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## Editorial for JARER Vol. 7 Issue 1, 2022

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### Editorial

Welcome to Volume 7 (2022), Issue 1 of the Journal of African Real Estate Research (JARER). JARER is stronger and continues to serve as a platform for disseminating different types of research in real estate and the built environment in Africa. As promised, while publishing the last issue (Vol 6, Issues 2) in December 2021, JARER, for the first time since its inception, started publishing individual papers on our website in digital form as they are accepted and gone through the process for publication. Therefore, this issue is coming as an omnibus version of the full papers accepted to be published in Volume 7, Issue 1, having published some of the papers individually. We are also delighted to inform our authors, readers and other stakeholders that JARER has been rated as an "acceptable" journal in the three categories (Real Estate Finance, Real Estate & Urban Economics and Built Environment) in the 2021 Real Estate Journal List of the American Real Estate Society.

We want to appreciate the diligent and tireless efforts of Ms Lesedi Kgaka to ensure that JARER is moved forward to an enviable height. Also, we express our gratitude to our anonymous reviewers and the journal editorial board members for their unflinching support, which has made it possible for us to have a faster rate of responses to authors and an improved rate of submissions. Our gratitude also goes to the African Real Estate Society board members for the support we continue to receive from them. The continuing support and the opportunity for skill acquisition in journal management, which we received from the team and colleagues at the Library Services of the University of Cape Town, South Africa, are very much appreciated. We express our gratitude to Prof. Karl-Werner Schulte and his team from the IREBS at Regensburg University, the IRES, and ERES, from whom JARER continues to receive strong backing.

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The current issue contains six papers focusing on various topics covering diverse areas of interest in emotional intelligence, valuation variance and compensation matters, urban house vacancies and education and training of valuers.

The first paper, written by Ashaolu, T.A., and Bello, M.O., focuses on examining the acquired body of knowledge as a core factor influencing inter-valuer valuation variance. Twenty-two (22) Nigerian valuers based in Lagos Metropolis were made to conduct valuation assessments of selected landed and non-landed property assets and examine their perception of the adequacy of their acquired body of knowledge relevant to each asset category. The paper concluded on the need for review and expansion of the underlying curricula for training prospective valuers towards aligning theory with practice and enhancing valuers' competencies across property types.

Akinwamide and Jonas's paper develops a conceptualised model for measuring service quality among practising real estate firms applying emotional intelligence. In examining customers' satisfaction levels, the knowledge gap between real estate firms' perception of customers and the actual customers' expected service in the Lagos property market in Nigeria was analysed. The paper's findings depicted that real estate firms have a fundamental knowledge barrier to the adoption of emotional intelligence as an instrument of real estate service quality to satisfy customers' emotional needs in service delivery. The authors suggested that practitioners in real estate firms need to improve their knowledge of emotional intelligence as an instrument of real estate service quality to enhance customer satisfaction with emotional needs.

Olapade and his co-authors, in the third paper, examined the intergenerational compensation (IGC) option as a way of forestalling conflict in compensation of compulsorily acquired customary land. The paper used semi-structured and key informants' interviews to examine the views of representatives of 23 selected Indigenous Landholding Families (ILFs) and key informants in government offices providing land administrative services (GOPLAS) in Lagos State on the prospect of IGC. The results suggest a willingness on the part of the ILFs to accept the IGC payment strategy, but the GOPLAS were unwilling to support the strategy. The paper concludes on the need for an institutional framework guiding land acquisition and compensation to remove the clog in the wheel of the implementation of IGC.

The fourth paper by Ndubisi Onwuanyi is an examination of the many issues in urban housing demand and vacancies in Nigeria. The author examined the views of Nigeria's Minister in charge of Housing, who disputed the much mentioned 17-20 million-unit housing deficit. Analysing archival data relating to empirical findings in the past housing studies, the paper's results revealed that a lack of data evidence justifies the minister's dismissal of the 17-20 million-unit shortfall, but not a complete absence of a shortfall. Also, the belief that all vacancies imply availability was found to be misplaced, as is the claim that urban migration is entirely of rural origin. The author concludes, among others, that the claim of an oversupply and the absence of a housing shortfall are unfounded, particularly in the absence of data evidence and suggests that there was a need for a rethink and an understanding of the problem.

Given the increasingly changing industry requirements, Kaweesi *et al.* paper evaluated the education and training of valuation surveyors in Uganda with a view to establishing the gaps in training relative to the needs of the practice. Through stakeholder survey, the results suggest the need for constant review of the education curriculum and adoption of a more practical approach to learning as some of the ways of bridging the gap between the education system and the changing industry needs.

The sixth paper, written by Dr Famuyiwa, developed a framework to guide the use of Land Value Capture (LVC) as a financing mechanism for infrastructure development in Lagos State, Nigeria. The author adopted desktop research to elicit the ideas and perspectives of past research, case studies, policy papers and other relevant publications. Aside from developing a framework, which guides the use of LVC in the study area, the paper concluded that the potential for the application of LVC in Lagos exists. Still, there is a need for the existence of a vibrant property market and lead implementing institution.

We invite you to read these papers and consider their research-based recommendations for policy reforms in government cycles and enhanced professional practices toward more sustainable development for Africa. Please, feel free to give us feedback on this and the previous issues of the journal.

Prof. Abel Olaleye  
Editor-in-Chief





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## Acquired Body of Knowledge: a Core Valuation Influencing Factor in Inter-valuer Variance

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### Abstract

Concerns about over valuation accuracy and variance cannot be over-flogged, given the somewhat fluid nature of the concepts. It is, however, more apt to dig into their more fundamental causative factors. This paper realises that a specialist valuer or appraiser has a chain of sequential tasks anchored on their distinctive competencies. At the heart of this is sufficient knowledge of the attributes of their subject of valuation.

Twenty-two (22) Nigerian valuers based within Lagos Metropolis were made to conduct valuation assessments of selected landed and non-landed property assets and examine their perception of the adequacy of their acquired body of knowledge (BoK) relevant to each asset category. Multiple regression analyses of the results indicated that all the adaptive knowledge variables positively influence the valuer's competence in the valuation of both landed property and non-landed property assets. The standard deviation of the distribution reveals the variation/dispersion in their valuations, for landed property, being 7.77 while that of non-landed property is 32.24; by employing the 10% maximum variation rule of Glover (1985), 9% of the valuers fall outside the limit in respect of landed property whereas, the figure rose to 64% for non-landed property assets. This is indicative of remarkably higher internal inconsistencies among respondent valuers on non-landed property assets. Given these findings, there is an urgent need to review and expand underlying curriculums for training prospective valuers towards aligning theory with practice and enhancing their competence across property types.

**Keywords:** asset types, body of knowledge, inter-valuer variance, valuation activities

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## 1. Introduction

A problem cannot be overemphasised when its underlying factors have not been fully explored. Such is the case with the controversies surrounding 'the right figure' in property valuation (Boyd & Irons, 2002, Effiong, 2015). Valuation has been aptly described as an 'estimation of value' where the 'actual value' is what plays out upon the occurrence of the anticipated event (Skitmore, Irons & Armitage, 2007; Ayedun, Oloyede & Durodola, 2012). Hence, as noted by Mallinson Report (1994), Carsberg (2002) and Royal Institution of Chartered Surveyors Guidance Note (GN5, RICS 2003), all valuation figures are subject to some form of uncertainty, given that the expressed estimate of the value figure has to do with future expectations of benefits accruable from the property asset. As such, uncertainties in estimating future benefits, including appropriately discounting them into present worth equivalents, could result in either an inaccuracy of a predicted figure or variability between two or more valuers, thereby producing twin topical concerns - valuation accuracy and valuation variance. The problem often manifests in three forms:

- i) inaccuracy of reported value (estimated at the valuation date) in predicting eventual transaction price (presumed to be actual value) playing out at a future date;
- ii) inaccuracy of reported value in predicting eventual transaction price when adjusted back to the valuation date; and
- iii) differences or variations between the figures of value reported by two or more valuers.

Incidentally, the accuracy of value is more difficult to measure compared to variance among study participants. While measurement of accuracy is tied to the occurrence of an expected event, variance is a gauge of consistency among professional peers (Addae-Dapaah, 2001). The estimate's accuracy is a longitudinal measure with the possibility of intervening periods producing changing determinant conditions. Besides, it has been observed that studies on the accuracy of valuation figures in predicting transaction prices often underplay the intricate variability of circumstances surrounding each property sale (Baum, Crosby, Gallimore, Gray, & McAllister, 2000). On the other hand, variance is a cross-sectional measure at a given point in time to determine internal consistencies among a particular group of valuers. Causative factors of variability in the output of professional peers are themselves possible indications of gaps to be bridged in their input or qualification requirements. As posited by Druckman and Bjork (1994), several circumstances can limit the ability to transfer training to performance, except contexts of training are made to simulate fields of performance. Fortunately, most professional training courses are laden with practical demonstrations and periods of internship to achieve this.

i) Sheehan (2011) reiterated the challenge confronting valuers to be the difficulty of finding comparable data. Valuation of property assets is event-driven or a derivative activity – often resulting from a factual or perceived departure from a norm. Branded products in their original state and situation seldom require specialist advice on value until their state or situation/location has been altered. Thus, a soft drink bottle may change its shelf value in a location remote from its major distributor. At the same time, an unregistered 2019 Toyota Camry L.E. car manufactured in Kentucky, USA, could carry the uniform showroom price and/or value of \$25,265 across several garages in its country of manufacture, but upon reaching an auto showroom in Nigeria, the price or value may come to around \$48,600 after factoring shipping, clearing charges and other overhead costs. While the manufacturer's valuation of \$25,265 requires no professional assistance, the value in a Nigerian showroom may. However, the issue becomes more compelling in both countries after the car has been purchased and

registered on the road. The departure between average showroom price and value of the registered vehicle widens considerably, varying as per the mode of handling, purpose of use, nature of roads plied, regularity of maintenance, the intensity of use and age, among several other factors that would have altered its initial brand-new state. The essence here is in the ability to compare the designed parameters of the car as new explicitly and sufficiently – body, engine, transmission and electronics - with the actual, which are to be reflected in a fair figure of value. The valuer can no longer rely solely on a 'similar' registered car in another garage recently sold for, notwithstanding sharing the exact model particulars and manufactured date. This is where the acquired knowledge and expertise of the valuer comes into play as the focus of this paper.

ii) This research analysed the various activities involved in valuation, and attempts were made to examine the influence of the level of understanding of different asset types (know-what) on the figures of value reported thereon by various valuers.

## 2. Literature Review

Steps required in valuation are practical issues that can only be extracted from experience. National Timber Tax (2019) identified valuation steps that comprise others, defining the problem, planning the exercise, and collecting data: general, specific and comparative. Valuation partners (2019) also pinpointed contact from the client, sorting out terms of instruction, an inspection of the property, market survey and reporting as part of the parameters for valuation. Argianas and Associates (2019) explained the four steps in use at their firm: understanding the purpose and function of the exercise, comprehensive on-site inspection of the property, collection of comparable data, and preparation and submission of the report. One major chore common to the aforementioned is a physical inspection of the property (or collection of property-specific data).

Generally, however, the valuer's activities can be broken down into five stages, as shown in Table 1. Stages I and II (receiving instruction and identifying the subject property) are preliminary activities that are administrative in nature.

**Table 1: Stages Involved in Property Valuation**

<b>Activity Areas in Valuation</b>	<b>Explanation</b>
<b>Stage I</b> Receive Instruction	i) Understand the objective of asset holding ii) Clarify the purpose of the proposed valuation exercise
<b>Stage II</b> Identify Property	i) Establish quantum of ownership right or control exercised by the client ii) Ascertain presence
<b>Stage III</b> Analyse Property	i) Characteristic features that can influence value – physical composition and other property-specific variables ii) Condition of the property, including any need for remediation
<b>Stage IV</b> Interpret Market	iii) Position of property in the local market iv) General local market features as affecting value realisation

	v) Macro-economic influences
<b>Stage V</b> Conduct Valuation	i) Apply suitable basis and methods with reflective thought ii) Reporting

Stage III activities relate to property-specific investigative functions of the valuer (Armatyrs, Askham & Green, 2013). Arguably, this is central to distinguishing their competency. Success or otherwise at this stage is pertinent to the reliability of their eventual value conclusion.

Following the measurement of the competency model suggested by Fortunato, Lettera, Lazoi, Corallo and Guidone (2011), there are knowledge areas for the aspects of the method, technology and products involved in valuation activities to generate the required value figure. Eventually, the quality and reliability of the value (output) is a measure of the level of competencies fed into this activity.

One relevant area of discourse in this paper is whether efficiency in valuation dwells solely on access to market data or if there is also a need to correctly identify and assess value-influencing variables that are property-specific. A school of thought believes the major bane to the accuracy of value figures is access to market data (Adegoke, 2016; Waters, Dunse & Jones, 2018). In this context, valuation could be equated to pricing (Kummerow, 2003). But ordinarily, pricing more appropriately fits the final activity of a producer. As remarked by the classic economist Stroeve (1897), the combination of cost and utility determines value. Value is, therefore, more relevant to prospective users of the asset as it denotes the present worth of the asset's unexhausted utility. The more the asset has been in use, the more difficult value-determination would become. Hence, valuation is an assessment, which Ajayi (2018) described as the process of collecting data to make a value judgement.

Taras (2010) has also defined assessment as the gathering and combining of performance data with a weighted set of goal scales to yield either comparative or numerical ratings. This is towards matching the attributes of an asset against those of similar assets having conclusive market evidence as a basis for determining if such asset should be exchanged below, at par or above what the comparable went for. Essentially, just like the provision of a basis for rating pupils, assessment as a framework for ascribing monetary worth to an asset requires knowledge of and the ability to analyse the attributes of such assets in economic terms (Crosby, Lavers and Murdoh, 1998 & RICS, 2010). Often, this specialist knowledge attracts the services of a real estate valuer to the auditor or a reporting entity when the carrying amounts of assets in a balance sheet are to be revisited (International Valuation Standards Council, 2012). In a related manner, it was discovered that in the United States and Australia, a distinction is often made between two forms of valuation (appraisal) – the advice on the value given by the real estate broker and actual assessment-driven opinion of value emanating from a qualified valuer or appraiser (Real Estate View, 2018 and Real Estate Institute of South Australia, 2020). While the former would draw substantially from their market experience, the latter is believed to possess a more in-depth analytical capacity for the asset and its market setting.

The difference between the value of a business as an entity and that of its separable assets in orderly use on the one hand and of the divisible assets under bankruptcy on the other is significant in this context. With a wholesome business valuation, the worth of assets is holistically subsumed in profitability analysis. Also, by valuing the assets of a business in an orderly operational state, the value of each identifiable asset is still somewhat indirectly tied to the profitability potential whereas, under the conditions of bankruptcy or liquidation, each asset becomes detachable and exposed to its 'Used Market Value'. Used Market Value can only be

effectively assessed through proper analysis of all its specific value-influencing variables to be mirrored against comparable items in the marketplace.

Another issue of discussion is the variation in the decision and opinion of two or more valuers engaged in the same assignment, either for affirmative decision or on different sets of related assets of an organisation. At the onset, it is apt to accept that two valuers working on the same property seldom come to the same conclusion of value (Aluko, 2007 and Ayedun, Oloyede, Iroham & Oluwumi, 2011). This is easily adduced to uncertainties that accompany every future estimate (Mallinson, 1994 and Carsbeg, 2002).

Incidentally, however, Parker (1998) believed incompetence in valuation could manifest through the inability of valuers to achieve the exact resulting valuations or where that resulting valuation does not match the market price, and the margin of difference is so significant as to exhibit a failure due to professional care. There has been a rather prolonged debate among practitioners and researchers coupled with judicial pronouncements regarding the maximum acceptable range of difference in value figures. The pioneering work of Hager and Lord (1985) involving ten valuers produced a range of  $\pm 10.6\%$  and  $\pm 18.5\%$ . The study of 5 valuers working on 14 hypothetical properties in the United Kingdom by Adair et al. (1996) showed a variance of 11.86% and about 80% of their figures, producing a deviation from the mean of less than 20%. Another study by Mokrane (2002) covering five countries – U.K., Germany, Sweden, France, and Netherlands - between 1990 and 2000 indicated a relatively low level of variance among valuers. But the study by Effiong (2015) suggested that almost all 35 sampled Nigerian valuers (precisely 34 or 97.1%) opined that practitioners' range of value figures should not exceed  $\pm 20\%$ . While this is much outside the maximum valuation variance of  $\pm 9\%$  recommended by the courts in the U.K. or about  $\pm 11.1\%$  to  $\pm 13.16\%$  revealed in an earlier Nigerian study by Ogunba and Iroham (2010), the  $\pm 20\%$  yardstick has been adopted in this study to compare the performance of respondent valuers in landed and non-landed property assets.

### **3. Methodology**

The study has two aspects – comparative analysis of variance across different asset categories and ascertaining the impact of knowledge about an asset on its valuation. For the first part, the study adopted the analysis of variance (ANOVA) through F-Test Two-Sample for Variances and k-sample comparison of variances. In contrast, correlation analysis was used to establish the relationship between observed variations in figures of value and the competence of valuers.

