Supply Constraints*

Adding to Nigeria's 17million housing deficit, it is estimated that an additional 700,000 houses must be built annually to keep up with demand; currently this is below 100,000<sup>9</sup>.

There are three main constraints to growth from the bottom. First is access to finance, primarily in mortgages for individuals who need to

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<sup>7</sup> <http://www.lagos-nigeria-real-estate-investing-guide.com/real-estate-bubble.html>

<sup>8</sup> A housing market 'bubble' is caused when people's expectations of future house price rises allow the overvaluation of property in the present. Instigated by an initial rise in housing demand, the expectation of further rises in value mean that this is still profitable to purchase housing assets at a high price.

<sup>9</sup> World Bank 2013:3,

borrow in order to purchase owned dwellings.<sup>10</sup> Second is the ease of legal procedures surrounding property and land procurement. As of 2013, the World Bank's "Doing Business" project ranks Nigeria 185<sup>th</sup> (out of 189 countries) for the ease by which property is registered. In a survey of Nigerians in 2012<sup>11</sup>, the second greatest challenge facing 22% of those that want to invest in real estate, was reported to be difficulty in obtaining titles. This is followed by 18% that cite cost and time foreclosing on a mortgaged property. This lack of understanding of the laws and procedures surrounding real estate, combined with the debts that individuals must incur, means that investing in real estate can be high risk for low earners.

The third challenge is in access to cheap and high quality building materials. In Nigeria, the cost of building a house is high, which in turn gets passed onto the consumer in the rental and real estate markets. The estimated cost of building a house in Nigeria is \$50,000, in South Africa this is \$36,000, and just \$26,000 in India. Poor infrastructure inflates the price of transporting and producing goods, and a shortage of skilled labour means that training must be conducted prior to building, an additional cost which is often incurred by the construction company (WB 2013:5).

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<sup>10</sup> Not included in survey.

<sup>11</sup> World Bank



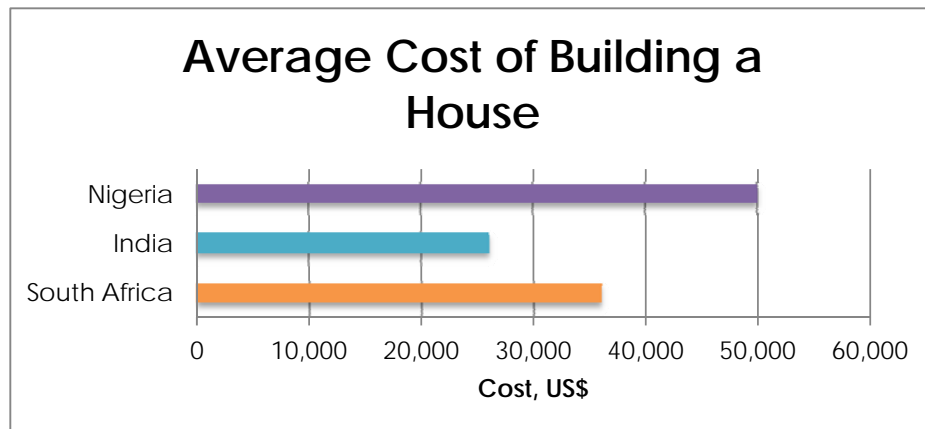


Figure 1 Average Cost of Building a House in Nigeria, India and South Africa

Although there are clear supply side constraints, these can be overcome as the sector grows. The high demand for real estate shows no sign of abating, and represents a great opportunity for expansion of the sector, particularly in low-end housing. Recent survey data has provided evidence of this already happening. Benefits of an expanding real estate sector include an increased demand for skilled labour, permanent jobs, and downstream benefits in the construction sector. This is not to mention the social benefits citizens have from increased access to housing.

## 2 COMPOSITION OF THE REAL ESTATE SECTOR

### 2.1 Establishment Composition by State

Approximately 7,343 establishments make up the real estate sector in Nigeria. Lagos State and the Federal Capital Territory (FCT), Abuja dominate, with 2,342 and 1,677 establishments respectively, making a combined total of over 50% (31.89% and 22.84% respectively) of all real

estate establishments in Nigeria. Proportionally, Abuja has a far greater number of establishments per capita, and a higher real estate value than Lagos<sup>12</sup>. The third greatest number is Rivers State, with 422 establishments, at a much lesser 5.75% of the total. Both Borno and Jigawa have the fewest Real Estate Establishments, with 7 each, representing less than 0.10% of the total, yet these are two of the states where property registration is easiest. See Table 4 in Annex

### 2.1.1 Real Estate Activity in Nigeria

Real Estate establishments can be classified as engaging in one of two activities; *those that deal in own or leased property*<sup>13</sup>, and *those that provide real estate services on a fee or contract basis*<sup>14</sup>. The survey found a fairly equal split of the two types overall, whereby 53.71% of establishments engage in real estate with own or leased property, while 46.29% offer real estate services on a fee or contract basis.

At the state level, Lagos has a majority of establishments dealing in own or leased properties of 59.31%, and thus 40.69% offering services on a fee or contract basis. Federal Capital Territory (FCT) Abuja, had a more equal split of 50.33% of Real Estate Activities using own or leased property and 49.67% on a fee or contract basis. Five states had real estate establishments with only own or leased property, namely Borno, Jigawa, Sokoto, Yobe and Zamfara. Only Nasarawa State recorded

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<sup>12</sup> Populations are largest in cities of Lagos and Kano; Rivers state's city of Port Harcourt is 5<sup>th</sup>, and Abuja ranks 49<sup>th</sup>. However, average property value in Abuja is the greatest in Nigeria; annual yields range from 6% for a 250sq metre property, at an average rental value of US\$1,200 per month, to a yield of 8% for a 750sq metre property, with a monthly rental value of US\$4,000. Whereas in Lagos, a 250sq metre property yields an average of 4.11% per annum, at an average rent of \$890, and a 750sq metre property has a yield of 3.47%, renting for \$2600 per month<sup>12</sup>. However, areas of Lagos such as Lekki and Victoria Island have far higher rents; these outcomes in both Lagos and Abuja are largely due to limited housing supply.

<sup>13</sup> This activity includes the buying, selling, renting and operating of self owned or self-leased real estate, including the development of own building projects, subdivision of real estate into lots, and operation of residential mobile home sites. See ISIC class 6810 for detail.

<sup>14</sup> This activity includes the provision of real estate services on a fee or contract basis, such as real estate agents and brokers, intermediation processes (buying/selling/renting), management, appraisal services. See ISIC class 6820 for detail.

establishments that offered services on a fee or contract basis. See Table 4 in Annex

### 2.1.2 Real Estate Product

Real estate establishments generally offer services surrounding five types of property (products); Residential Buildings, Non-Residential Buildings, Self Storage and Mini Warehouses, Property Management and Other Real Estate Property. The prevalence of each should match the supply of the property type, and the profitability of the real estate activity related to them.

The three most common products are property management, leasing of residential buildings and leasing of non-residential buildings, with 29.46%, 28.78%, and 19.52% of products offered by real estate establishments respectively. The least common product offered is the leasing of self-storage or Mini-Warehouses with the lowest share of 8.95%. See Table 5 in the Annex.

### 2.1.3 Establishment Legal Structure

Real estate can be divided into 8 different classes of legal structure; Sole Proprietorship, Joint Venture, Private Limited Liability, Partnership, Public Limited, Faith Based Organisation (FBO), Co-Operative or Other. This classification tells you about the amount of personal liability that owners are willing or able to take, as well as their ability to raise capital.

A majority of 61.58% of real estate establishments are owned by the Sole Proprietors. This means that they are personally liable for all financial debts of the business, although they also have complete managerial control.

Private Limited Liability Companies (PLLC) ranked second with 17.49% ownership and Partnerships ranked third with 12.76%. PLLC's are beneficial for partners as it treats the business as a legal entity of its

own, so there is no liability to the partners, yet profit is shared equally. The drawbacks are the greater bureaucratic and paperwork requirements. Partnerships are similar to PLLC's in that they allow sharing of profits, although also the sharing of individual financial liability. Unlike the establishments owned by Sole Proprietors, those owned in Partnership have a slight majority of Real Estate Activities providing services on a fee or contract basis, with a share of 56.56%, perhaps due to the higher personal risk involved.

The least common form of ownership was by Faith Based Organizations, representing less than one percent of establishments. In this case, the organisation itself is liable. This legal structure displays a strong majority of 69.87% of establishments operating on a fee or contract basis while 30.13% have own or leased property. See Table 6 in Appendix.