The study tests the correlation of respondent valuers' figures on typical landed property assets and some sets of non-landed property assets, specifically plants and machinery. The approach adopted here followed the pattern established by previous efforts at measuring valuation accuracy and variance among valuers, where sampled valuers were made to value a given property independently (for example, Hager & Lord, 1985; Ogunba, 1997; Ogunba & Ajayi, 1998 and Ogunba, 2004). Due to the tasking and location-specific nature of the survey, only 27 practising valuers familiar with the chosen location within the Lagos metropolis were found suitable for participation, with 22 (about 81%) producing analysable results. Also, within this study, each respondent valuer's competency score in a given exercise was measured by the level of variation of their figure from the mean of values reported (with this mean figure used as a 100 index), following the approach Tranter and Warn (2003).

On the possible influence of the acquired body of knowledge about an asset on variance in value across professional peers, the valuers were requested to assess by Likert-like scaling the level of adequacy of their acquired competencies or body of knowledge (BoK) on common asset types under the landed property and non-landed property types respectively. The outcome was subjected to multiple regression analysis to ascertain the correlation, strength of relationship, and directionality of influence between the dependent and corresponding independent variables. The model is formulated on the a priori postulation that the valuer's ability to carry out asset valuation depends on their adaptive knowledge of the assets. In other words, the theory can be explained as a functional relationship between asset valuation and adaptive asset knowledge (valuation-related education). Mathematically, this can be illustrated as:

$$\text{Valuation Competency} = f(\text{Adaptive asset knowledge}) \dots\dots\dots (1)$$

However, for the purpose of this study, the assets have been broadly classified into — landed property and non-landed property such that:

For landed property, we have:

$$\text{Valuation} = f(\text{Adaptive knowledge of Landed Property}) \dots\dots\dots (2)$$

$$\text{Val} = f(\text{LAN, BUD, CIF, ENA}) \dots\dots\dots (3)$$

Where LAN is Adaptive knowledge of Land  
 BUD is Adaptive knowledge of Building,  
 CIF is Adaptive knowledge of Civil Infrastructure and;  
 ENA is Adaptive knowledge of Environmental assets.

While for a non-landed property, we have:

$$\text{Valuation} = f(\text{Adaptive knowledge of Non-Landed Property}) \dots\dots\dots (4)$$

$$\text{Val} = f(\text{PEM, FUR and INT}) \dots\dots\dots (5)$$

Where PEM is Adaptive knowledge of Plant, Equipment and Machinery  
 FUR is Adaptive knowledge of Furniture  
 INT is Adaptive knowledge of Intangibles

For Econometric analysis for Landed Property:

$$\text{Val}_{LP} = \bar{\alpha}_1 + \beta_1\text{LAN} + \beta_2\text{BUD} + \beta_3\text{CIF} + \beta_4\text{ENA} + e \dots\dots\dots (6)$$

And for Non-Landed Property:

$$\text{Val}_{NLP} = \bar{\alpha}_2 + \beta_1\text{PEM} + \beta_2\text{FUR} + \beta_3\text{INT} + e \dots\dots\dots (7)$$

Where:  $\bar{\alpha}$  = intercept  
 $\beta_1$ -  $\beta_n$  = coefficients of  
 $e$  = error term

The a priori expectations are:  $\beta_1$ -  $\beta_n > 0$

## 4. Results and Discussion

### 4.1 Degree of Valuation Variance

The result from 22 valuers confronted with a hypothetical valuation of selected landed property and non-landed property assets are presented in Table 2, using the average of their value figures as a 100-base index.

**Table 2: Analysis of Respondents' Indexed Value Figures on Hypothetical Asset Valuation**

Valuer	Figures of Value (indexed from the average as 100)	
	Landed Property	Non-Landed property
1	103	63
2	98	103
3	93	186
4	101	30
5	107	77
6	93	55
7	96	83
8	82	136
9	91	99
10	105	84
11	100	94
12	102	90
13	115	94
14	106	110
15	94	116
16	101	81
17	98	110
18	103	67
19	90	81
20	114	101
21	105	65
22	105	132
Percentage of Valuation outside $\pm 10\%$	9%	64%
Percentage of Valuation outside $\pm 15\%$	0%	64%
Percentage of Valuation outside $\pm 20\%$	0%	41%

Source: Field survey (2019)

By employing the 10% maximum variation rule of Glover (1985), 9% of the valuers fell outside the limit in respect of landed property, whereas the figure rose to 64% for non-landed property assets. When we stretch this to the outer  $\pm 15\%$  advocated by Baum and Crosby (1988), no valuer was screened out for the landed property, but the former 64% were still outside the

bracket for Non-Landed Property assets and at 20% variance; 41% remained as outliers for non-landed property, while none fall outside the boundary for landed property assets. Also, the two sets of assets have a calculated value-correlation of -0.260, indicating a lack of positive relationship in the pattern of reported figures across the asset categories. This is expected, given the wide range of divergences in the indexed value figures on non-landed property in Table 2. Summary statistics are presented in Table 3.

**Table 3: Descriptive Statistics of Valuation Outcome**

<b>Landed Property</b>		<b>Non-landed Property</b>	
Mean	100.09	Mean	93.5
Standard Error	1.66	Standard Error	6.87
Median	101	Median	92
Mode	105	Mode	94
Standard Deviation	7.77	Standard Deviation	32.24
Variance	60.37	Variance	1039.5
Kurtosis	0.40	Kurtosis	2.37
Skewness	0.198	Skewness	0.865
Range	33	Range	156
Minimum	82	Minimum	30
Maximum	115	Maximum	186
Sum	2202	Sum	2057
Count	22	Count	22

*Source: Field survey (2019)*

From Table 3, the range of figures arrived at for these two sets of assets portrayed a grim situation for non-landed property (156), unlike just 33 for landed property. Invariably, while the standard deviation regarding landed property is approximately 7.77, that of non-landed property is as high as 32.24. This is indicative of remarkably higher internal inconsistencies among respondent valuers on non-landed property assets.

#### **4.2 Competence Level in Relation to Adaptive Knowledge**

For further analysis and using the maximum percentage of the inter-valuer variance rule, the indexed valuation figures from each valuer, as presented in Table 2, were further disaggregated into indicated competence scores using the stratifications shown in Table 4 below.

Table 5 (in Appendix A) further below shows the subsequent competence scores from each respondent valuer vis-a-vis their rating of the adequacy of adaptive knowledge (acquired body of knowledge) of the value-influencing variables in respect of the different asset types.

**Table 4: Competence Scores Framework**

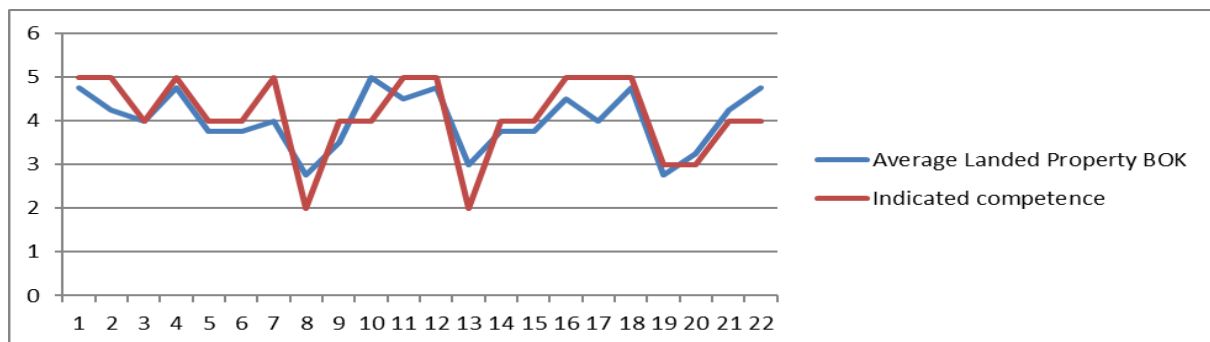
<b>Value Index</b>	<b>Percentage Variation</b>	<b>Competence Score</b>
96-100 and 100-104	±5%	5
91-95 and 105-109	±10%	4
86-90 and 110-114	±15%	3
81-85 and 115-119	±20%	2
<81 and > 119	> ±20%	1

*Source: Field Survey (2019)*

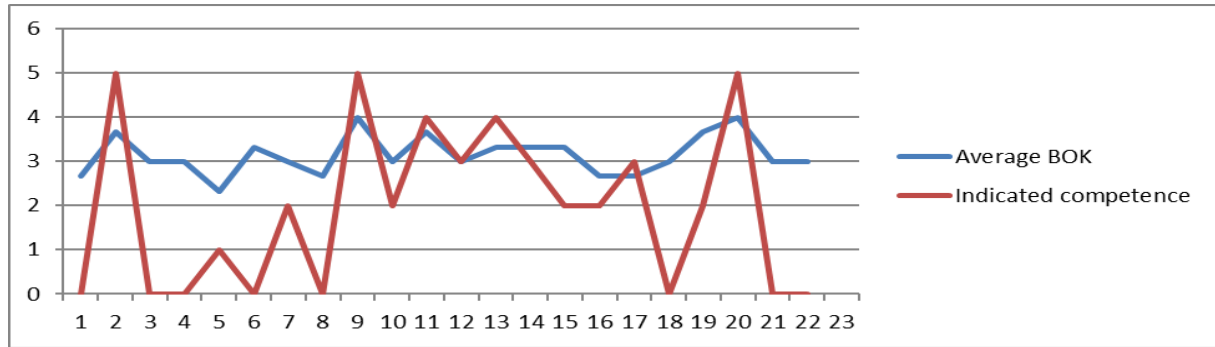


Four asset types were examined under the landed property category: Land (LAN), Buildings (BUD), Civil Infrastructure (CIF) and Environment (ENA). In the non-landed property category were Plant, Equipment and Machinery (PEM), Furniture (FUR) and Intangible Assets (INT). Adequacy of the acquired body of knowledge (BoK) was ranked from very inadequate (1) through to very adequate (5). A cursory inspection of the pattern of figures in Table 5 clearly indicates higher competence scores. It correlates higher adequacy rating of acquired BoK for landed property vis-à-vis corresponding figures for the non-landed property. This is consistent with the findings of Alainati et al. (2009) in their comparative analysis of two case studies with opposing conclusions on whether education and training have a direct effect on competence and, indeed, overall organisational competency. Though they recognised that other factors like personal characteristics, experience and cognitive capacities also exert influence on competence, their study confirmed the existence of a direct and positive effect of education and training (BoK) on both individual employees' competence and corporate competency.

Figures 1 and 2 below graphically illustrate the relationship pattern between a valuer's perceived level of BoK and their indicated competence level for each asset category presented in Table 5. While landed property indicates a close unidirectional pattern significantly above the 3.0 average line in Fig.1, Fig. 2 shows a much more disproportionate relationship with indicated competence level. Besides, the reported BoK levels for the non-landed property were substantially between the 2.5 and 3.5 range and generally under the 4.0 mark, unlike the results for landed property. In other words, the level of asset-specific competencies in the body of knowledge acquired by a valuer is a key determinant of their understanding of assets. This reflects the level of their competent handling and reliability of their valuation (Alainati et al., 2009 Ashaolu, 2017).



**Figure 1: Landed Property Value-Competence Relationship**



**Figure 2: Non-Landed Property Value-Competence Relationship**

**4.3 Influence of Adaptive Knowledge on Competence Level**

Data for landed property in Table 5 was further subjected to multiple regression analysis to ascertain the correlation, strength of relationship and directionality of influence between the valuer's competence (dependent variable) and the acquired level of knowledge (BoK) on corresponding assets (independent variables). The outcome is as contained in Tables 6 to 8. Table 6 shows the model summary, while Table 7 tests the statistical strength of the model through analysis of variance (ANOVA).

**Table 6: Multiple Regression Model Summary on Landed Property**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.846 <sup>a</sup>	.716	.649	.55750

*a. Predictors: (Constant), ENA, CIF, BUD and LAN*

*b. Dependent Variable: VAL<sub>LP</sub>*

From Table 6, R Square is .716, which indicates that the model explains 71.6% of the competence of valuers in the landed property as being attributable to their acquired knowledge of these assets. In other words, the predictor variables - knowledge areas in LAN, BUD, CIF and ENA - explained 71.6% of the variances in the competence of valuers in the valuation of landed property assets.

**Table 7: ANOVA (Landed Property)**

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	13.307	4	3.327	10.704	.000 <sup>b</sup>
Residual	5.284	17	.311		
<b>Total</b>	<b>18.591</b>	<b>21</b>			

*a. Dependent Variable: VAL competence b. Predictors: (Constant), ENA, CIF, BUD, LAN*

The result from ANOVA table (Table 7) shows that the regression model is statistically significant with  $p = .000$ . The coefficient of the model is therefore presented in Table 8.

**Table 8: Coefficients for the Data Model**

Model	Un-standardised Coefficients		Standardised Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error				Beta	Lower Bound
(Constant)	-1.457	.948		-1.536	.143	-3.458	.544
LAN	.358	.349	.250	1.025	.320	-.379	1.095
BUD	.685	.275	.490	2.487	.024	.104	1.266
CIF	.220	.216	.190	1.014	.325	-.237	.676
ENA	.035	.206	.038	.170	.867	-.400	.470

a. *Dependent Variable: VAL<sub>LP</sub>*

Table 8 shows the values of the unstandardised and standardised coefficients, t value, Sig. value and correlation components. This table shows that the acquired knowledge (or BoK) in all asset types positively influenced the competence level of the studied valuers at different confidence intervals. In particular, the body of knowledge (BoK) acquired in building (BUD) had about double the effect of that of land (LAN), which is because of the more complex and varied nature of different building forms the valuer is expected to understand. The t value further demonstrates this on buildings (BUD) 2.487 is greater than the 2.262 threshold at a 95% confidence interval (Sullivan, 2017).

For non-landed property, corresponding results of the multiple regression showing model summary, ANOVA and coefficient table are presented in Tables 9 to 11 below.

**Table 9: Multiple Regression Model Summary on Non-landed Property**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.689 <sup>a</sup>	.475	.388	1.43851

a. *Predictors: (Constant), INT, FUR, PEM* b. *Dependent Variable: VAL<sub>NLP</sub>*

Here, the R square is .475, indicating that acquired BoK can only explain 47.5% of the variation in valuers' competence. But for a survey attempting to analyse human behaviour, R-square below 50% would not be unexpected, provided the overall model is statistically significant (Tabachnick and Fidell, 2007, Frost, 2019). This statistical significance at a 95% confidence level has been validated in the ANOVA table (Table 10) with  $p = .008$ .

**Table 10: ANOVA – Non-Landed Property**

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	33.707	3	11.236	5.430	.008 <sup>b</sup>
Residual	37.247	18	2.069		
<b>Total</b>	<b>70.955</b>	<b>21</b>			

a. Dependent Variable:  $VAL_{NLP}$  b. Predictors: (Constant), INT, FUR, PEM

**Table 11: Coefficients - Non-Landed Property**

Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error				Lower Bound	Upper Bound
(Constant)	-6.275	2.382		-2.634	.017	-11.279	-1.270
PEM	1.113	.443	.434	2.513	.022	.182	2.044
FUR	.537	.466	.200	1.153	.264	-.442	1.516
INT	1.061	.443	.419	2.394	.028	.130	1.992

a. Dependent Variable:  $VAL_{NLP}$

Table 11 also indicates the existence of a positive correlation among the two sets of variables - knowledge areas in each asset type exert a positive influence on the valuer's competence in the valuation of non-landed property assets. The unstandardised coefficients, described by Glen (2019) as the 'real life' case, revealed that knowledge in the plant, equipment and machinery (PEM) and intangible assets (INT) had more than a unitary, positive influence on the valuer's competence, thereby requiring that their valuation must be anchored on a deeper understanding of their intrinsic features, compared to furniture items (FUR). The t statistics of 2.513 and 2.394, which are higher than 2.262 at the 95% confidence interval, also reinforced the critical significance of BoK in PEM and INT, respectively, for valuers.

Ultimately, regression analysis results reveal that a valuer's capability to carry out asset valuation is significantly influenced or dependent on their adaptive knowledge of the assets concerned, with particular emphasis on complex items of buildings, plant, machinery, equipment and the intangibles.

## 5. Conclusions and Recommendations

This study has revealed that practising Nigerian Estate Surveyors and Valuers are more consistent among themselves when confronted with the valuation of landed property assets much more than in their handling of non-landed property Assets. This finding is not unexpected given the emphasis on knowledge courses in landed property assets under the subsisting 'estate

management' curriculum at both university and polytechnic levels, as revealed by Ashaolu (2021). Consequent to this is the wide inter-valuer variances in the valuation of the non-landed property. Thus, the perception that valuation is essentially a pricing problem, as expressed by Kummerow (2003), Adegoke (2016) and Waters, Dunse and Jones (2018), could only find meaning for landed property assets where the valuers have been demonstrated to possess a rich background body of knowledge. Accordingly, there is an urgent need to review and expand the underlying curriculum for training prospective property valuers towards aligning theory with practice and enhancing their competence across property types. In the short run, continuous development programmes of the professional group would be required to place emphasis on areas of knowledge deficiencies of existing practitioners both to widen and update their competencies towards meeting contemporary demands. In the course of valuing such assets, more effective collaboration with experts on various specialised property assets would equally serve to bridge current knowledge gaps.