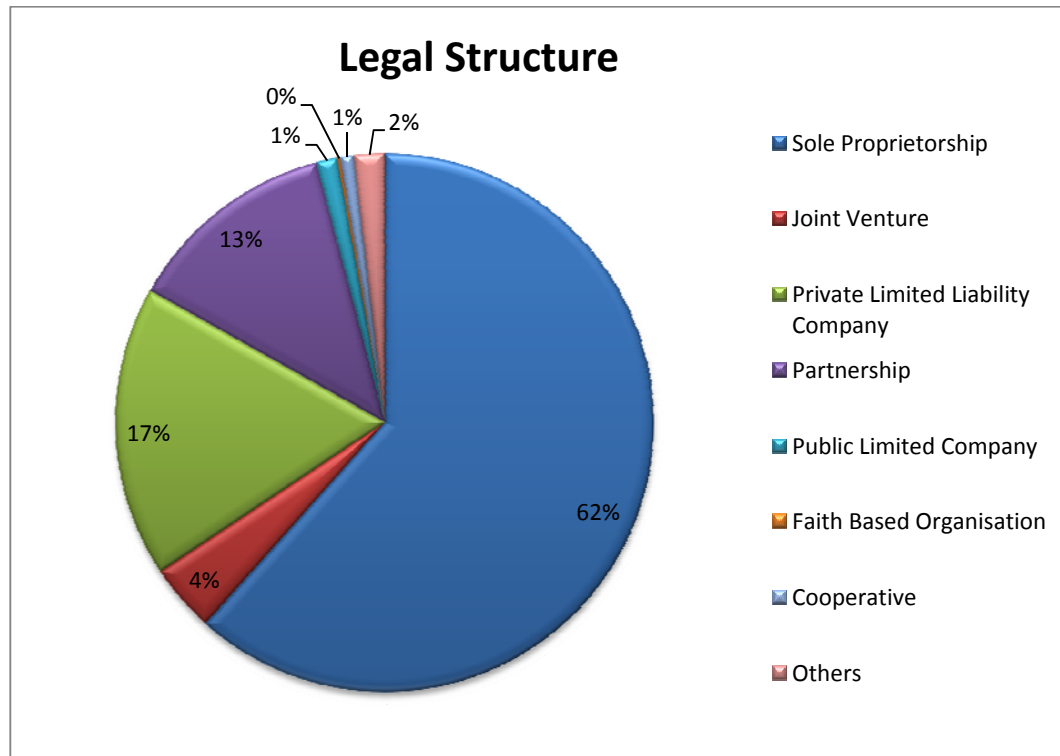


Figure 2 Legal Structures

Nigeria's domination by sole proprietors provides a potential hindrance to real estate development. In bearing all of the risk themselves, only the lowest risk and lowest return ventures will be carried out. These ventures are often on a larger scale, which is what is required if low cost housing is to be built. By strengthening the legal framework surrounding partnerships and particularly Limited Licensed Professional Counselor (LLPC), companies will encourage larger real estate developments, and start to mop up some of the substantial excess housing demand.

#### 2.1.4 Professional Body

Having higher numbers of establishments belonging to professional bodies encourages the development of the sector in several ways,

primarily through offering a means by which legislation and standards can be enforced, and through the sharing of knowledge.

Of all establishments surveyed, 61.95% belong to at least one professional body. Of these, there is a roughly equal split by activity type; 52.21% provide services on a fee or contract basis whilst the remaining 47.79% engage in Real Estate Activities with own or leased property.

Table 1 Distribution of Establishments Belonging to Professional Body by Activity

Professional Body	Real Estate Activities with own or leased property		Real Estate Activities on a fee or contract basis		Total	Percent Total
	Number	Percentage	Number	Percentage		
<b>Yes</b>	2,174	47.79	2375	52.21	4,549	61.95
<b>No</b>	1,550	55.48	1244	44.52	2,794	38.05
<b>Total</b>	3,724		3619		7,343	

### 2.1.5 Year of Business Commencing

The options for real estate business start up range from 1960 to present day. Table 7 shows that the highest portion, representing 47.46% of establishments representing 3,485 establishments, commenced business in the first decade of the 21<sup>st</sup> century.

The second highest number was recorded from the year 2010 onwards, with 1,636 establishments commencing business, representing 22.28%. Proportionally, the increase after 2010 appears to be greatest, although it must be taken into account that new businesses have a high failure rate in their early years of operation. This year had a

majority of real estate activities operating using own or leased properties, representing 1,856 establishments, or 53.27% of the total in this period. Real Estate activities offering services on fee or contract basis made up the remainder, of 46.73%, representing 1,628 establishments.

The fewest real estate establishments commenced business between 1960-1969 with only 45 establishments, representing less than 1% of the total. This category, as well as the 1970-1979 band, commenced prior to the unifying Land Use Degree/Act of 1978. Of the establishments that were created at this time, a combined total of just 2.09% were still in operation when the survey was conducted. Businesses commencing between 1960 and 1969 had the largest majority of 66.67% of real estate activities using own or leased properties.

## 2.2 Distribution of Property Form

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Real estate can take the form of either residential or non-residential property. Each can then be evaluated for the three years under review with regard to the number of properties owned, rented or leased and the number of square feet rented or leased.

The number of Residential Buildings owned is greater than the number rented in all three years, reaching 54,942 owned buildings in 2012, compared with 38,869 rental units in the same year. Further, this share is increasing; in 2010 56.53% of all residential buildings were owned and managed, which increased to 56.79% in 2011 and 58.57% in 2012. This translated into growth in the number of residential properties owned and managed of 10.25% in 2011 and 12.00% in 2012. Growth in the number of rental units managed was slower at 9.08% in 2011 and 4.13% in 2012.

Non-residential buildings are fewer in number than residential buildings in all three years in both sub categories of owned buildings and rental

units. For instance in 2012, a quarter of non-residential buildings were owned, and 62.66% were rental units. Unlike residential property, the number of non-residential buildings rented or leased is greater than the number owned in all three years; approximately 55% of all non-residential property is for rental units in each of the years of review. In 2012, the maximum of 23,158 non-residential properties were rental units, whilst 18,747 were owned.

The number of square feet of rented property, reported for non-residential only, exhibited an overall decline over the period. In 2010, it peaked at 1,500,173 square feet, declining by 6.61% in 2011. Despite growth of 3.60% in 2012, the 1,451,481 square feet recorded was still lower than the 2010 value. The average size of non-residential rented units declined from 73.98 square feet in 2010, to 66.30 in 2011 to 62.68 square feet in 2012. This is indicative of the increased pressures and excess demand for property and land in urban centres. (See Table 8 in Annex).



### 3 GROWTH, ASSETS AND PROFITABILITY

#### 3.1 Contribution to GDP

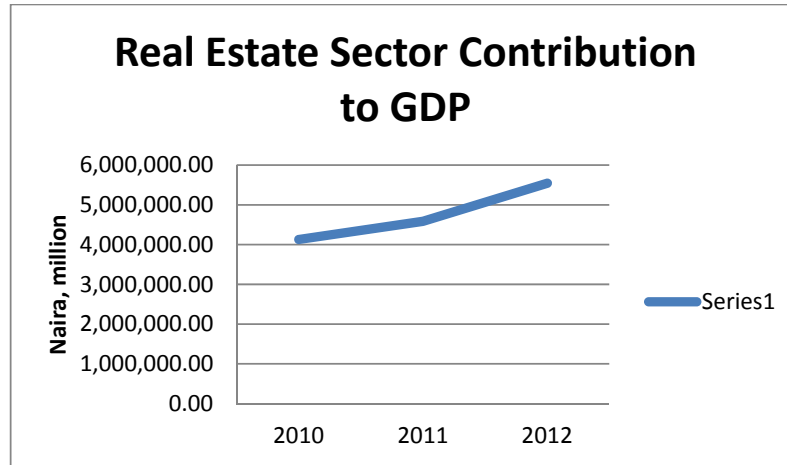


Figure 3 Real Estate Contribution to GDP (Naira, million)

The Real Estate Sector's contribution to Gross Domestic Product (GDP) has fluctuated in the 7% region over the years in review. It went from 7.56% in 2010, down by 0.28% points in 2011 and showing a slight increase in 2012 up to 7.73% of total GDP.

#### 3.2 Establishment Income

The total income received across all Nigerian real estate establishments was recorded at N743,745.54 million in 2010. It increased by 32.73% in 2011 to N987,191.97 million. With a slower increase by 16.59% or N163,754.79 million, 2012 saw total income come to N1,150,946.76 million.




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Figure 4 Real Estate Total Income, 2010-12

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### 3.2.1 Income by Leasing Product

Disaggregating by the 5 types of leasing product<sup>15</sup> shows that Residential Properties have the highest income in terms of commission received, at 41.24% of the total income in the sector in 2010 at N306,735.01 million. This increased by 32.77% to N407,256.21 million in 2011, reaching N484,739.80 million in 2012, which was 42.12% of total income. The second greatest income came from non-residential properties, which reached N231,401.03 million, or 31.11% of total income in 2010 and reached N404,334.65 million by 2012. This leasing product also had the highest growth in income within the period observed, at 33.91% in 2012.

The smallest leasing class by income is Self Storage and Mini Warehouses, at less than 0.5% in all years observed. Income for this

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<sup>15</sup> Residential Buildings, Non-Residential Buildings, Self Storage and Mini Warehouses, Property Management and Other Real Estate Property

product went up by 12.76% but had a slower growth in 2012 with only 9.52%, closing at N2,796.43 million.

Table 2 Income by Products (Naira, million)

PRODUCTS	2010	2011	2012
<b>RESIDENTIAL PROPERTIES</b>	306,735.01	407,256.21	484,739.80
<b>NON-RESIDENTIAL PROPERTIES</b>	231,401.03	301,941.37	404,334.65
<b>RENTAL INCOME - MINI WAREHOUSES, SELF-STORAGE UNITS</b>	2,264.53	2,553.45	2,796.43
<b>PROPERTY MANAGEMENT SERVICES</b>	109,402.15	144,226.85	130,362.56
<b>OTHER INCOME</b>	93,942.82	131,214.08	131,509.75
<b>TOTAL</b>	<b>743,745.54</b>	<b>987,191.97</b>	<b>1,150,946.76</b>

### 3.2.2 Income by Service

Under each leasing product, establishments offer several services, which can be evaluated with respect to their contribution to income.

As stated above, the largest income group is Residential Property leasing. Under this class, the services with the highest income are rental or leasing of Residential Houses and rental or leasing of Residential Apartments, making up 59.70% and 33.68% of the total class income in 2010 respectively. This is 24.62% and 13.89% of the total income for all real estate products respectively. Furthermore, both services are expanding; from the income value of recorded for rental or leasing of Residential Houses in 2010 at N183,111.18 million, there was a 32.37% increase in 2011 and a 14.79% increase on the year after to reach

N278,234.28 million at the end of 2012. Rental or leasing of Residential Apartments increased by 30.50% in 2011 and 29.78% in 2012, to reach N174,955.69 million.

For Non-Residential Properties, the service that generates the greatest level of income is rental or leasing of Commercial Space, made up 67.13% of the total for the class in 2010, and 20.89% of the total income for real estate. This is followed by rental or leasing of Office Space, which makes up 25.25% of the non-residential class. The largest decline in income within this category was for rental or leasing of Land for Non Residential use, which declined by 31.54% in 2011, increasing by 20.31% the following year, which resulted in a net income decline in the period.

The third largest leasing class, Property Management, derives the majority of its income from Residential property management services, making up 66.81% of its class income in 2010. Despite the share dipping to 60.81% in 2011, it increased dramatically to take up a share of 74.33% of the class income for 2012. Although, there was an increase of N9,200.72 million in 2012, to justify the increased share for Residential Building, another reason can mainly be attributed to a decline in Non Residential Property Management by 46.49%, the largest decline in the sector.