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## Appendix A

Table 5: Competence Score and Adequacy of Acquired Body of Knowledge

Respondent	Comp .Score	Landed Property Property					Non-Landed				
		Adequacy of BoK				Average BoK	Comp .Score	Adequacy of BoK			Average BoK
		LA N	BU D	CIF	EN A	PE M		FU R	IN T		
1	5.00	5.00	5.00	4.00	5.00	4.75	.00	3.00	4.00	1.00	2.67
2	5.00	5.00	5.00	4.00	3.00	4.25	5.00	4.00	4.00	3.00	3.67
3	4.00	4.00	5.00	4.00	3.00	4.0	.00	3.00	4.00	2.00	3.0
4	5.00	5.00	5.00	5.00	4.00	4.75	.00	3.00	4.00	2.00	3.0
5	4.00	4.00	5.00	3.00	3.00	3.75	1.00	2.00	3.00	2.00	2.33
6	4.00	4.00	4.00	4.00	3.00	3.75	.00	3.00	4.00	3.00	3.33
7	5.00	4.00	5.00	4.00	3.00	4.0	2.00	3.00	4.00	2.00	3.0
8	2.00	3.00	3.00	3.00	2.00	2.75	.00	4.00	3.00	1.00	2.67
9	4.00	4.00	4.00	3.00	3.00	3.5	5.00	4.00	5.00	3.00	4.0
10	4.00	5.00	5.00	5.00	5.00	5.0	2.00	3.00	3.00	3.00	3.0
11	5.00	5.00	5.00	4.00	4.00	4.5	4.00	4.00	4.00	3.00	3.67
12	5.00	5.00	5.00	5.00	4.00	4.75	3.00	3.00	3.00	3.00	3.0
13	2.00	4.00	4.00	2.00	2.00	3.0	4.00	3.00	4.00	3.00	3.33
14	4.00	4.00	4.00	4.00	3.00	3.75	3.00	4.00	3.00	3.00	3.33
15	4.00	4.00	4.00	3.00	4.00	3.75	2.00	3.00	5.00	2.00	3.33
16	5.00	5.00	5.00	4.00	4.00	4.5	2.00	2.00	4.00	2.00	2.67
17	5.00	5.00	5.00	3.00	3.00	4.0	3.00	4.00	3.00	1.00	2.67
18	5.00	5.00	5.00	4.00	5.00	4.75	.00	4.00	3.00	2.00	3.0
19	3.00	3.00	3.00	3.00	2.00	2.75	2.00	3.00	5.00	3.00	3.67
20	3.00	4.00	4.00	3.00	2.00	3.25	5.00	5.00	4.00	3.00	4.0



21	4.00	4.00	5.00	4.00	4.00	4.25	.00	3.00	4.00	2.00	3.0
22	4.00	5.00	4.00	5.00	5.00	4.75	.00	3.00	3.00	3.00	3.0

*Source: Field Survey (2019)*



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## Emotional Intelligence and its Application to Real Estate Service Quality: A Knowledge Gap Analysis

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### Abstract

Real estate professional bodies have a significant concern for the quality of service among practising real estate firms to achieve customer satisfaction. However, customers' satisfaction is influenced by their emotional needs in decision making. As such, this study develops a conceptualised model for measuring service quality among practising real estate firms with the application of emotional intelligence. To assess customers' satisfaction levels, the knowledge gap between real estate firms' perception of customers and the actual customers' expected service in the Lagos property market in Nigeria was analysed. A random selection of 100 members of the Nigerian Estate Surveyors and Valuers with 400 real estate customers was done and a structured questionnaire administered on the sampled population. However, only 85 real estate firms and a total of 362 real estate customers responded and their responses utilised. A knowledge gap analysis model with a weighted mean score was employed for data analysis. Findings depicted that real estate firms have a basic knowledge barrier on the adoption of emotional intelligence (such as self-awareness and social skills) as an instrument of real estate service quality to satisfy customers' emotional needs in the service delivery. Therefore, practitioners in real estate firms need to improve their knowledge of emotional intelligence as an instrument of real estate service quality to enhance customer satisfaction with emotional needs.

### Keywords

customer satisfaction, emotional intelligence, knowledge gap model, service quality, real estate

### 1. Introduction

Service quality (SERVQUAL) is the gap between the perceived service and the anticipated delivery service. Customers' judgements about levels of service quality received depend on

their perception of actual service performance in light of what was expected (Preko *et al.*, 2013). When customers' expectations exceed the performance, the perceived service quality is below satisfactory, resulting in customers' dissatisfaction (Baffour-Awuah, 2018). Customers' dissatisfaction is one of the basic knowledge barriers for firms in meeting expected needs in service delivery. To achieve customers' satisfaction, the service quality knowledge gap model can be referred to as the difference between how firms perceive customers' expected service and actual customers' expected service in delivery (Shahin & Samea, 2010). Bridging the knowledge gap requires understanding customers' behaviour in service delivery. During transactions, various factors influence customers' behaviour in decision-making. These factors could be attributable to their feelings, emotions and other functional needs in decision making.

The need to recognise feelings and emotions is crucial in understanding customers' behaviour in service delivery. The ability of an individual to acknowledge his feelings understand customers' emotional needs and their behaviour in service delivery is known as "Emotional Intelligence (E.I.). According to Ahangar (2012), emotional intelligence can predict service quality performance. Considering real estate as a service industry, emotional intelligence adoption in service delivery cannot be underestimated for predicting practitioners' work performance. However, improved work performances among practising real estate firms demand the management of clients' emotions and interpersonal interactions in real estate transactions to achieve maximum satisfaction. Therefore, linking emotional intelligence to service quality performance can provide real estate firms with a benchmark for evaluating real estate practitioners' level of competency (Akinwamide, 2019; Akinwamide & Bello, 2019b). In light of this, enhancing practitioners' emotional intelligence competencies in real estate service would enable them the ability and skills to perform effectively in a real estate transaction.

Several studies have supported the claim that those who possess a high level of E.I. tend to achieve a higher level of performance at work (Sy *et al.*, 2006; Rode *et al.*, 2007). Lopes, Cote and Salovey (2006) expressed that all the processes derived from the link between E.I. and one's aptitude have the likelihood of improving performance at work. Ignacio, Miguel & Edmundo (2013) reviewed the importance of professional competencies in the development of emotional intelligence and noted that professionals' emotions might influence their performance at work. Zainal, Zawawi, Aziz and Ali (2017) employed Pearson correlation coefficient analysis to examine the correlation between emotional intelligence and employees' job performance in service delivery. It was found that a strong significant correlation exists between emotional intelligence and employees' performance of the job in service delivery. Using descriptive statistics, the study of Lopes *et al.* (2006) indicated that E.I. plays a vital role in job performance. Other factors (such as personality traits) also reflect an individual's performance ability. Akinwamide and Idris (2019) employed descriptive statistics for an exploratory study to assess E.I. relevance among practising real estate firms. Findings depicted that most practitioners agreed that conducting training on emotional intelligence is needed in real estate practice. Therefore, using a knowledge gap analysis model, it is pertinent to assess emotional intelligence and its application to real estate service quality within practising real estate firms in the Lagos property market in Nigeria.

## **2. Literature Review**

According to Conte (2005), the ability of an individual to understand the feelings and emotions of oneself and others and to harness them to decision making during interaction is referred to as "Emotional Intelligence". However, McEvoy (2008) is of the view that E.I. is connected

with abilities and traits to influence one's aptitude in interaction, communication, negotiation, stress management, conflict resolution within a working environment to achieve a positive organisational culture. The result from the study of McEvoy (2008), using multiple regression analysis, depicted that a positive correlation exists between E.I., individual job performance and career advancement. It was concluded that E.I. has a limited influence on career advancement than Intelligent Quotient as hypothesised.

Among the models developed for measuring emotional intelligence competencies, a mixed model was the most widely adopted and preferred model because it combines the ability and traits model in measurement (Schutle *et al.*, 2004). The mixed model concept in assessing competencies integrates the adoption of various features such as E.I., personality, traits, ability, and cognitive ability. The study by Yaya *et al.* (2016) highlighted the determinants of E.I. as self-awareness and regulation, self-management, motivation, management of customers relationship, and social skills for effective service delivery. A cross-sectional study was conducted by Hajibabae *et al.* (2018) to examine the correlation between empathy and overall E.I. The results depicted a strong positive correlation between empathy and overall emotional intelligence. At the same time, age had a significant inverse correlation with E.I. Therefore, the adoption of emotional intelligence competencies is needed in service delivery to enhance customers' satisfaction with the demand for emotional needs.

Several empirical studies noted the positive impact of E.I. on the performance of leadership style (Kerr, Garvin, Heaton, & Boyle, 2006; McCleskey, 2014); work performance (Khokhar & Kush, 2009); team performance (Naseer, Chishti, Rahman & Jumani, 2011); employees' performance (Jorfi, Jorfi & Moghadam, 2010); digital marketing performance (Akinwamide & Bello, 2019a); academic performance (Oyewunmi, Osibanjo & Adeniji, 2016); sales performance (Bagozzi, 2006); service quality (Miao *et al.*, 2019) and customers' satisfaction (Singh & Singhal, 2015).

Akinwamide and Idris (2019) employed descriptive statistics to analyse the importance of E.I. among practising real estate firms. It was established that emotional intelligence is most relevant in property marketing, consultancy service, and arbitration in real estate service delivery. Therefore, the relevance of E.I. plays a vital role in real estate service delivery to enhance customers' satisfaction.

Kathungu (2010) employed the Pearson correlation analysis to examine the significant correlation between emotional intelligence and job performance. Findings depicted that E.I.'s social skills and motivation determinants have a substantial correlation with job performance. However, an E.I. determinant such as empathy significantly correlates with teamwork within a job. Mount (2006) employed descriptive statistics to assess the role of E.I. in the capacity development of international business. The result showed that cognitive ability only accounted for 19% of overall work performance, emotional intelligence competencies accounted for 44%, and skills and knowledge accounted for 38%. The research by Jorfi *et al.* (2006) employed Kendal's coefficient to examine the impact of E.I. on the performance of employees. Findings showed a significant positive association between emotional intelligence and employees' performance in service delivery. The research of Rode *et al.* (2007) employed Pearson correlation analysis; findings showed that emotional intelligence and conscientiousness established a strong positive relationship with individual performance while E.I. alone has a limited prediction of individual performance. The results of this study are in line with Kathungu (2010) that emotional intelligence has a significant influence on job performance in delivering service to customers.

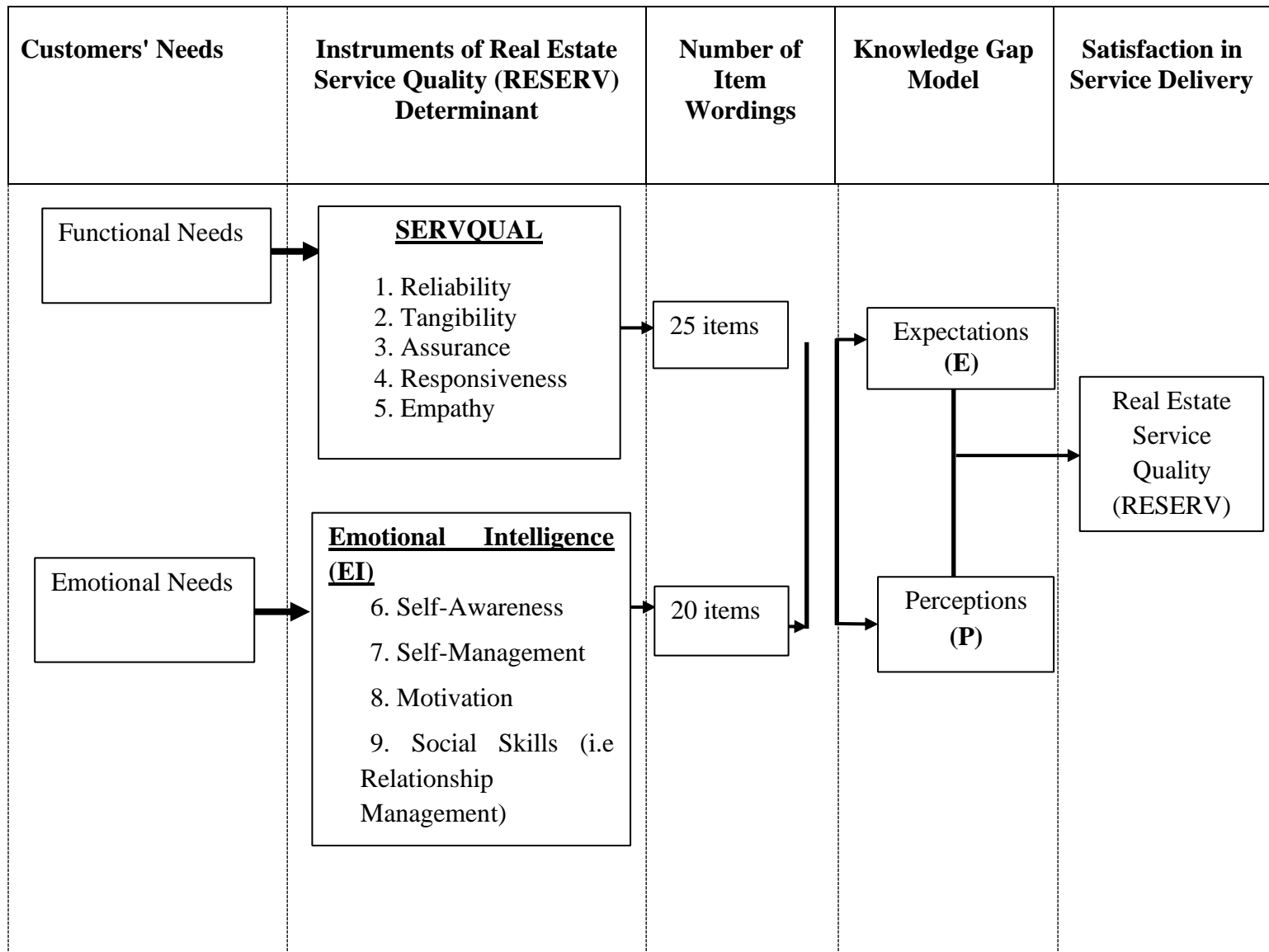
The study of Blocker (2010) reported on the value creation in an agent-client relationship through the interaction of E.I. in communication. The study revealed that effective management of clients' relationships depends on agents' emotional awareness when interacting with clients. However, deterioration of the relationship might occur depending on the party's level of E.I. in interaction.

Given this, Shahzad *et al.* (2011) employed Pearson correlation analysis to examine the impact of E.I. on employees' performance at a telecom company. Findings depicted a moderately significant correlation between E.I. and organisational citizenship behaviour. Based on E.I. scores, the job performance of employees could be predicted. Chaudhry and Usman (2011) employed the Pearson correlation analysis to analyse employees' E.I. and job performance. Findings depicted a significant positive correlation between the performance of employees and determinants of E.I., such as self-awareness and management of customers relationship.

Furthermore, findings showed that E.I. competencies are needed to predict employees' performance in the telecom industry. Various studies have extensively discussed the adoption of E.I. in service industries. However, studies on the application of emotional intelligence in the real estate industry are limited in service delivery to achieve customer satisfaction. Therefore, this study must examine emotional intelligence and its application to real estate service quality in Nigeria.

## **2.1 *Conceptualized Model Framed for this study***

The conceptualised model framed for this study considers customers' needs as both functional and emotional in real estate service delivery. However, SERVQUAL and E.I. were considered the instruments for the determinants of Real Estate Service Quality (RESERV) in service delivery. A total of forty-five (45) item wordings were adopted to assess real estate service quality determinants based on the literature reviewed in the appendix (Table 1 & 2). In this study, the knowledge gap model was employed to assess satisfaction in service delivery. This is shown in Figure 1 below.



**Figure 1: Conceptual Framework for Real Estate Service Quality**

**2.2 Conceptualized Gap Model for Real Estate Service Quality**

Five significant gaps were recognised to analyse service quality to achieve maximum satisfaction (Zeithmal et al., 1985). The gap model can be expressed as the gap between the perceived service and the expected service in delivery. Figure 2 shows the five gap models conceptualised for real estate service quality for this study. These are expressed as follows:

**GAP 1:** This is referred to as the "Knowledge gap in the real estate service quality model" (Shahin & Samea, 2010; Baffour-Awuah, 2018). The knowledge gap model was adopted for this study to analyse the gap between real estate firms' perception of customers (P) and the actual customers' expected service (E) in property transactions. This gap analysis is the basic knowledge barrier, or lack of real estate firms' strategy in meeting expected customers' needs in real estate service quality, expressed in Figure 1.

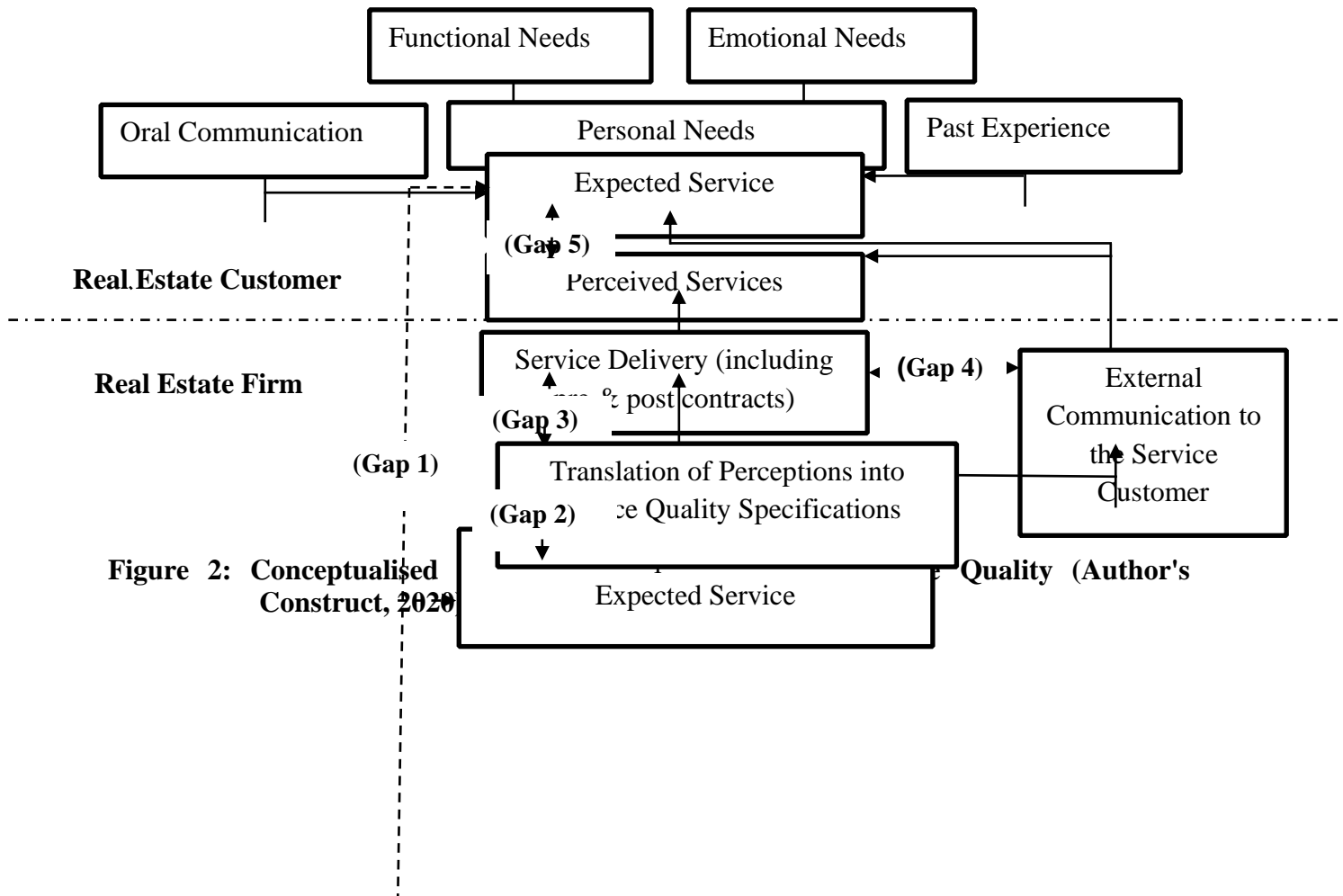
**GAP 2:** The "Standard Gap" in the real estate service quality model is known as the "Standard Gap" (Baffour-Awuah, 2018). This gap emanates from inappropriate real estate service quality

standards adopted among practising firms. It is the difference between the perception of real estate firms on expectations of customers and the specification of service quality in real estate service.

**GAP 3:** This is known as the "Service Performance Gap model" in real estate service quality (Shahin & Samea, 2010). It is the difference between service quality specification and actual service delivery in real estate transactions. This gap emanates as a result of a poor working environment among practising real estate firms.

**GAP 4:** This is known as the "Service Delivered – External Communication Gap model" in real estate service quality (Shahin & Samea, 2010). This model shows the discrepancies between the service delivered by real estate firms and the communicated services to customers in real estate transactions. This gap emanates as a result of promised services externally communicated to customers in public and the actual services delivered in real estate practice.

**GAP 5:** This is referred to as "Customers' Satisfaction" in real estate service quality. This is the gap between real estate customers' perceived service and the service expected in real estate transactions.



### 3. Methodology

This study's target population was the practicing real estate firms and their customers in Lagos. The rationale for adopting Lagos lies in the view that the real estate business is highly active

and has shown consistent development. Such requires the quality of real estate practitioners' services to achieve customer satisfaction. Due to Lagos's large volume of economic activities, most practising firms in real estate have their main offices located in Lagos Metropolis. Registered estate surveying and valuation firms in Nigeria are the qualified practicing real estate firms authorised by the Estate Surveying and Valuation Board of Nigeria (ESVARBON) to execute real estate jobs, having undergone training with the necessary skills and competencies. In the study area, real estate customers are property owners, buyers, and tenants patronising firms on real estate transactions (such as sales, letting, etc.).

A total of 100 registered estate surveying and valuation firms well-known for agency service were randomly selected; and then for each selected firm, four customers were purposely selected. Questions were asked on the nine RESERV determinants adopted to assess practising real estate firms' perceived customers' expected service and actual customers' desired service on the 7-point Likert scale of "Strongly Disagree = 1" to "Strongly Agree = 7".

A knowledge gap analysis model with a weighted mean score was employed for data analysis in this study. However, 85 retrieved questionnaires from registered estate surveying and valuation firms and a total of 362 retrieved questionnaires from real estate customers were utilised for analysing the study data. According to the conceptual framework for this study, the knowledge gap model for analysing service quality in real estate service is the difference between the actual customers' expected service (E) and how the real estate firm's perceived customers' expected service (P) in a transaction (see Figure 2.). Therefore, the model is expressed as:

$$\text{RESERV} = \sum_{b=1}^k (E_{ab} - P_{ab}) \dots \dots \dots (i)$$

Where:

RESERV = Real Estate Service Quality; k = numbers of attributes.

P = How Real Estate Firm's perceived customers' expected service of stimulus *a* with respect to attribute *b*.

E = The actual customers' expected service in real estate transactions for attribute *b* is the relevant norm for stimulus *a*.

**Decision rule:**

**Rule 1:** when a real estate firm's perception of customers' expected service is greater than the actual customers' expected service (i.e.,  $P > E$ ), it could be said that the service rendered by the firms are delighted by their service customer in a property transaction (i.e.,  $\text{RESERV} < 0$ ).

**Rule 2:** when the real estate firm's perception of customers' expected service is equal to the actual customers' expected service (i.e.,  $P = E$ ), it could be said that customers experience satisfaction in real estate service quality (i.e.,  $\text{RESERV} = 0$ ).

**Rule 3:** when the real estate firm's perception of customers' expected service is lesser than the actual customers' expected service (i.e.,  $P < E$ ), it could be said that customers experience dissatisfaction with real estate service quality (i.e.  $\text{RESERV} > 0$ ).

**4. Result and Discussions**

Analysis of respondents' questionnaires shows the reliability of the data collected for the knowledge gap analysis. Table 3 below presents data in this regard.



**Table 1: Questionnaire Distribution and Retrieval**

	<b>Questionnaire</b>	
	<b>Distribution</b>	<b>Retrieval</b>
Registered Estate Surveying and Valuation firms	100	85 (85%)
Real Estate Customers	400	362 (91%)

*Source: Author's Field Survey, (2019)*

Table 1 showed that the majority of questionnaires administered to registered estate surveying and valuation firms and real estate customers were retrieved. This implied that the percentage of questionnaires retrieved from the respondents is statistically adequate to represent the whole population from which inference can be made for this study; hence the results of the findings can be relied on.

#### **4.1. Socio-Economic Characteristics of Average Respondent**

The socio-economic characteristics of respondents are essential for expressing and getting a response to the research questions. Table 4 presents this data.

**Table 2: Socio-economic Characteristics of Real Estate Firms**

<b>Demographics</b>	<b>Frequency</b>	<b>Percent (%)</b>
<b>Years of Experience</b>		
1-5 years	17	20
6-10 years	46	54
11-15 years	18	21
15yrs and Above	4	5
<b>Total</b>	<b>85</b>	<b>100</b>
<b>Professional Qualification</b>		
ANIVS/RSV	80	94
FNIVS	5	6
<b>Total</b>	<b>85</b>	<b>100</b>

*Source: Data Analysis, (2019)*

Table 2 above indicates that practitioners have sufficient professional qualifications and experience to execute real estate transactions within the Lagos Metropolis. Data on the professional qualification of respondents in the real estate practice indicate that 94% of respondents are holders of Associate Member of NIESV (ANIVS). In comparison, 6% of respondents are holders of Fellow Member of NIESV (FNIVS) with a registered real estate firm. The majority (80%) of the practitioners in real estate firms have over five (5) years of experience in real estate service. Thus, this shows that the respondents had the required working experience with adequate knowledge of research on real estate practice that could make the information provided reliable.

**Table 3: Socio-economic Characteristics of Real Estate Customers**

<b>Demographics</b>	<b>Frequency</b>	<b>Percent (%)</b>
<b>Gender</b>		
Male	195	53.87
Female	167	46.13
<b>Total</b>	<b>362</b>	<b>100.00</b>
<b>Age</b>		
Below 20 years	14	3.88
20 – 30 years	98	27.07
31 – 40 years	123	33.98
41 – 50 years	104	28.73
Above 50 years	23	6.35
<b>Total</b>	<b>362</b>	<b>100.00</b>
<b>Years of patronising real estate firms</b>		
Below 5 years	91	25.14
6-10 years	138	38.12
11-15 years	98	27.07
16 – 20 years	23	6.35
Above 20 years	12	3.32
<b>Total</b>	<b>362</b>	<b>100.00</b>
<b>Educational Background</b>		
NCE	6	1.66
ND	12	3.31
HND	95	26.24
B.Tech/ BSc.	129	35.64
M.Tech/ MSc.	95	26.24
PhD	25	6.91
<b>Total</b>	<b>362</b>	<b>100.00</b>

Source: Data Analysis, (2019)

Table 3 above shows the results of the socio-economic background of real estate customers in the study area. The results indicate that the majority of the respondents are male. It was found

that the majority of real estate customers within the age group of 31-50 years actively engaged in real estate transactions. Considering the respondents' academic qualifications, the majority are graduates of tertiary institutions (i.e. holders of Higher National Diploma (HND), BSc./B.Tech, MSc./M.Tech and PhD). It's noteworthy that most real estate customers had studied up to postgraduate level (including MSc./M.Tech and PhD. Findings also indicated that all respondents had an adequate experience of patronising real estate firms, while most real estate customers' years of patronage fall within 1 - 15 years. This implies that real estate customers have sufficient academic background and adequate knowledge of service quality in real estate service delivery.

#### 4.2. *Examination of Real Estate Firms' Perception and Customers' Actual Expectations in Service Delivery*

Satisfaction in real estate service delivery can be determined by how real estate firms' perceived customers expected service and actual customers' expectations in the transaction. Customers' behaviour includes their emotional reaction to meeting real estate service delivery needs. Their behaviour determines customers' expectations during the property transaction. Table 4 in the appendix shows the mean item score of real estate firms' perception and customers' actual service delivery expectations for each item wording of RESERV determinants. The overall Cronbach Alpha values for real estate firms' perception was retained at 0.789, while customers' actual expectation was retained at 0.788. This implies that the data has excellent internal consistency and reliability for the study.

**Table 5. Ranking Order of Real Estate Service Quality (RESERV) Determinants**

RESERV Determinants	Firms' Perception (P)		Customers' Expectation (E)	
	Average MIS	Ranking	Average MIS	Ranking
Reliability	6.380	1 <sup>st</sup>	6.200	5 <sup>th</sup>
Empathy	6.300*	2 <sup>nd</sup>	6.314	2 <sup>nd</sup>
Self-Awareness	6.248*	3 <sup>rd</sup>	6.406	1 <sup>st</sup>
Motivation	6.186*	4 <sup>th</sup>	6.036	8 <sup>th</sup>
Responsiveness	6.162*	5 <sup>th</sup>	6.066	7 <sup>th</sup>
Tangible	6.110*	6 <sup>th</sup>	6.210	4 <sup>th</sup>
Self-Management	6.028	7 <sup>th</sup>	6.102	6 <sup>th</sup>
Assurance	5.934	8 <sup>th</sup>	5.740	9 <sup>th</sup>
Social Skills	5.676	9 <sup>th</sup>	6.246	3 <sup>rd</sup>

*Source: Data Analysis, (2019)*

Table 5 above shows the ranking order of (RESERV) determinants. The result of real estate firms' perception indicated that service reliability, empathy and Self-awareness of real estate practitioners were the most perceived determinants of real estate service quality with the highest mean score ranking. While practitioners' self-management, service assurance and social skills were the least perceived determinants of real estate service quality with the lowest ranking. This implies that practising real estate firms perceived customers' expectations in RESERV based on the ranking of the determinants to achieve satisfaction in the Lagos property

market. Considering real estate customers' actual expectations, it was found that practitioners' self-awareness, service empathy and social skills were the highest-ranked determinants of real estate customers' expected service in a property transaction. While service responsiveness, motivation, and service assurance were the least ranked determinants of real estate customers' expected service in a property transaction. This implies that customers expect practising real estate firms to focus on real estate service quality based on their determinants ranking to achieve customers' satisfaction in real estate practice.

#### 4.3. Knowledge Gap Analysis and Customers' Satisfaction Level in Property Transaction

The knowledge gap model measured RESERV by comparing the real estate firms' perception of customers' expected service and the actual customers' desired service in property transactions, as shown in Table 6 below.

**Table 6: Knowledge Gap Analysis on RESERV determinants in Property Transaction**

Customers' Needs	RESERV Determinants	Average Mean item Score		Gap Analysis (RESERV) (E – P)	Decision Rule
		Firms' Perception (P)	Customers' Expectation (E)		
Functional Needs	Reliability	6.380	6.200	-0.180	Delighted
	Empathy	6.300*	6.314	0.014	Satisfied
	Responsiveness	6.162*	6.066	-0.096	Delighted
	Tangible	6.110*	6.210	0.100	Dissatisfied
	Assurance	5.934	5.740	-0.194	Delighted
		<b>Average Gap Score</b>		<b>-0.356</b>	<b>Delighted</b>
Emotional Needs	Self-Awareness	6.248*	6.406	0.158	Dissatisfied
	Motivation	6.186*	6.036	-0.150	Delighted
	Self-Management	6.028	6.102	0.074	Satisfied
	Social Skills	5.676	6.246	0.570	Dissatisfied
			<b>Average Gap Score</b>		<b>0.652</b>

Source: Data Analysis, (2019)

Table 6 above reveals the knowledge gap analysis of RESERV determinants through the mean item score gap between practising real estate firms' perception of customers' expected service and the actual customers' expected service in property transactions. Findings show that service empathy, tangibility, practitioners' self-awareness, practitioners' self-management and social skills have a positive mean item score. However, the decision rule indicated that customers experience dissatisfaction with service tangibility, self-awareness, and social skills determinants because RESERV is greater than 0. In contrast, customers are satisfied with service empathy because RESERV is equal to 0. This implies that real estate firms have a basic knowledge barrier on service tangibility, self-awareness, and social skills in meeting customer expectations in property transactions. RESERV determinants such as service reliability, responsiveness to service, assurance and motivation of real estate practice have a negative mean item score. It was depicted from the decision rule that customers are delighted in those

determinants (such as reliability, responsiveness, assurance and motivation) whose RESERV is lesser than 0. This implies that real estate firms have adequate knowledge of reliability, responsiveness, assurance, and motivation to meet customers' expectations in real estate service delivery.

**Table 7: Customers' Satisfaction with RESERV needs in Service Delivery**

Service Delivery Needs	Real Estate Service Quality Instruments	Average Gap Score (RESERV)	Decision Rule
Functional Needs	SERVQUAL	-0.356	Delighted
Emotional Needs	EI	0.652	Dissatisfied

*Source: Data Analysis, (2019)*

Table 7 above shows customers' satisfaction levels with RESERV in property transactions through the average gap score of SERVQUAL and E.I. It was found that SERVQUAL has a negative average gap score. In contrast, E.I. has a positive average gap score. However, the decision rule indicated that customers are dissatisfied with real estate firms' E.I. because RESERV is greater than 0. In contrast, customers are delighted with real estate firms' SERVQUAL because RESERV is lesser than 0. This implies that real estate firms have a basic knowledge barrier on the adoption of emotional intelligence as an instrument of real estate service quality to satisfy customers' emotional needs in property transactions. However, findings also depicted that real estate firms have adequate knowledge of SERVQUAL to satisfy customers' functional needs in service delivery.

## 5. Discussion of Findings

It's noteworthy that practicing real estate firms perceived customers' expectations in RESERV based on reliability, empathy, and self-awareness determinants to achieve satisfaction in the Lagos property market. This result agrees with Akinwamide's (2019) study that the performance of a professional's emotional intelligence skills in real estate consultancy service is influenced by factors such as empathy skills, self-awareness and management skills, social and motivational skills. However, customers expect firms to focus on self-awareness, service empathy and social skills to achieve customer satisfaction in real estate practice. This finding concurs with Mangeli's (2013) study that satisfaction is more related to a judgment of how the services emotionally affect real estate customers' experiences.