Both Other Income and Self Storage and Mini Warehouses have no subcategories for their services. Other income experienced higher growth of 39.67% in 2011, but saw a much reduced growth of 0.23% in 2012. Self-storage and Mini Warehouses saw a growth rate of 12.76 in 2011, which slowed down to 9.52% by 2012.

### 3.3 Cost of Operation

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The cost of operation is the total amount incurred for all expenditures relating to the running of the real estate establishment over the year in

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question. The total cost of operation showed a consistent annual increase in the period of review. From N260,385.31 million in 2010, it increased by 32.73% to N345,616.96 million in 2011 and by a further 16.59% on 2011 to reach N402,946.46 million in 2012.

Operational costs can be broken down into 14 categories. Of these, the largest cost in all three years was the cost of PHCN energy, which had very little fluctuations in its share of the total, from 60.87% in 2010, it went down to 60.53% in 2011, and went up to 62.12% in 2012.

Another significant area of operational expense was in Property Management Fees, which showed declines in its share of the total from 2010 to 2012, with only a marginal increase of 0.19% points to 9.80%, between 2011 and 2012. Even as its share of the total declined over the 3-year period, Property Management Fees costs increased in the same period, going from N26,549.22 million in 2010 to N33,233.65 million in 2011. By 2012 there was an 18.88% increase to reach a total of N39,508.07 million for that year.

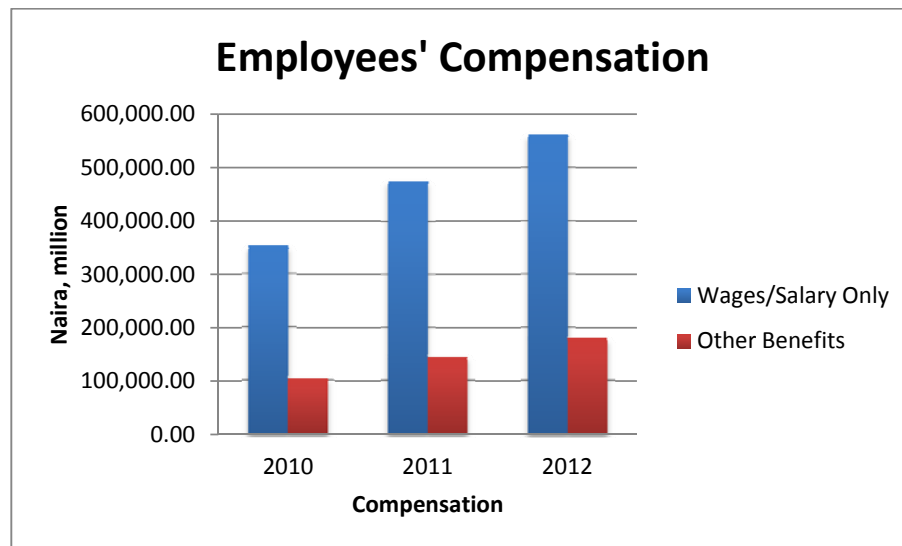
Energy or power generation was also another area of interests as it relates to costs. Three activity areas bore energy costs - PHCN<sup>16</sup>, fuel used by generator and other sources of energy. All three sources of energy had substantial increases in costs, PHCN being the lowest at 31.99% and generator fuel being the highest with an increase of 79.30% in 2011. By 2012, other sources of energy, which had a growth of 50.14% in 2011, had slowed down to a mere 1.37%, while generator fuel had even declined by 34.51%. PHCN too had a slower growth in 2012 rising by 19.64% to reach N250,302.16 million.

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<sup>16</sup> Power Holding Company of Nigeria (PHCN) has since been disbanded to form 11 distribution companies in Nigeria.

### 3.4 Employees' Compensation

Compensation had its most substantial changes in 2011, showing a 35.10% increase for Wages/Salary from the previous year, while Other Benefits had a 38.84% increase. Overall in the same year, there was a 35.95% increase. In all three years, Wages/Salary had more than a share of 75% of total compensation.



### 3.5 Gross Capital Formation

Gross capital formation in the real estate sector has been grouped under five main asset types – residential building, non-residential building, office furniture, machinery and equipment, and transport equipment. Residential building had the highest share of GCF for all three review years, going from 81.35% in 2010 to a share of 85.56% in 2012, after taking a slight plunge in 2011. Residential buildings value also rose over the same period starting with an increase by 64.21% or N226.44 million in 2011 to reach N579.08, and in 2012 a slower growth of 42.34% took it to N824.27 million.

Non-Residential Building had the second highest share, again in all three years. More interesting to this asset was that it had the highest percentage increase in all years reviewed with an increase of 158.63% between 2010 and 2011, to reach N130.22 million. By 2012, however, its value fell by N18.83 million or 14.46% to reach N111.39 million.

Table 3 Gross Capital Formation (Naira, million)

ITEM DESCRIPTION	AVERAGE VALUE OF ASSETS		
	2010	2011	2012
Residential Building	352.64	579.08	824.27
Non-Residential Building	50.35	130.22	111.39
Office Furniture	0.52	0.74	1.10
Machinery and Equipment	13.87	18.14	17.13
Transport Equipment	16.08	11.58	9.49
<b>Total</b>	<b>433.46</b>	<b>739.77</b>	<b>963.38</b>

## 4 EMPLOYMENT

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### 4.1 Aggregate Employment

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In the period under review the number of persons employed within the Real Estate sector increased from 19,305 in 2010 people to 22,504 in 2012. This represents a 7.47% increase in employment between 2010 and 2011, accelerating to 8.49% the following year.