Furthermore, real estate firms have a basic knowledge barrier on the adoption of emotional intelligence to satisfy customers' emotional needs in property transactions. This finding confirmed the submission of Karunasena, Vijerathne and Muthmala (2018) on the identified impacts of customers' dissatisfaction as negative impression, damage to the tenant and management relationship, and a loss of competitive edge. The results from the analysis also indicated that real estate firms have adequate knowledge of SERVQUAL (such as reliability, responsiveness, assurance, and motivation) in meeting customers' functional expectations in real estate service delivery. These findings are in agreement with Akinwamide (2019) and Akinwamide and Bello (2019b) that estate agents have a considerably good level of service empathy and motivation to execute real estate agency service. These findings also affirmed the submission of Araloyin and Olatoye (2011) that despite real estate professionals' attempts to improve their service delivery in customers' satisfaction, their conduct in their first impression

with customers has a long way to go in affecting real estate customers' opinion about them. Therefore, the adoption of emotional intelligence determinants to enhance service quality would help real estate firms to improve customers' satisfaction with the demand for emotional needs.

## **6. Conclusion**

A knowledge gap model approach has been adopted in this study to assess emotional intelligence and its application to real estate service quality in the Lagos property market. Based on ranking order of determinants of real estate service quality, real estate firms perceived customers' expectations in service reliability, empathy, and self-awareness as the significant determinants in service delivery. At the same time, the actual real estate customers' expected service identified practitioners' self-awareness, service empathy and social skills as the major real estate service quality determinants in property transactions. Considering the knowledge gap analysis, findings depicted that real estate firms have a basic knowledge barrier on the adoption of emotional intelligence (with more emphasis on self-awareness and social skills determinants) as an instrument of real estate service quality to satisfy customers' emotional needs in service delivery. However, it was also found that real estate firms have adequate knowledge of SERVQUAL to satisfy customers' functional needs in property transactions. Therefore, this study concludes that practitioners in real estate firms improve their knowledge of emotional intelligence as an instrument of real estate service quality to enhance customers' satisfaction with emotional needs.

The result of this study has provided useful information for real estate practitioners to help them make positive changes in real estate service quality by incorporating customers' emotional needs in service delivery. The study has been able to recommend emotional intelligence as a measuring tool for real estate service quality in real estate practice. The result of this study is beneficial to real estate customers by providing the knowledge that the real estate industry is interested in their opinions and improving the service offered to them. This study has been able to fill the knowledge gap in real estate service quality between real estate customers' expectations and real estate practitioners' perceptions of service delivery.

The outbreak of COVID 19 has led to a school shutdown. However, this would have a detrimental effect on the mental health of both students and educators. Therefore, further research on the adoption of emotional intelligence in real estate education may be carried out for school-based cognitive behavioural therapy and mental health literacy programmes to prevent anxiety and depression among students in tertiary institutions. In-depth research can also be carried out in other areas of specialisation, such as facilities management, arbitration, consultancy service, land administration, and conflict resolution in the acquisition and compensation of properties.

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## Appendix

### **Forty-five (45) item wordings for the determinants of RESERV**

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#### **RESERV Attributes (Items)**

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##### **Service Tangibility**

Practising real estate firms should have the latest office equipment.

Practising real estate firms' facilities should appeal attractive.

Practitioners in real estate firms should possess the professional qualifications necessary for service delivery.

Practitioners in real estate firms should neatly appear all time.

Practising real estate firms should be affiliated with other professional bodies in built environments.

##### **Service Reliability**

Practising real estate firms should always render services at the appointed time

Practising real estate firms should maintain an accurate record of every transaction made.

Practitioners in firms' real estate should advise on the best searching methods in property transactions (i.e. purchase and sales).

Practising real estate firms should provide a reliable and dependable service.

Practising real estate firms should ensure a satisfactory office size and location

##### **Service Responsiveness**

Practitioners in firms' real estate should inform customers on the scheduled date of the transaction in service delivery.

Practitioners in firms' real estate should inform customers of the terms and conditions in transactions.

Practitioners in firms' real estate should show the willingness to achieve customers' expectations transactions.

Practitioners in firms' real estate should be responsive in requests to customers' needs.

Practitioners in firms' real estate should ensure frequent communication with customers.

##### **Service Assurance**

Practitioners' behaviour in firms' real estate should give customers confidence in the transaction.

Practitioners in firms' real estate should ensure a safe real estate transaction in service delivery.

Practitioners in firms' real estate should be consistently courteous in transaction

Practising real estate firms should be knowledgeable about assuring quality response to customers in service delivery

Practising real estate firms should maintain excellent integrity in service delivery.

##### **Service Empathy**

Practising real estate firms should provide personal attention to customers.

Practising firms' real estate operating hours should be convenient for customers  
Practising real estate firms should ensure that customers' best interest is considered first in service delivery.

Practising real estate firms should be able to discern customers' specific needs in real estate transactions.

Practising real estate firms should update customers on information about matters of significant concern to them.

#### **Practitioner's Self-Awareness**

Practitioners in firms' real estate should know their internal preferences to evaluate the strength and weaknesses of customers appropriately.

Practitioners in firms' real estate should align their intuition to the established values in service delivery.

Practitioners in real estate firms should display an excellent self-esteem and worth in real estate transactions.

Practitioners in real estate firms should understand organisational politics to achieve customer satisfaction in service delivery.

Practitioners in firms' real estate should be self-conscious of customers' emotions and perspectives in decision making.

#### **Practitioner's Self-Management**

Practitioners in real estate firms should always manage stress maintain personal hygiene and mental wellness in service delivery.

Practitioners in firms' real estate should be flexible in prioritising tasks to ensure flawless customer experience in the property transaction.

Practitioners in firms' real estate should be able to exercise self-control when dealing with disruptive tasks and impulses in the transaction.

Practitioners in firms' real estate should be flexible in adjusting to the working environment when needed to reach self-designated checkpoints.

Practitioners in real estate firms should manage internal preferences on their career paths to achieve excellent service delivery.

#### **Motivation**

Practitioners in real estate firms should execute transactions with a compelling vision.

Practitioners in real estate firms should possess a wide array of persuasive tactics to execute a transaction in real estate service.

Real estate practitioners should be readily motivated to enhance customer loyalty and service delivery retention.

Practitioners in firms' real estate should display intellectual curiosity with necessary interpersonal skills in service delivery.

Practitioner's efforts in real estate firms should be appreciated and recognised when seizing opportunities to achieve customers' satisfaction in the transaction.

#### **Social Skills**

Practitioners in firms' real estate should have detailed information and understanding of customers' values, religion, social groups and political beliefs.

Practising real estate firms should maintain excellent customers relationship leading to customers retention and recommendation.

Practitioners in firms' real estate should treat customers equally with honesty and transparency no matter the financial significance of the contract.

Practitioners in firms' real estate should be a good empathetic listeners when interacting with customers to ensure adequate coordination of service activities. Real Estate practitioners' relationship with customers should be desirable with an updated understanding of customers' behaviour.

### Summary of Literature Review for RESERV Determinants

<b>V a r i a b l e s</b>	<b>T a n g i b i l i t y</b>	<b>R e l i a b i l i t y</b>	<b>R e s p o n s i v e n e s s</b>	<b>A s s u r a n c e</b>	<b>E m p a t h y</b>	<b>S e l f - A w a r e n e s s</b>	<b>S e l f - M a n a g e m e n t</b>	<b>M o t i v a t i o n</b>	<b>S o c i a l S k i l l s</b>
<b>Authors</b>									
Preko, Agbanu, and Feglo (2013)	X	X	X	X	X				
Ehiemere, Ogbuefi and Awum (2016)	X	X	X	X	X				
Seiler (2004)	X	X	X	X	X				
Ahangar (2012)					X	X	X	X	X
Akinwamide (2019)					X	X	X	X	X
Akinwamide and Bello (2019a)					X	X	X	X	X
Akinwamide and Bello (2019b)					X	X	X	X	X
Akinwamide and Idris (2019)					X	X	X	X	X
Baffour-Awuah (2018)	X	X	X	X	X				
Hajibabae, Farahani, Ameri and Salehi (2018)					X	X	X	X	X
Ignacio, Miguel and Edmundo (2013)					X	X	X	X	X
McCleskey (2014)					X	X	X	X	X
Oyewunmi, Osibanjo and Adeniji (2016)					X	X	X	X	X

Preko, Agbanu and Feglo (2014)	X	X	X	X	X				
Shahin and Samea (2010)	X	X	X	X	X				
Shahzad, Sarmad, Abbas and Khan (2011)					X	X	X	X	X
Singh and Singhal (2015)					X	X	X	X	X
Yaya, Akintayo and Uzohue (2016)					X	X	X	X	X
Zainal, Zawawi, Aziz and Ali (2017)	X	X	X	X	X	X	X	X	X
<b>TOTAL</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>20</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>13</b>

**Table 4. Real Estate Firms' Perception and Customers' Actual Expectations in Service Delivery**

<b>RESERV Attributes (Items)</b>	<b>Mean Score</b>	<b>Item</b>
	<b>P</b>	<b>E</b>
<b>Service Tangibility</b>		
Practising real estate firms should have the latest office equipment.	5.75	6.23
Practising real estate firms' facilities should appeal attractive.	5.69	6.00
In firms, real estate practitioners should possess the professional qualifications necessary for service delivery.	6.38	5.92
Practitioners in real estate firms should neatly appear all time.	6.23	6.35
Practising real estate firms should be affiliated with other professional bodies in built environments.	6.50	6.55
<b>Average Mean score</b>	<b>6.11</b>	<b>6.210</b>
<b>Service Reliability</b>		
Practising real estate firms should always render services at the appointed time	6.46	6.00
Practising real estate firms should maintain an accurate record of every transaction made.	6.60	6.05
Practitioners in-state firms should advise on the best searching methods in property transactions (i.e. purchase and sales).	6.47	6.34
Practising real estate firms should provide a reliable and dependable service.	6.23	6.26
Practising real estate firms should ensure a satisfactory office size and location	6.14	6.35
<b>Average Mean Score</b>	<b>6.38</b>	<b>6.200</b>
<b>Service Responsiveness</b>		
Practitioners in firms' real estate should inform customers on the scheduled date of transaction in service delivery.	5.84	5.85
Practitioners in firms' real estate should inform customers of the terms and conditions in transactions.	6.26	6.25
Practitioners in firms' real estate should show the willingness to achieve customers' expectations in the transactions.	6.23	6.06

Practitioners in firms' real estate should be responsive in requests to customers' needs.	6.20	6.34
Practitioners in firms' real estate should ensure frequent communication with customers.	6.28	5.83
<b>Average Mean Score</b>	<b>6.16</b>	<b>6.066</b>
	<b>2</b>	
<b>Service Assurance</b>		
Practitioners' behaviour in firms' real estate should give customers confidence in the transaction.	5.85	5.80
Practitioners in the realms of real estate firms should ensure a safe real estate transaction in service delivery.	5.46	5.75
Practitioners in firms' real estate should be consistently courteous in transaction	5.83	6.00
Practising real estate firms should be knowledgeable about assuring quality response to customers in service delivery	6.20	6.40
Practising real estate firms should maintain excellent integrity in service delivery.	6.33	4.75
<b>Average Mean Score</b>	<b>5.93</b>	<b>5.740</b>
	<b>4</b>	
<b>Service Empathy</b>		
Practising real estate firms should provide personal attention to customers.	5.87	6.10
Practising real estate firms operating hours should be convenient for customers	6.58	6.68
Practising real estate firms should ensure that customers' best interest is considered first in service delivery.	6.45	6.31
Practising real estate firms should discern customers' specific needs in real estate transactions.	6.44	6.19
Practising real estate firms should update customers on information about matters of significant concern to them.	6.16	6.29
<b>Average Mean Score</b>	<b>6.30</b>	<b>6.314</b>
	<b>0</b>	
<b>Practitioner's Self-Awareness</b>		
Practitioners in real estate firms should know their internal preferences to evaluate the strength and weaknesses of customers appropriately.	6.26	6.11
Practitioners in real estate firms should be able to align their intuition to the established values in service delivery.	6.21	6.45
Practitioners in real estate firms should display an excellent self-esteem and worth in real estate transactions.	6.27	6.50
Practitioners in real estate firms should understand organisational politics to achieve customers' satisfaction in service delivery.	6.35	6.38
Practitioners in real estate firms should be self-conscious of customers' emotions and perspectives in decision making.	6.15	6.59
<b>Average Mean Score</b>	<b>6.24</b>	<b>6.406</b>
	<b>8</b>	
<b>Practitioner's Self-Management</b>		
Practitioners in real estate firms should always manage stress maintain personal hygiene and mental wellness in service delivery.	6.10	5.99
Practitioners in real estate firms should be flexible in prioritising tasks to ensure flawless customer experience in the property transaction.	5.95	6.09
Practitioners in real estate firms should be able to exercise self-control when dealing with disruptive tasks and impulses in transactions.	5.83	6.26
Practitioners in real estate firms should be flexible in adjusting to the working environment when needed to reach self-designated checkpoints.	6.13	6.16

Practitioners in real estate firms should manage internal preferences on their career paths to achieve excellent service delivery.	6.13	6.01
<b>Average Mean Score</b>	<b>6.02</b>	<b>6.102</b>
	<b>8</b>	
<b>Motivation</b>		
Practitioners in real estate firms should execute transactions with a compelling vision.	6.16	5.75
Practitioners in real estate firms should possess a wide array of persuasive tactics to execute a transaction in real estate service.	6.25	6.25
Practitioners in real estate firms should be readily motivated to enhance customers' loyalty and retention in service delivery.	6.18	6.06
Practitioners in real estate firms should display intellectual curiosity with necessary interpersonal skills in service delivery.	6.13	6.34
Practitioner's efforts in real estate firms should be appreciated and recognised when seizing opportunities to achieve customers' satisfaction in transactions.	6.21	5.78
<b>Average Mean Score</b>	<b>6.18</b>	<b>6.036</b>
	<b>6</b>	
<b>Social Skills</b>		
Practitioners in real estate firms should have detailed information and understanding of customers' values, religion, social groups and political beliefs.	6.30	6.23
Practising real estate firms should maintain excellent customers relationship leading to customers retention and recommendation.	5.47	6.29
Practitioners in real estate firms should treat customers equally with honesty and transparency no matter the financial significance of the contract.	6.30	6.35
Practitioners in real estate firms should be a good empathetic listeners when interacting with customers to ensure adequate coordination of service activities.	5.85	6.06
Real Estate practitioners' relationship with customers should be desirable with an updated understanding of customers' behaviour.	4.46	6.30
<b>Average Mean Score</b>	<b>5.67</b>	<b>6.246</b>
	<b>6</b>	

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**Note:** Real estate firms' perception (P); Actual real estate customers' expectation (E)



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## Forestalling Conflict in Compensation of Compulsorily Acquired Customary Land: The Intergenerational Payment Option

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### Abstract

Land in the traditional African society is owned by collectivism. It does not belong to individuals but the entire family, which comprises the living, the reverend souls of the ancestors and the generations yet unborn. Meanwhile, when a family land is acquired compulsorily by the government or through the market by private firms, only a few family members of the family enjoy the compensation proceeds. The under-aged family members and the yet unborn generations are usually left out of the compensation proceeds from the family heritage (land), generally because the compensation proceeds are distributed among the living family members. This has resulted in encroachment of land and land conflict to reclaim lost heritage by the then under-aged family members when they come of age and the "yet unborn" generation when they are born and come of age. It has also resulted in violent land conflicts and delay in projects planned for the acquired land. This paper examines the prospect of using intergenerational compensation (IGC), which will extend payment beyond a generation as a strategy for compensation in the customary land acquisition process. Utilising semi-structured and key informants' interviews, the paper examines the views of representatives of 23 selected Indigenous Landholding Families (ILFs) and key informants in government offices providing land administrative services (GOPLAS) in Lagos State on the prospect of intergenerational compensation. The findings revealed the willingness of the ILFs to accept the IGC payment strategy, but the GOPLAS were unwilling to support the strategy. The study concludes that while the desire of the ILFs to accept IGC provides a pathway for forestalling conflicts in land acquisition, the unwillingness of GOPLAS and the institutional framework guiding land acquisition in the study area could be a clog in the wheel of its implementation.

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**Keywords:** land acquisition, benefit-sharing, intergenerational payment, land conflict, land use act, Nigeria

## 1. Introduction

Development requires the provision of facilities and infrastructure that allows economic activities to take place. An early step in the process of provision of such facilities and infrastructure is the acquisition of appropriate land. This is so because; the land is the platform of human existence and the foundation for producing the basic necessity of humankind. Meanwhile, the acquisition of land, whether compulsorily acquired for overriding public interest or market-driven for private use, bring tension for people whose land are acquired (FAO, 2008). This is because acquisition displaces families from their homes, farmers from their farms, businesses from their environment and deprives the community of critical cultural sites (FAO, 2008). All these could result in severe long-term hardship, impoverishment and environmental degradation (Anim-Odame, 2011). It is, therefore, necessary that adequate compensations are paid for lost assets (land) to forestall disputes with affected persons (Ghimare, Tuladhar, Sharma, 2017).

Meanwhile, land acquisition results in disputes due to inadequate or non-payment of compensation in many instances. For example, in Tanzania, compensation disputes in land acquisition account for about 19% of land-related disputes (Komu, 2016). The compensation issue is also a significant source of land-related conflicts in Ghana (Anim-Odame, 2011), Ethiopia (Alemu, 2013) and many other countries (FAO, 2008; Alemu, 2013; Ghatak & Mookherjee, 2013; Egbenta & Udoudoh, 2018). In Nigeria, Lagos State, a land dispute resulting from inadequate, or non-payment of compensation is typical. For instance, in October 2015, violent disagreements resulted in the gruesome killing of an official of the Lagos State Government when Ibeju-Lekki villagers and police officers clashed over what the community regarded as a forceful takeover of their land (Tagliarino *et al.*, 2018). Research has also shown that non-payment of adequate compensation can lead to deep impoverishment, citizen resentment, and political disruption in executing a project that warrants expropriation (Cernea, 2008; Tagliarino *et al.*, 2018).

The acquisition of customary land, whether communal or family land, presents additional challenges due to the nature of the customary tenure system. In the customary tenure system, land does not belong to individuals but to the family or the entire community, which comprises the living, the reverend souls of the ancestors and the generations yet unborn. Meanwhile, only a few members enjoy the compensation when customary land is acquired. The under-aged family or community members and those yet to be born before the acquisition process are usually left out of the compensation proceeds. The "left behind" generation sometimes foments troubles resulting in conflict, leading to the wanton destruction of economic resources and loss of human life. For instance, Nuhu and Aliyu (2008) reported that in Minna, Nigeria, customary land previously acquired by the government was subjected to litigation many years after acquisition over the claim by community members that they were not adequately compensated.

Although the main essence of compensation is to prevent a loss of welfare by those dispossessed of their land, thereby enabling society to maintain Pareto's optimum position in which nobody is made 'worse-off' while making some 'better off.' This is by paying compensation that will enable a person to replace what has been taken from them. This is difficult to achieve considering the cultural, socio-political, and spiritual values indigenous people attach to their land (Fabiya, 1984). Suffice to say that a lump sum, one-off compensation



payment might not be adequate for customary rights. For instance, Cernea (2008) shows that lump-sum or one-off monetary compensation for expropriated land is insufficient in ensuring the livelihood reconstruction and long-term socioeconomic stability of affected communities. In response to the recurring issue of inadequate compensation, a payment option referred to as intergenerational compensation that is not one-off and will allow benefit-sharing between the ILFs and those that acquired their land is advocated in the literature (Tagliarino *et al.*, 2018).

Considering the preceding, this paper examines the prospect of using an intergenerational compensation strategy as an alternative for compensation in the land acquisition process. This strategy relates to extending payment of compensation to the "left behind" generation (under-aged family or community members and those yet to be born before the acquisition process) either through staged payment into the future or other non-one-off payment strategy. This paper is divided into five sections, including the introduction. The following section examines the concept of intergenerational compensation, while the third section examines the methodology adopted. The findings and discussion from the field survey are presented in the fourth section, while the fifth section concludes.

## **2. The Concept of Intergenerational Compensation**

According to Tremmel (2009), the term 'generation' is from the Latin word '*generatio*', which means procreation, or of a procreative capacity. This refers to familial relationships. Family generations are the members of a common lineage related by blood, marriage, or adoption, which comprises the living, the reverend souls of the ancestors and the generations yet unborn. Intergeneration, therefore, literally means from one generation to another. Benefits from land ownership can extend from one generation to another, especially when such interest is customary rights wherein the living and the generations yet unborn has a stake in the land. This connotes an intergenerational benefit which refers to an opportunity extending from one generation of family lineage to another generation. When such benefits on land are extinguished due to land acquisition and compensation is paid, the present (living) generation should enjoy the compensation proceeds and the future (yet unborn) generations. The extension of compensation benefits from one generation to another can be referred to as intergeneration compensation. The concept of intergeneration compensation which is also referred to as benefit-sharing compensation, shows that contrary to widespread assumptions. Compensation can be accomplished through up-front pre-project budgetary allocations and explicit provisions for channelling some of the project-generated benefits to those adversely affected (Cernea, 1999).

The benefits of the intergenerational compensation strategy allow the livelihood reconstruction and long-term socioeconomic stability of communities affected by expropriation (Cernea, 2008). This is very important as many studies have established that expropriation and the resultant involuntary resettlement leads to impoverishment. There is, therefore, a need for regular funding and in-kind benefits provided by IGC to prevent the oustees from being impoverished. Similarly, IGC allows inclusive development, which is the fundamental policy of many governments. This is because IGC allows that resettlers are not excluded from the benefits of the developments they make possible but instead are explicitly included. This means that they share in the gains, not just the pains, of development (Cernea, 1999).

From an equity point of view, it is equitable that those called upon to make sacrifices for the general good of the community by giving up their habitats and their income-generating assets should share in the benefits of the project displacing them. There is so because the displaced

and the project beneficiaries might be separate groups. Anything short of this will mean that the ousters bear the burden for someone else's benefit (Cernea, 1999). Furthermore, intergeneration compensation offers a sustainable development path for inclusive development by allowing future generations to benefit from the proceeds of land acquired from their progenitors, which would not have been possible if up-front compensation were made.

Irrespective of the numerous advantages of the intergeneration compensation strategy, however, some challenges are associated with intergeneration compensation. For instance, Wilson (2019) criticised the IGC option as lacking standard quantitative guidance on structuring the distribution of benefits from projects between the displaced tenure holders and the project initiators (private individuals or government, as the case may be). Again, the promised livelihood reconstruction and poverty reduction offered by IGC do not materialise in many projects in Russia, Norway, and Canada (Wilson, 2019). In addition, the implementations of IGC in many countries are project-related and are not subject to any legislative controls, thereby resulting in poor execution.

### ***2.1 Types of Mechanism for Implementing Intergenerational Compensation***

There are various mechanisms identified in the literature for implementing intergenerational compensation. For instance, Van Wicklin (1999) identifies mechanisms for implementing benefit-sharing or IGC to include the provision of specific infrastructure, royalty distribution, provision of employment, and provision of housing. Similarly, Cernea (2008) identifies seven main mechanisms used worldwide to implement IGC. This includes:

- (i) direct transfers of a share of the revenue streams to finance specific post-relocation development schemes;
- (ii) establishment of revolving development funds through fixed allocations, whose principal is preserved while generating interest;
- (iii) equity sharing in the new, project-created enterprises (and other productive potentials) through various forms of co-ownership;
- (iv) special taxes paid to regional and local governments, additional to the general tax system, to supplement local development programs with added initiatives; and,
- (vi) sharing of projects' non-financial benefits, e.g., employment opportunity

Table I presents examples of various countries that have adopted the IGC and provides an overview of the mechanism adopted for the implementation. It also classifies the mechanisms accordingly:

**Table 1: Implementation of Intergenerational Compensation in Different Countries**

S/no	Counties	Overview of implementation	Category of IGC
i	China	Some hydroelectric and thermal projects allocate a percentage of their electricity sales revenues to resettlers and local administrative units. A "Post-Resettlement Development Fund" was also created in which contributions from power companies are deposited. Many projects in China have deliberately allocated jobs to involuntary displacees	share of revenue, revolving development fund and provision of employment
ii	Brazil	Policy for benefit sharing with people affected by energy sector projects. Brazilian Law 7990/89 mandates that 6% of electricity sale revenues be returned to affected municipalities.	share of revenue
iii	Colombia	Law 56/91 of 1991 requires that 4 percent of annual electricity revenues generated by a hydroelectric plant be allocated to municipalities in that plant's area.	share of revenue
iv	Canada	Equity-sharing was offered to affected indigenous groups in addition to up-front compensation paid for loss of land.	equity sharing and up-front compensation
v	Norway	Compensation for land lost to reservoirs and lost access to river water was paid up-front. Also, the country's Power Taxation Act entitles counties and municipalities to receive three different types of tax revenue from the power sector.	up-front compensation, taxation and in-kind benefit-sharing
vi	Japan	Payment for the land lease for the power project was structured as follow: - up-front premium payment to the landowners leasing the reservoir to the state electric companies - regular rent payments for the leased land	Up-front compensation and lease
vii	Mozambique	The Mozambique Urban Rehabilitation Project planned to allocate 380 housing units to house families displaced as a result of the rehabilitation program	provision of specific infrastructure
viii	Sierra Leone	The Sierra Leone Freetown Infrastructure Rehabilitation Project provide those relocated with access to water supply, solid waste disposal, upgraded markets, roads, and footways.	provision of specific infrastructure

Source: Author's Compilation from Cernea (2008), Van Wicklin (1999) and Wilson (2019)

Table I shows examples of variants of intergeneration compensation being adopted in eight different countries. The countries cut across both developed and developing countries and on other continents. This indicates that the practice of intergenerational compensation is not limited to a particular clime. Again, the implementation of the IGC varies across projects and countries, depending on varying circumstances. Implementing the IGC in the various countries also revealed that up-front compensation is done in addition to different variants of IGC. This connotes a flexible implementation in the IGC regime, making it easy to adopt in Nigeria.

### 3. Methodology

The study adopts a qualitative approach to data collection using a semi-structured and critical informant interview. The choice of using the interview as a data collection method is because the approach allows a flexible research design and can reveal non-linear or cumulative causal effects that quantitative analysis might not (Buchanan *et al.*, 2014). In addition to this, an interview has the advantage of synchronous communication in time and place, which allows the interviewer to formulate further questions due to the interactive nature of communication, therefore, probing more views and exploring new paths (Agboola, 2015). The intensive approach (qualitative research) adopted for the study does not emphasise statistical representativeness due to the intense scrutiny the approach entails. Instead, the focus is on the quality of the sample or the relevance of the sample cases to achieve the research objective (Agboola, 2015). In this regard, 23 ILFs participated in the research to achieve data saturation. Using the purposive sampling technique, the ILFs were selected in each of the five administrative divisions (Badagry, Epe, Ikeja, Ikorodu and Lagos) of Lagos State. The selection of ILFs from each of the five divisions of the state allowed triangulation of data from the families of the three-aborigine ethnic constituent of the indigenes of Lagos State. The criteria for selecting the families were: the family must have a large expanse of land; must have had prior acquisition and compensation dealings with the government and private entity; and willingness to partake in the research.

Interviews were conducted with the representatives of the ILFs on their willingness to accept intergeneration compensation and other issues relating to it. Apart from the ILFs selected, nineteen critical informants from the Government Offices Providing Land Delivery Services (GOPLAS) professional divisions of the Lands Bureau and relevant government agencies dealing with land in the state were also interviewed. Questions were presented to the informants on the concept of intergenerational compensation and their willingness to accept the alternative compensation strategy. Further questions relating to the issues were also raised through probing.

The method of data analysis employed for the study includes both content and thematic data analysis. The content and thematic analysis were done manually and with the user-assisted qualitative analysis software ATLAS.ti version 9, which aided the coding of responses against a particular theme. The interview conducted for each participant in the study was transcribed into a Microsoft Word document. It was assigned ILF 1 to ILF 23 for the ILFs group and GOPLAS 1 to GOPLAS 19 for the informant in GOPLAS. The interview, partly conducted in the Yoruba language, was translated into English with assistance from a professional translator. The documents generated were read thoroughly, and quotations providing answers to each study section were elicited. Codes (words or short phrases that summarised the meaning of similar quotations) were assigned to the quotations. In addition to this, Frequency Tables, where necessary, were used to show how many cases in each category of one variable are divided among the categories of one or more additional variables. For instance, the number of quotations summarised by each code was used as its frequency. In addition, cross-tabulation was also employed to determine the relationship between the profiles of the participants and support for intergeneration compensation.

#### 4. Findings and Discussion

The findings from the field survey are presented in this sub-section. It is divided into four parts: respondent's background information, respondents' views on Intergenerational compensation, reasons for supporting or opposing IGC and a form of IGC Contemplated by the respondents.

##### 4.1 Background Information of the Study Participants

Table II presents the background information of the 23 and 19 participants from the ILFs and GOPLAS, respectively, that were interviewed.

**Table 2: Background Information of the Study Participants**

Background Information	Participants Group	
	ILFs	GOPLAS
<b>Gender</b>		
Male	22	14
Female	1	5
<b>Age</b>		
0-30	2	N.A
31-60	8	N.A
61-90	12	N.A
91 above	1	N.A
<b>Academic Qualification</b>		
Primary	7	0
Secondary	9	0
First Degree	7	13
Master Degree	0	6
<b>Position/Rank (ILF)</b>		
Baale/King	17	N.A.
Family Head	1	N.A.
High Chief	1	N.A.
Family Member	4	N.A.
<b>Rank (GOPLAS)</b>		
Middle Level	NA	8
Directorial Level	NA	11
<b>Year of Experience</b>		
1-10	14	2
11-20	2	6
21-30	2	11
31-above	1	0

*N.A – Not Applicable*

The participants' communities were selected cut across the five divisions of Lagos State, as mentioned earlier, and the three indigenous aborigine ethnic groups in the state, namely *Awori*, *Ijebu*, and *Egun*. The age of the respondents ranges from 30 to 92, with a median age of 63. All the respondents were male except one. This is unexpected as the male gender play a prominent role in customary land administration. The academic qualification of the respondents varies from Primary School Certificate (9, 39.2%), Senior Secondary School

Certificate or its equivalent (7, 30.4%), National Diploma (1, 4.3%), National Certificate of Education (1, 4.3%) to Bachelor Degree / Higher National Diploma (5, 21.7%). It shows that all the respondents had at least primary school education, and up to 70% of them had at least secondary education. Again, one of the respondents was an *Idejo* White Cap Chief (Oba in Council of Lagos) and a king within the Lagos Division.

In contrast, sixteen of the respondents were *baale* (literally translated as traditional governor of a small town), one was a family head, and four were family members (Table II). At the same time, one was a high chief in charge of lands matter. For those occupying office of either a king, *baale* or family head, their years of experience in the post ranges from 5 to 43 years. The diversity in the characteristics of respondents allows views from different stakeholders in customary land management to be examined. Similarly, the analysis of the background information of the respondent validates the data collected for this study to be reliable.

Again, Table II presents the background information of the Informants from Government Offices Providing Land Administration Services (GOPLAS) involved in the study. The table shows all the (19) officials interviewed were male except two. All the officials were high ranking officers in their respective offices. Five of them were in the directorial cadre, while two were middle-level officers. Four officers had a second degree as an academic qualification, while the other three had the first degree. The experience of the officials in land administration ranges from 14 to 30 years and a median of 22 years. This show that the respondents were highly experienced. The respondents' background information further validates the data collected for this study to be reliable as the respondents possessed the requisite experience to provide information on the subject of the study.

#### **4.2 Views of Respondents on Intergenerational Compensation**

The concept was explained to them to determine whether intergeneration compensation would be supported and accepted by the study participants. They were asked whether they support the payment option for compensation of their land if acquired. The responses of respondents representing the ILFs and the government officials are presented hereunder:

##### **4.2.1 Views of the Representative of the Indigenous Landholding Families (ILF) on Intergenerational Compensation**

Table III presents the ILF's responses regarding the support or otherwise for intergeneration compensation across the five divisions of Lagos State. The table shows that 13(56.5%) of the respondents were in support of intergeneration compensation, 4(17.4%) of the respondents were indifferent regarding the payment plan, and 6 (26.1%) were totally against it.

**Table 3: Views of ILFs on Intergenerational Compensation**

Division in the State	Views on Intergenerational Compensation			
	In support	Not in support	Indifference	Total
Badagry	4 (80%)	0 (0%)	1 (20%)	5 (100%)
Epe	2 (40%)	1 (20%)	2 (40%)	5 (100%)
Ikeja	2 (50%)	2 (50%)	0 (0%)	4 (100%)
Ikorodu	3 (60%)	1 (20%)	1 (20%)	5 (100%)
Lagos	2 (50%)	0 (0%)	2 (50%)	4 (100%)
Total	13 (56.5%)	4 (17.4%)	6 (26.1%)	23 (100%)

To determine the category of the ILFs that supported or were against intergenerational compensation; and whether there is a relationship between the profiles of the participants and support for intergeneration compensation, a cross-tabulation of the result was carried out. The result of the cross-tabulation is presented in Table IV. This shows that more than half of the respondents support intergeneration compensation.