### 4.2 Distribution of Employment by State

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Despite having fewer establishments than in Lagos state, FCT Abuja had the highest number of employees in each of the years observed. In 2010, this was recorded at 5,288 employees, or 27.39% of the total employed. It increased by 8.76% in 2011, to 5751 employees, accelerating to 12.69% growth in 2012, so that FCT Abuja represented 28.79% of real estate employment.

This can be compared with Lagos, which had 40% more establishments than FCT Abuja, yet maintained a lesser share of employment of approximately 23% in all three years; almost 6 percentage points less than the FCT Abuja share in 2012. This means that average firm size is 3.88 employees in Abuja and 2.22 in Lagos in 2012. Employment growth in Lagos State was 6.92% in 2011, increasing to 9.35% the year thereafter.

Rivers state had the third largest share of establishments, and equally had the third largest share of employees at 1439 in 2010, which is 7.45% of the total. However, this share shrank over time; in 2011 it contributed 7.18% of employment and in 2012 it was just 6.66%. This is due to the lower employment growth rate of 3.54% in 2011, decelerating to 0.54% in 2012.



Ebonyi State had both the lowest share of employment, and the highest rate of employment growth. From the 37 employees recorded in 2010, there was a 48.65% increase to the 55 recorded the following year, and a 7.27% increase the year after. Yet, in 2012, it only reached a share of 0.26% of the total employed. Yobe State exhibited the greatest decline in employment, from 0.27% of the total employed in 2010 to just 0.10% in 2012, a decrease of 59.49% in total.

### 4.3 Composition of Employment

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Disaggregating employment by gender shows that over 70% of Nigerians employed in the real estate sector are male, in all three years. There is a slight decrease from 72.02% in 2010, to 71.15 in 2011, despite increasing to 71.36% in 2012. Non-Nigerians have an even higher portion of males, increasing from 82.05% in 2010, to 89.74% in 2011 to 94.09% in 2012.

Nigerian employees, represent 99.25% of the employed in in 2010, 99.65% in 2011 and 99.64% in 2012. The number of Non-Nigerians recorded was 72 in 2010, 72 in 2011 and 81 in 2012.

#### 4.3.1 Distribution of Employment by Gender and Nationality

While approximately 70% of those employed in the real estate sector are male, there is however great variation across states. In 2012, it ranged from the relatively equal split of 54.76% male in Enugu, to 100% male in Yobe. Five states - Jigawa, Kano, Katsina, Kebbi and Borno - had over 90% males in the sector in all three years. Only Enugu and Edo had less than 60% males in all three years, although this portion increased in both states between 2010 and 2012. Interestingly, Enugu had majority female employed in real estate in 2010 with 42.38% male, yet this increased to 54.61% the following year and 54.78% the year after. Similarly, Edo state increased from 51.01% male in 2010 to 54.78% in 2012.

Only six states had non-Nigerian employees; Akwa-Ibom, Kaduna, Lagos, Niger, Ondo and FCT Abuja. FCT Abuja has the highest number of non-Nigerian employees, with 41 employees in 2010, representing 56.41% of all non-Nigerians employed in the real estate sector that year. This declined to 48.72% in 2011 and 42.49% in 2012. The second largest employer of non-Nigerians for the period was Lagos State, which had 13 non-Nigerians in 2010. Unlike FCT Abuja, this number increased over the period, reaching 22 in 2012. The only state with non-Nigerian female employees was FCT Abuja.

*Sources:*

[http://www.academia.edu/1318354/Housing\\_Needs\\_and\\_Land\\_Administration\\_in\\_Nigeria\\_Problems\\_and\\_Prospects](http://www.academia.edu/1318354/Housing_Needs_and_Land_Administration_in_Nigeria_Problems_and_Prospects)

<http://www.globalpropertyguide.com/Africa/Nigeria/Rental-Yields>

## ANNEX 1: Tables

Table 4 Distribution of Response by Activity and State

STATE	ACTIVITY		TOTAL
	REAL ESTATE ACTIVITIES WITH OWN OR LEASED PROPERTY	REAL ESTATE ACTIVITIES ON A FEE OR CONTRACT BASIS	
Abia	15	22	37
Adamawa	30	19	49
Akwa Ibom	60	49	109
Anambra	26	202	228
Bauchi	37	26	63
Bayelsa	49	7	56
Benue	34	30	64
Borno	7	0	7
Cross River	34	26	60
Delta	34	131	165
Ebonyi	11	11	22
Edo	67	34	101
Ekiti	7	49	56
Enugu	67	86	153
Gombe	11	19	30
Imo	67	45	112
Jigawa	7	0	7
Kaduna	30	134	164
Kano	56	41	97
Katsina	41	15	56
Kebbi	11	63	74
Kogi	30	34	64
Kwara	52	60	112
Lagos	1,389	952	2,341
Nassarawa	0	22	22
Niger	26	123	149
Ogun	41	52	93
Ondo	67	138	205
Osun	11	49	60
Oyo	116	93	209
Plateau	45	37	82
Rivers	224	198	422
Sokoto	93	0	93