**Table 4: Cross-tabulation Result of Whether the ILFs Will Support Intergenerational Compensation**

Variables	Support Intergeneration Compensation		Against Intergeneration Compensation		Total	
	Frequency	Percentage (%)	Frequency	Percentage (%)	Frequency	Percentage (%)
<b>Age</b>						
31-50	4	66.7	2	33.3	6	100.0
51-70	7	100.0	0	0.0	7	100.0
71-90	2	50.0	2	50.0	4	100.0
<b>Academic Qualification</b>						
Primary	4	66.7	2	33.3	6	100.0
Secondary	4	80.0	1	20.0	5	100.0
Post-Secondary	5	83.3	1	16.7	6	100.0
<b>Position of Respondent</b>						
Family member	2	100.0	0	0.0	2	100.0
Family head	1	100.0	0	0.0	1	100.0
Baale / Chief	9	69.2	4	30.8	13	100.0

King	1	100.0	0	0.0	1	100.0
<b>Location of Respondent</b>						
Badagry	4	100.0	0	0.0	4	100.0
Epe	2	66.7	1	33.3	3	100.0
Ikeja	2	50.0	2	50.0	4	100.0
Ikorodu	3	75.0	1	25.0	4	100.0
Lagos	2	100.0	0	0.0	2	100.0

Table IV shows that 67 and 100% of the participants within the age brackets of 31-50 and 51-70, respectively, support intergeneration compensation more than the older generation (71-90) at 50%. This result is unexpected as the younger generation, particularly those within the range of (31-50), are more likely to benefit from IGC than the older generations, hence their support. Again, it also appears that the educational level of the respondents influenced their decision to support or oppose intergeneration compensation. Table IV reveals that the higher the education level of the respondents, the more their willingness to support intergeneration compensation. Similarly, there was more support for intergeneration compensation from family members that do not constitute the family council or executives than those within the family executives. Considering the family council's strategic role in the family decision, the non-support for IGC by some people in this category might pose challenges for the adoption of IGC by such a family. The lack of support for IGC by this category of participants could result from the gains they derive from the present regime of compensation payment where they benefit more than the other members of the family. Finally, Table IV reveals more support for IGC in the Badagry Division than in any other division.

Generally, there is no significant difference between the support for IGC from metropolitan areas (Ikeja, Lagos) and other areas (Badagry, Epe, Ikorodu). In contrast, Ikeja Division has the most minor support for IGC than any division. This could result from cultural differences among the ethnic constituents in each division or some other underlying factors such as the economic and political. Ikeja appears to be more economically developed than the other areas. This connotes that IGC can be implemented in acquiring land in the metropolis and outside of it.

#### 4.2.2 Views of GOPLAS on Intergenerational Compensation

Table V also presents the responses of the GOPLAS regarding the support or otherwise for intergeneration compensation.

**Table 5: Views of GOPLAS towards Intergenerational Compensation**

Views of GOPLAS	Frequency	Percentage (%)
Support intergeneration compensation	1	14.3
Against intergeneration compensation	4	57.1
Indifference towards intergeneration compensation	2	28.6
Total	7	100.0



It shows that majority of the government officials interviewed were against intergenerational compensation. The table shows that only 1(14.3%) out of the 7 of the GOPLAS the question was posed to supported intergeneration compensation, 4 (57.1%) of the respondents were totally against it. In comparison, 2(28.6%) were indifferent regarding the payment plan. The unwillingness of most government officials to support intergenerational compensation poses some challenges to the design of such policy in Lagos State since the government officials are at the forefront of initiating and implementing government policies. The reasons for their opposition to IGC, which was basically rooted in their ignorance of the strategy, was further probed and presented in the following sub-section.

#### 4.3 Respondents' Reasons for Supporting or Opposing Intergeneration Compensation

Apart from requesting whether the participants support or oppose intergeneration compensation, follow-up questions were raised on their reasons for supporting or opposing IGC. Table VI presents the frequency of quotations summarised by each code and the themes associated with the regulations.

**Table 6: Frequency of Quotations and Themes on Reasons for Support and Opposing IGC**

Category	Theme	Codes	Quotations		
			GOPLDS Frequency	ILFs Frequency	Total Frequency
Support IGC	Present benefit	Attraction to investors	0	1	1
		Security purpose	0	1	1
		<b>Theme Sub-Total</b>	<b>0</b>	<b>2</b>	<b>2</b>
	Future benefit	The benefit to future generation	1	10	11
		Prevention of conflicts	0	1	1
		<b>Theme sub-total</b>	<b>1</b>	<b>11</b>	<b>12</b>
Oppose IGC	Inefficiency in Government	Delay in government activities	0	1	1
		Lack of continuity in government activities	0	1	1
		improper documentation in government offices	1	0	1
		Lack of trust in government to honour an agreement	0	3	3
		<b>Theme Sub-Total</b>	<b>1</b>	<b>4</b>	<b>5</b>
	Economic Reasons	Inflation	0	1	1
		The family will invest the lump sum better	1	2	3

		Prevent ILFs from selling their land	0	1	1
		Non-feasibility of implementation	1	1	2
		<b>Theme Sub-Total</b>	<b>2</b>	<b>5</b>	<b>7</b>
	<b>Family philosophy and preference</b>	Discretionary power of each family to decide payment option	2	0	2
		Differences in family philosophy	1	0	1
		<b>Theme Sub-Total</b>	<b>3</b>	<b>0</b>	<b>3</b>
		<b>Grand Total</b>	<b>7</b>	<b>20</b>	<b>27</b>

From Table VI, a total of 5 themes emerged, 2 out of which are categorised as support for IGC, while the remaining 3 are the reasons for opposing IGC. Within the support for the IGC category, the theme –future benefit- has the highest number of quotations (12), while the present benefit has just two quotations. Similarly, the reasons why some of the participants oppose IGC include inefficiency in government (5 quotations; 4 codes), economic reasons (7 quotations; 4 codes), and family structure and preference (3 quotations; 2 codes). The main themes under each category are further explored below.

#### **4.3.1 Reasons for supporting IGC**

Two main themes that emerged as reasons why the respondents supported IGC were present and future benefits. The reasons included attraction to investors (1 quotation) and security purposes (1 quotation). The current benefits are those that will benefit the present living adult generations. Some of the comments by the participants regarding the theme include:

[...] if individuals, like (a name of a wealthy man was mentioned) might want to come and invest, there is no need to collect money at a go because the money will be quite much [...] (ILF1)

[...] If they decide to pay the compensation every ten years, we'll see different generations accounting for it alongside what they did with it. It won't attract unnecessary attention if it is done this way [...]. (ILF11)

The rationale behind IGC attracting investors was perhaps a result of the payment option allowing the payment of income streams against a lump sum that the investor could invest elsewhere. Again, receiving the income in streams will not attract unnecessary attention like lump-sum payments. This is plausible considering the current security challenge in Nigeria.

Another primary reason for supporting IGC was because of future benefits. This theme has the highest number of codes associated with it (12 codes). This theme connotes that the proceeds from the compensation will benefit future generations and prevent them from conflict. Some of the respondents commented as follow:

[...] they can reach an agreement with him to lease the land out to him so that the next generation will have access to the money after ours. This is because the deed of agreement does not have a season for life. The more the company's work progresses, the more money it will have. It may be that the funds will increase after five (5) years. After ten years, the money can increase too [...]. (ILF1)

[...] it will be a good idea as the next generation will see the document (agreement) with the government and collect money to [...] (ILF10)

[...] It's the best because we need something that if the head of the family today has taken something, that thing can still flow down to other generations. It is the flow that matters.

No matter how small is it [...]. (GOPLAS 1)

Again, some respondents believed that the generation that did not benefit from the compensation proceeds incited troubles leading to land conflicts. Meanwhile, if they are included in the compensation plan, such disputes will not arise.

[...] such an arrangement will prevent the young members of the family from causing trouble since they know that they will enjoy their benefit from the land in due course [...]. (GOPLAS 6)

The support for IGC, as discovered in this study, aligns with the findings in Cernea (2008), which emphasised the benefit to future generations and restoration of livelihood as the main drive for IGC.

#### **4.3.2 Reasons for Opposing Intergenerational Compensation**

As revealed in Table VI, three themes emerged from the analysis. This includes economic reasons (7 quotations; 4 codes), inefficiency in government (5 quotations; 4 codes), and family structure and preference (3 quotations; 2 codes). The theme categorised as economic reasons are those associated with the financial disincentives from IGC. Codes related to this theme include inflation better investment of the lump sum by the family. The economic reasons prevent some of the participants from supporting IGC because they believed that financial benefits accruable to them under the arrangement would be lower when compared to receiving lump-sum payments. Others have IGC prevent ILFs from selling their land and the non-feasibility of implementation. Some comments by the participants include:

[...] I prefer they pay it once and for all. This is because money in Nigeria does not have much value. If they want to pay NGN20 million and decide to pay NGN5million at first, what will they do with that money? [...]. (ILF12)

[...] if they pay the whole money, and it is shared amongst family members, they will know what to do with it that the next generation will benefit from it. As if we don't know what our forefathers did with the money they collected [...]. (ILF12)

[...] not giving us compensation allows us to continue selling our lands [...]. (ILF13)

While the economic reason is a genuine concern for opposing the IGC, the IGC can address these concerns. For instance, on the issue of inflation, a mechanism might be put in place to alleviate the fear of the dwindling value of the Naira. Also, the ILFs might have input on the investment scheme the compensation proceeds should be invested.

Apart from economic reasons, another reason provided by the participants for opposing IGC was the inefficiency of the government. Such inefficiencies as perceived by the participants include delay in government activities, lack of continuity in government activities, improper documentation in government offices and lack of trust in the government to honour the agreement. The inefficiencies were significant due to bureaucracy and red tape associated with government offices. Again, there appears to be a trust deficit between the government and the people. Some of the respondents commented as follows:

[...] if the government wants to do so after taken the land without developing the land, this leaves an opportunity for people to encroach on the land. Once they take the land, they should develop it as soon as possible [...]. (ILF9)

[...] for as the land is still lying fallow and people can use it, people will come back to it, generation to generation will always lay claim [...]. (GOPLAS 3)

[...] My fear with such an arrangement is that government might not want to honour their side of the agreement [...]. (ILF16)

The result that government is inefficient toward compensation issues collaborated earlier studies such as Nuhu and Aliyu (2009) and Wilson (2019), which stated that government are inadequate in handling compensation matters.

The third theme regarding reasons for opposing IGC was family philosophy and preference. This theme explores variation in families' beliefs system as a possible reason for opposing IGC. For instance, some participants raised the issue that each family has the discretionary power of payment option to adopt and how each handles matters differs. Some comments by participants in this regard are as follow:

[...] the discretion to use their money is theirs, just that they would be informed that the money will be invested; it should not be compulsory. It is just like when we are retiring; you know we have Pension Fund Administrators (PFA). Instead of giving us our lump sum, they said they would invest part for us, which many people are against. You don't need to invest my money; I know how to invest it. Such will be detrimental to people's wishes. You can't force an individual to let the government invest for them. This should be a one-off thing [...]. (GOPLAS 2)

[...] no no...because you know different families with different styles of handling their affairs... Some families are wise enough to invest in the money for the entire family so the generation unborn will be getting out of the compensation, but some families will share everything and say *ki omo to je ogun ma ti jogbon* (literally means before my child inherit my wealth, I would have enjoyed sizable portion of my wealth) [...] (GOPLAS 4)

#### **4.4 Form of Intergenerational Compensation Contemplated by the Respondents**

In addition to asking the respondents for supporting or opposing IGC, further questions bothering the implementation of the compensation option were raised. The result is presented in this sub-section. The forms of IGC identified by the respondents include a lease, staggered payment, employment opportunity to members of ILFs, flexible payment option, the share of equity in the company acquiring the land and the use of government bond for payment. Each of these is examined below:

##### **(i) Lease**

Most of the ILFs (61.5%) that subscribed to IGC believed that the IGC should be a lease arrangement where agreed annual rental will be paid on the acquired land. Some of the respondents commented as follows:

[...] They can reach an agreement with him (the investor) to lease the land out to him so that the next generation after ours will have access to the money. This is because the deed of agreement does not have a season as it is for life. The more the company's work

progresses, the more money it will have. It may be that the money will increase after five (5) years; after ten years, the money can increase too [...]. That is how it is. (ILF1)  
[...] I am in support of such arrangement. In fact, if your acreage of land is in an industrial area. You do not need to sell such land but lease it for some years in order for coming generation to benefit from the family heritage. If government can do such, it will be a welcome development [...]. (ILF15)

The support for lease as a form of IGC is unexpected. Many families, especially in Lagos Division, were presently using such arrangements to transact their land with corporate organisations.

(ii) Staggered Payment

Another feature that the respondents excogitated in the IGC arrangement was staggered payment for different generations to benefit from.

[...] I am in support of it. It should be in stages. If they decide to pay the compensation every ten years, we'll see different generations accounting for it alongside what they did with it. If is done this way, it won't attract unnecessary attention [...].

[...] if they arrange it such that there is a stipulated amount to be paid to different generations yearly, and an agreement is reached between the family and the government and they both sign, that will involve a lawyer from both side, then it will be monitored [...]. (ILF22).

(iii) Employment opportunity for members of ILFs

The employment option was another variant of IGC contemplated by the respondents. One of them commented as follow:

[...] if what the land is used for is useful to the community, then they can insist that once their children finished schooling, they should be given directorship. There will be certain areas that will be reserved for our children. That way, the future generation can benefit from it. Not money. Even when people want to lease expanse of land, what we do most often is to take little money and insist that if they have about 10 or 12 directorships, we want 5 or 6 and then we will post our children to these positions. We will take rigid position. Once they graduate, they have something waiting for them. So, when they have a job, they will have something to eat. That is home benefit [...]. (ILF21).

The choice of employing members of ILFs by companies that are established on the acquired ILFs land might be a result of the current unemployment situation (rate) in the country, which is currently at 27.1%.

(iv) Using Government Bond

Using a government bond was also suggested as a variant of the IGC that the respondents would prefer. This option will be

[...] I think they can pay a particular percentage now and invest the others in bonds which yield yearly [...].

(vi) Share of equity in the company acquiring the land

Similarly, some of the respondents favoured the equity option, which will make them part of the shareholders of the company in which way they would be able to share out of the profit in the enterprise on their land; especially when such acquisitions are in connection with

economic or industrial development purposes. One of the respondents commented in this regard:

[...] if it is acquired by a company, I would suggest that let the land be part of the community's equity contribution so no matter how insignificant or peppercorn it is. Once they declare a profit, a certain percentage of the company's profit must go back to the community [...]. (GOPLAS1)

This type of arrangement is applicable when the government acquires land for economic purposes, like in the case of the Lekki Free Trade Zone (LFTZ). as reported in Tagliarino et al. (2018).

(v) Flexible payment option depending on activities on the land

Another option suggested by the respondents was a flexible arrangement that will centre on the activities taking place on the land. The option could be ground rent, profit sharing, providing employment, among others.

[...] some of them would be in the form of ground rent, some would not be depending on the activities going on there. If it is on ground rent, if you have a thousand parcels there and government is making a hundred million per annum, a percentage of it can go to them, say 1% to 3%, to the community. So be it. This will allow everybody to guard the sanctity of that allocation jealously. This will allow them to encourage the user of the land to pay the ground rent knowing fully that they are stakeholders in the arrangement [...]. (GOPLAS 1).

## 5. Conclusion

Every development takes place on land, thereby making land acquisition essential for development to take place. Meanwhile, the land acquisition brings about dispossession, capital loss, and untold hardship to those whose land is acquired. This, therefore, necessitates payment of compensation for dispossession and losses suffered. When such compensation payment is inadequate or does not benefit future generations, it could result in crises and conflicts which invariably disrupt the intended project. However, land acquisition and compensation could be enhanced if intergeneration compensation (IGC) is adopted. This paper examines the perception of Indigenous Landholding Families (ILFs) and Government Officials Providing Land Administration Services (GOPLAS) on the prospects of adopting IGC as payment options in land acquisition in Lagos State, Nigeria.

The result shows that, while most of the ILFs support the adoption of IGC, most of the GOPLAS were against its adoption. The implication is that even though the ILFs will prefer the payment option, the non-support from GOPLAS might not let policy relating to intergenerational compensation see the light of day. This is because the government officials are at the forefront of initiating and implementing government policies. Again, compulsory acquisition and compensation issues are controlled by applicable statutes that might require critical review to allow the adoption of IGC. There is, therefore, a need for advocacy to educate the GOPLAS on the need for intergeneration compensation and the willingness of the ILFs to accept it if it becomes a state policy.

Again, various mechanisms for implementing IGC that could be adopted in Nigeria were identified, including the use of lease, staggered payment, employment opportunities to ILF

members of ILFs, the share of equity, and the use of government bonds. Adopting some of these mechanisms might require legislative reform as Nigeria's extant laws might not support such. However, the State Government could make the regulation to allow its adoption for payment of compensation in land acquisition, especially when land is acquired especially for use in connection with economic, industrial, or agricultural development purposes. The variants of IGC to be adopted should be flexible and majorly centred on the activities taking place on the land. In addition to this, those claiming acquisition should have the liberty to choose between accepting upfront compensation combined with IGC or exclusive IGC. If these are put in place, it will go a long way in solving land acquisition and compensation conflicts.

While this study has considered a limited sample of respondents, it is a pioneer study examining intergeneration compensation in Nigeria and Africa. Meanwhile, the study could be extended to survey a larger population size and include other stakeholders in the land acquisition and compensation process.

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## Between Official Orthodoxy and Received Wisdom: Explaining Urban House Vacancies in Nigeria

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### Abstract

The primacy of shelter amongst human needs rationalises the commitment of governments across the world to house production and home ownership. Nigeria shares these aspirations, but the views recently expressed by its housing minister appear contradictory to policy and received wisdom. For a start, the minister denies Nigeria's much reported 17–20-million-unit deficit and even the very existence of a housing shortfall. Furthermore, in acknowledging a new trend of urban vacancies, he proposes that every vacant house be used to meet existing urban needs, an impracticable view which also contradicts the claim of housing sufficiency. Lastly, he ascribes rising urban housing demand exclusively to rural-urban migrations. This paper critically examines the validity of these views. Data for the study comes from the archives, online sources, housing economics and housing research findings (here categorised as received wisdom), and practical experience in the study locations, which are Nigeria's two most prominent housing markets. The findings are that the lack of data evidence on the housing deficit justifies its disavowal by the minister but does not controvert the existence of a shortfall. This is particularly because insufficiency is suggested by Nigeria's rapidly rising rents and burgeoning informal settlements.