Taraba	19	19	38
Yobe	22	0	22
Zamfara	41	0	41
FCT	844	833	1,677
<b>TOTAL</b>	<b>3,724</b>	<b>3,619</b>	<b>7,343</b>

Table 5 Distribution of Response by Product

ITEM	NUMBER	PERCENT
<b>Lessor of Residential Building</b>	4,598	28.78
<b>Lessor of Non-Residential Building</b>	3,119	19.52
<b>Lessor - Self Storage Mini Warehouse</b>	1,431	8.95
<b>Lessor of Other real estate property</b>	2,122	13.28
<b>Lessor of Property Managers</b>	4,706	29.46

Table 6 Legal Status by Type of Activity

Legal Status	ACTIVITY				Total
	Real Estate Activities with own or leased property		Real Estate Activities on a fee or contract basis		
	Number	Percent	Number	Percent	
<b>Sole Proprietorship</b>	2,368	52.36	2,154	47.64	4,522
<b>Joint Venture</b>	165	55.11	134	44.89	299
<b>Private Limited Liability Company</b>	643	50.03	642	49.97	1,285
<b>Partnership</b>	407	43.44	530	56.56	937

<b>Public Limited Company</b>	41	44.01	52	55.99	93
<b>Faith Based Organization</b>	4	30.13	9	69.87	12
<b>Cooperative</b>	26	43.76	34	56.24	60
<b>Others</b>	71	52.79	63	47.21	134
<b>TOTAL</b>	<b>3,724</b>	<b>50.71</b>	<b>3,619</b>	<b>49.28</b>	<b>7,344</b>

Table 7 Distribution by Response of Year of Establishment by Activity

Year Band	MAIN ACTIVITY				Total
	REAL ESTATE ACTIVITIES WITH OWN OR LEASED PROPERTY (6810)		REAL ESTATE ACTIVITIES ON A FEE OR CONTRACT BASIS (6820)		
	Number	Percentage	Number	Percentage	
<b>1960 - 1969</b>	30	66.67	15	33.33	45
<b>1970 - 1979</b>	56	51.73	52	48.27	108
<b>1980 - 1989</b>	220	45.39	265	54.61	486
<b>1990 - 1999</b>	725	45.76	859	54.24	1,584
<b>2000 - 2009</b>	1,856	53.27	1,628	46.73	3,485
<b>2010 and Above</b>	837	51.14	799	48.86	1,636
<b>Total</b>	<b>3,724</b>	<b>50.71</b>	<b>3,619</b>	<b>49.29</b>	<b>7,343</b>

Table 8 Distribution of Property Formation by Year

Item Description	2010		2011		2012	
	RESIDENTIAL	NON-RESIDENTIAL	RESIDENTIAL	NON-RESIDENTIAL	RESIDENTIAL	NON-RESIDENTIAL
Number of building owned and/or manage	44,497	16,314	49,056	17,486	54,942	18,747
Number of rental units owned and/or manage	34,221	20,279	37,328	21,132	38,869	23,158
Square feet rented or leased (non-residential only)	55,735	1,500,173	67,916	1,401,081	108,627	1,451,481

Table 9 Income by Real Estate Industrial Groups and Services (Naira, million)

**INDUSTRIAL GROUP**

RESIDENTIAL PROPERTIES	2010	2011	2012
Rental or Leasing of residential space in houses	183,111.18	242,377.46	278,234.28
Rental or Leasing of residential space in apartments (e.g apartments, duplexes, triplexes)	103,298.65	134,808.12	174,955.69
Rental or Leasing of land for residential use (e.g for trailer parks)	16,450.75	16,239.63	13,715.47
Other rental of residential space (e.g motors, house boats, room in boarding houses and dormitories when used as a principal residence)	3,874.42	13,831.01	17,834.36
	<b>306,735.01</b>	<b>407,256.21</b>	<b>484,739.80</b>
NON-RESIDENTIAL PROPERTIES			
Rental or Leasing of office space	58,423.17	81,008.14	102,532.23
Rental or Leasing of commercial space (e.g stores (shop, stall), restaurants, cinemas, banks, beauty salons, concession space at entertainment for sport venues)	155,337.36	202,465.35	279,627.69
Rental or Leasing of industrial space (e.g for manufacturing storage, distribution, warehouse, include research parks: exclude mini-warehouse and self-storage)	6,584.68	9,258.91	10,719.84

Rental or Leasing of land for non-residential use (e.g for commercial or industrial use; include agricultural land, inland surface waters for recreation use)	9,405.09	6,438.51	7,746.44
Income Non-Residential Services: Other rentals of non-reside	1,650.72	2,770.45	3,708.45
	<b>231,401.03</b>	<b>301,941.37</b>	<b>404,334.65</b>
<b>Rental Income - Mini-Warehouses and self storage units (e.g cold rooms etc)</b>	<b>2,264.53</b>	<b>2,553.45</b>	<b>2,796.43</b>
<b>PROPERTY MANAGEMENT SERVICES</b>			
Residential Building	<b>73,092.99</b>	<b>87,698.63</b>	<b>96,899.35</b>
Non-Residential Building	31,854.46	51,948.84	27,797.33
Land	4,454.69	4,579.38	5,665.87
	109,402.15	144,226.85	130,362.56
<b>OTHER INCOME</b>			
Other Income:	<b>93,942.82</b>	<b>131,214.08</b>	<b>131,509.75</b>
<b>Income Total</b>	<b>743,745.54</b>	<b>987,191.97</b>	<b>1,150,946.76</b>

Table 10 Cost of Operation (Naira million)

DESCRIPTION	2010	2011	2012
Cost of Energy - PHCN	158,505.50	209,209.85	250,302.16
Cost of Energy - Fuel used by Generator	7,623.86	13,669.41	8,952.16
Cost of Energy - Other Source	720.46	1,081.69	1,096.49
Rent of Office Accommodation	13,470.89	16,762.11	18,468.74
Rent of Machinery and Equipment	2,228.08	2,772.36	3,539.11
Water Bills	3,420.97	4,331.15	5,367.09
Property Management fees paid	26,549.22	33,233.65	39,508.07
Real Estate Commission paid	9,020.88	8,548.61	8,901.16
Property taxes paid	1,840.96	2,678.23	3,321.94
Mortgage Interest paid	1,895.51	3,308.31	3,472.67
Telephone Bills	3,559.57	3,816.00	4,272.47

Cost of Stationaries (Consumables)	3,613.16	3,751.66	3,604.21
Consultancy Services	3,144.14	5,331.02	4,763.38
Other Miscellaneous Cost (includes licenses, fees)	24,792.09	37,122.90	47,376.81
<b>TOTAL COST</b>	<b>260,385.31</b>	<b>345,616.96</b>	<b>402,946.46</b>

Table 11 Employees' Compensation

	2010	2011	2012
<b>Wages/Salary Only</b>	351,981.24	475,525.03	560,869.43
<b>Other Benefits</b>	104,432.92	144,991.63	179,135.43
<b>TOTAL</b>	<b>456,414.16</b>	<b>620,516.66</b>	<b>740,004.86</b>

Table 12 Number of Employees by Nationality and State

State	Employment Nigerians						Employment Non-Nigerians					
	2010		2011		2012		2010		2011		2012	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Abia	72	43	74	41	69	39	.	.	.	.	.	.
Adamawa	72	20	78	22	76	24	.	.	.	.	.	.
Akwa Ibom	161	54	168	54	204	63	4	.	6	.	6	.
Anambra	250	131	265	148	285	159	.	.	.	.	.	.
Bauchi	102	22	124	26	144	24	.	.	.	.	.	.
Bayelsa	137	39	117	37	124	57	.	.	.	.	.	.
Benue	72	22	69	22	80	22	.	.	.	.	.	.
Borno	57	2	69	2	69	2	.	.	.	.	.	.
Cross River	178	69	172	69	178	67	.	.	.	.	.	.
Delta	302	172	320	183	333	191	.	.	.	.	.	.
Ebonyi	28	9	35	20	37	22	.	.	.	.	.	.
Edo	141	135	152	143	159	131	.	.	.	.	.	.



Ekiti	50	22	52	22	56	22	.	.	.	.	.	.
Enugu	165	224	274	228	276	228	.	.	.	.	.	.
Gombe	93	20	91	24	106	39	.	.	.	.	.	.
Imo	139	72	148	83	152	87	.	.	.	.	.	.
Jigawa	59	2	59	2	59	6	.	.	.	.	.	.
Kaduna	343	96	346	115	357	130	.	.	.	.	4	.
Kano	367	37	400	37	398	37	.	.	.	.	.	.
Katsina	393	17	357	17	361	17	.	.	.	.	.	.
Kebbi	357	2	417	4	548	6	.	.	.	.	.	.
Kogi	168	37	168	46	163	59	.	.	.	.	.	.
Kwara	209	72	220	146	237	141	.	.	.	.	.	.
Lagos	3,155	1,281	3,338	1,402	3,625	1,555	13		17		22	.
Nassara wa	52	13	56	15	52	15						.
Niger	415	133	474	143	541	168	6		6		6	.
Ogun	124	46	126	48	122	54						.
Ondo	618	230	615	276	672	304	9		9		9	
Osun	78	33	78	37	78	37	.	.	.	.	.	.
Oyo	409	280	443	278	461	259	.	.	.	.	.	.
Plateau	46	7	50	7	56	13	.	.	.	.	.	.
Rivers	1,022	417	1,009	481	1,026	472	.	.	.	.	.	.
Sokoto	128	19	137	19	139	20	.	.	.	.	.	.
Taraba	80	22	94	35	117	39	.	.	.	.	.	.
Yobe	44	9	37	6	22		.	.	.	.	.	.
Zamfara	61	28	61	26	65	24	.	.	.	.	.	.
FCT	3,705	1,542	4,016	1,700	4,557	1,889	28	13	28	7	30	5
<b>Total</b>	<b>13,852</b>	<b>5,381</b>	<b>14,709</b>	<b>5,962</b>	<b>16,001</b>	<b>6,421</b>	<b>59</b>	<b>13</b>	<b>65</b>	<b>7</b>	<b>76</b>	<b>5</b>