Furthermore, the view that observed vacancies are suggestive of an oversupply is unproven in the absence of data and unsubstantiated by received wisdom. In addition, the perception that all vacancies imply availability is misplaced because vacancies occur for different reasons. Additionally, urban-urban migrants impact formal housing more than rural-urban migrants, whose lower economic status drives informal housing growth. Besides, urban housing demand also comes from internal changes such as a natural increase in population, rising household formation rates and higher disposable incomes. The conclusion is that the ministry's statements are untenable. Therefore, it needs to have a "*rethink and understand the problem*". This requires discarding its orthodoxy and embracing received wisdom.

**Keywords:** housing market, natural vacancy, Nigeria, real estate, urban migration, vacancy rate

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## 1. Introduction

The commitment of governments across the world to the stimulation of house production and home ownership can be rationalised from three angles. Firstly, the paramount position of shelter as a human need which is essential to citizen welfare, a primary objective of government. Secondly, shelter is vital to economic productivity, home ownership, and socio-economic well-being. Lastly, the beneficial impacts of an effective housing industry and a high homeownership rate on the national economy. The policy acknowledges that housing is needed at all times and for all citizens. It is required as the general population naturally increases, as urban growth, or the number of people who inhabit a city, keeps rising, and as urbanisation, or the proportion of the national population who live in cities, increases. The government's focus is on improving the homeownership rate through the availability of long-term funding. An important initiative that the Federal Mortgage Bank of Nigeria took was the provision of mass housing. This was pursued by mobilising funds from workers (salaried and non-salaried) and the provision of loans for the salaried segment through the avenue of the National Housing Fund (NHF). Over the years, the level of housing demand and need suggest that the NHF policy was incapable of addressing the challenge. The Central Bank of Nigeria (2020) reveals that as of 2005, total collections were ₦15.4 billion, whilst loan applications stood at ₦39 billion.

Furthermore, the number of approved loans was higher than disbursements. The former amounted to ₦20 billion for 13,672 housing units (an average of ₦1.46 million per unit), whilst the latter was ₦10 billion. The policy allowed a maximum loan amount of ₦5 million, during which processing time averaged 2-3 years.

Nigeria's housing policy has always been based on the presumption of an existent scarcity, making the production of more houses imperative. In consonance with the Millennium Development Goals, housing policy towards the end of the last millennium was noted with the optimistic and ambitious slogan: "*Housing for all by the year 2000*". Although this was not to be, the saying undeniably indicated an existent state of insufficiency. The present policy still acknowledges that the need for housing can be translated to effective demand if house ownership costs are reduced through affordable loans and house prices.

The need to address Nigeria's meagre mortgage market found expression in initiatives such as the 2006 National Housing Policy (NHP), the Nigerian Housing Finance Programme (NHFP) and 2013, the Nigeria Mortgage Refinance Company. These initiatives involve the Federal Ministry of Finance, the Central Bank of Nigeria, the Federal Ministry of Lands & Urban Development & Housing and the World Bank/IFC. The principal objective is to promote growth in the primary mortgage market. The strategy is to reduce the costs of residential mortgages and housing (NMRC, 2021). This would require providing mortgage institutions with increased access to liquidity and long-term funds as provided under the NMRC policy

In the manner of other economic goods, housing is made for the market, where participating actors pursue their economic objectives. The decisions of producers and takers of housing are market-oriented. Sellers seek profit as a reward, whilst buyers seek value in exchange for their assessments of the inherent utility of the product. Producers will continue in production as long as it is profitable so to do. Buyers will buy only if the product is desirable and affordable. Thus, a situation where buyers do not favour producers' output may suggest a mismatch between what is available and buyers' desires. It may also indicate that output is in excess of what is desired at that particular point in time. Again, housing is an investment asset made by house owners, who may be individuals or institutions. For these groups, particularly the first

mentioned, housing is usually the most significant element of wealth. Because the property is an index of wealth, owning a house makes the investor a participant of significance beyond the usual role of producer or consumer in the economy.

For this reason, Duca *et al.* (2021) stress the fundamental nature of housing in wealth creation in the economy and its status as a significant component of investment overall. Despite the importance of profit in the rationalisation of economic production, Nigeria's governments have often been involved in providing housing for low- and middle-income families, particularly its employees. However, there is now a realisation that house building would be more effectively done in a market economy where the government would focus on creating conditions for house producers and house seekers. This would involve, *inter alia*, promoting the availability and cost of credit for house purchasing, savings towards home ownership, lower building input costs and developers' access to loan finance. These initiatives have the potential to impact the supply and demand of housing. However, for government to intervene effectively, it must have an understanding of the dynamics of the housing market. The conditions that stimulate the production of houses should be understood as those that affect demand.

The post-1970 situation in Nigeria of having more people living in urban areas highlights the need to understand the housing market further. More people living in urban areas means a rising need for shelter, and the government has not effectively addressed this challenge. The consequence has been a resort to self-help which has promoted informal settlements and slums (Ibrahim, 2009). The pattern has been that the larger the city, the greater the pressure for accommodation, and therefore the more the number of informal settlements.

The priority accorded housing suggests that the ministry at the federal level would be apprised of facts and statistics on the housing industry and market. These should extend to information on annual production and annual demand, the level of home ownership and home purchase savings, house building costs, average house prices and the demand for, and costs of, mortgage finance. Particularly important are the issues of housing shortfalls and vacancies, both of which are reflective of the state of the sector. The former concerns production and supply whilst the latter is a demand issue. The former also indicates the extent of the success of the housing policy, whilst the latter mirrors the profitability of production and affordability of outputs.

Effective housing policies call for close official attention to market challenges and conditions; the co-existence of housing shortfalls and house vacancies is suggestive of market challenges, but there is a need to identify and expatiate the underlying factors. This is in the interest of Nigerian housing officials who devise and pursue housing policies for the public good and the critical mass of prospective home owners suggested by the country's unimpressive 10% home ownership level (Central Bank of Nigeria, 2020). These explanations should be analytical, rational and comprehensive. They should be founded upon knowledge and experience of market operations, particularly the factors responsible for the co-existence of vacancies and shortfalls. In addition, the elucidations should be consonant with the policy objective of producing more houses for an ever-burgeoning population.

However, the Housing minister's recently expressed views on urban house vacancies and related issues suggest a new official thinking. These views appear to contradict the established policy objective of having more houses in the system and the rationale for having more houses. In addition, they seem to be at odds with aspects of housing market dynamics. Given these disputable assertions, it is believed that the new-to-Nigeria phenomenon of troubling urban house vacancies needs to be understood, particularly by officials. Furthermore, in consonance

with the minister's advice that stakeholders should "*have a rethink and understand the problem*", it is in the interest of Nigeria's teeming prospective homeowners and of society more broadly to have an understanding of the vacancy phenomenon, the housing market and the conditions which have introduced vacancies to the Nigerian housing market. This would require a consideration of the factors at play in the production of houses for sale and let, the phenomenon of house vacancies, the impact of migration on urban housing, and whether Nigeria's true housing status is one of sufficiency or shortfall. The paper aims to ascertain the validity of the reported postulations of Nigeria's Housing minister by examining the dynamics of Nigeria's two most prominent housing markets.

To achieve the research aim, the paper will:

- (i) Explain the concept and influencing factors of house vacancies.
- (ii) Ascertain whether Nigeria's housing status is one of sufficiency or shortfall.
- (iii) Consider the sources of urban migration and their relative importance in the urban housing market.

After this introduction, the research approach is explained, followed by a critique of the main issues identified from the official pronouncements. The practical implications are then identified, the conclusion presented, and recommendations made.

## **2. Approach**

This paper is a critique of what are believed to be firmly held official views which diametrically oppose received wisdom. The statements are summarised in Table 1.

**Table 1: A Comparison of Official Statements with Received Wisdom**

S/N	Issues	The Official Orthodoxy	Published references for the official stance	Received Wisdom
1	Housing Shortfall	Nigeria has no housing shortfall since urban & rural house vacancies exist	Addeh(2021);	Nigeria has a housing shortfall; A natural vacancy rate exists
2	Housing Shortfall	No data evidence for a 22 million-unit housing shortfall	Ailemen(2021); Agbakwuru(2021); Alawode(2021);	In the absence of data evidence, a shortfall can be perceived in housing market conditions.
3	House Vacancies	Urban vacancies mean the existence of a housing sufficiency	Channels Television(2021); Nnodim(2021);	Urban vacancies may not always imply sufficiency; they can be explained by market & non-market factors.
4	House Vacancies	Urban house vacancies can be used to satisfy urban needs	Oghifo(2021); Paul(2021);	Not all vacancies imply availability; vacancies vary in character.
5	Internal Migrations	It is rural-urban migration which creates urban house shortages		Migrations to urban areas are not entirely from rural areas; Urban-urban is important & intra-urban migration also exists.

*Source: Author's compilation from newspaper reports of minister's press conference (2021)*

The issues are five in all and appear to contradict received wisdom. The commonly held view that the country has a housing shortfall is disputed, as is the much mentioned 17 million to 20 million-unit deficit. In addition, it is assumed that a state of vacancy means that a house is available for anyone who may need it. Furthermore, the minister believes that house vacancies in urban areas constitute evidence of housing sufficiency. Lastly, the ministry's statement makes the assumption that all migration to urban areas has a rural origin. These assertions were all made without data evidence. The second column of the table categorises different aspects of the minister's statements; the third summarises the statement; the fourth shows the sources from which the statements were collated; whilst the fifth indicates the position of received wisdom relative to officialdom. The references are newspapers whose correspondents attended the official function. The reports deal with the same issues, but Addeh's (2021) comprehensively states the minister's arguments as follows:

- (i) *"Nigeria does not have a deficit of 22 million homes; there is no proven data to support that statement or claim."*
- (ii) *"There cannot be a deficit in the real sense when many houses remained empty in the urban centres. It is illogical to say we have that housing deficit when you have empty houses".*
- (iii) *"Nigeria has an urban housing problem, but this could be solved by ensuring that empty, unoccupied buildings in major cities were put up either for sale or rent. The actual housing deficit in Nigeria cannot be ascertained until another census is conducted in the country".*
- (iv) *"Many of the people who are renting houses in the cities have big houses in their villages. So, let's understand this problem. In all the urban centres, whether Lagos, Kaduna, Aba, or Kano, there are empty houses and unoccupied houses. So, we need to rethink and understand this problem".*

In using the term received wisdom, this paper refers to knowledge garnered from housing theory and empiricism. The Business Dictionary (2020) defines theories as *"propositions or accepted facts that attempt to provide a plausible and rational explanation of cause-and-effect (causal) relationships. The word's origin (from the Greek thoros, (a spectator), stresses the fact that all theories are mental models of the perceived reality"*. Building upon this, it is argued that theories simplify reality so as to create an understanding of causes and outcomes. Theoretical expositions have, therefore *"always been associated with learning and the distillation of the best ideas of humankind through the ages"* and *"have served to advance the march of civilisation simply because they are open to scholarly examination, re-examination, disputation, possible refinement and acceptance or disproof and rejection"* (Onwuanyi, 2020:p.235). Therefore, the precepts of housing and the discoveries of practice are employed in assessing the statements in question. The need for a rethink is highlighted by the belief that these views indicate a new orthodoxy which controverts received wisdom. The statements are construed as official orthodoxy because they were made by a high state official whose views should reflect official thinking.

Furthermore, the views were expressed at a ministerial press briefing, extensively reported by the media; and remain unrebutted to date. The views were not only officially declared, but they are also officially held and *ipso facto*, accepted formally. Therefore, they can reasonably be seen as official thinking on aspects of the housing challenge in Nigeria.

It is thought that the most appropriate approach should involve an examination of the validity of these views, statements, postulations or conclusions by referring to the underpinnings of theory and existing empirical literature and its supporting data. The appropriate literature relates to the concepts of vacancy and natural vacancy, housing as a good and the housing market as a platform for trading rights in a property, and the sources of migration to urban areas. Additionally, this is a study of markets. These being places where phenomena are observed, the explanations in this study are also guided by practical housing market experience. There is an item-by-item consideration of three main issues: vacancies, housing adequacy and urban migration and how they relate to Nigeria's urban house vacancy situation.

### **3. Study Area and Scope**

In the minister's statement, reference was made to Aba, Kaduna, Kano and Lagos as examples of Nigerian urban areas in which existing vacancies suggest an abundance which seems to disprove the idea of a housing shortfall. The local nature of housing markets suggests that market dynamics differ amongst these cities. However, rather than exploring the peculiarities

of each of these markets, this paper examines the validity and relevance of the minister's assertions by considering extant conditions in Nigeria's two most prominent housing markets, Abuja and Lagos, where vacancies are most visible. These locations have the highest levels of need, disposable incomes, buyer and tenant demand, aggregate demand, house building output and economic prospects. Thus, a consideration of these two locations is thought to be adequate to achieve the research aim.

#### **4. The Concept of House Vacancies and Influencing Factors**

At this stage, an important and relevant question should be: What evidence is there that vacancies exist in Nigeria's urban housing, particularly Abuja and Lagos? The Housing ministry did not present any figures in its assessments of the situation in Aba, Kaduna, Kano and Lagos. Furthermore, its statement that the existence of a housing deficit can be known only after the next census is an admission of the absence of data. It becomes apparent that the vacancy phenomenon to which the ministry responded was established by perception only. The absence of data evidence does not belie the existence of the phenomenon; else, the ministry would have no reason to react. Considering that housing policies can stimulate market activity, thereby influencing the decisions of producers and takers, they essentially are market policies. This places the market at the centre of housing policy, making it essential for the Housing ministry to have a regular and updated knowledge of conditions in the housing market.

House vacancies describe situations observed in the housing market where residential property built for sale or to let is available but untaken. These situations may be temporary or last for extended periods. Also, they may occur in large numbers or small numbers (Metreveli, 2019). The phenomenon of house vacancies is not unusual as it exists all over the world (Economist View, 2005). The reasons for this occurrence may vary from country to country, depending on individual circumstances (Nam *et al.*, 2016). For instance, the reasons for vacancies in developed countries should be expected to vary from those of developing or less developed countries, just as they may also vary between countries with different urbanisation rates. "*Long-term vacancies can be found in regions with diverse characteristics*" (Fritzsche & Vandrei, 2018: p. 2). The supply of housing consists of those built for sale and for let, plus owner-occupied housing, which may come onto the market at any time depending on the owners' desires. What connects these three categories is the market. This means that house vacancy is a market issue and indicative of the state of the housing industry.

*Prima facie* vacancies may seem to be a problem, but this is not always the case. They would not be problematic if they lasted for only short periods and made it possible for home seekers, both established residents in search of new accommodation and new urban migrants, to change their places of abode when they so desire (Onwuanyi, 2018). The absence of such vacancies would limit the choice available to home seekers and reduce their chances of finding suitable accommodation. Thus, not all vacancies are problematic (Guash & Marshall, 1985); Silverman *et al.*, 2013). Onwuanyi (2018) argues that vacancy is not alien even to buoyant property markets. Under normal market conditions, production is continuously driven by profitability. Property's characteristic heterogeneity and human taste differences imply that some houses and house locations may not meet buyer and user requirements. These are market factors which can contribute to vacancies. The vacancy rate reflects the relative states of supply and demand in the housing market.

Where vacancies become long-term in nature, they are considered to be problematic for many reasons, most of which are economic in nature because house production is an economic

activity. First, a large capital outlay is used to produce houses for economic return, so the investor receives no return if they are not bought or leased. Capital is tied down in these undesired properties, creating economic losses as interest accrues on loan capital. If capital were not borrowed, as is common in many housing developments in Nigeria, a loss would also occur because money has a cost in the form of interest. In this case, the opportunity cost of money (or foregone interest) indicates the extent of the loss. Secondly, long-term vacancies effectively mean the creation of potentially useful assets which deliver no value because they are either not in use or not available for use (Onwuanyi, 2018). This amounts to a misallocation of resources (Fritzsche & Vandrei, 2018). It is important to note that misallocation occurs in two dimensions: the land itself (because the land is mobile amongst uses) and the other resources used to produce the asset (because they have alternative productive uses). Long-term vacancies are also disadvantageous because of maintenance expenses which increase economic loss. Furthermore, dilapidation will occur if a vacant property is not maintained, thereby reducing long-term value. Again, dilapidation tends to create urban blight, which, in the cases of abandonment, may necessitate incurring maintenance or demolition costs by planning authorities who have a responsibility for maintaining a decent urban environment.

Vacancies may arise in all of the following situations—first, a rapid and excessive supply. Second, a situation in which houses are available but incomes are low, prices high, and homes unaffordable. Third, where houses were once adequate and occupied, but vacancies arose from factors such as an ageing population and city shrinkage from excessive out-migration. Fourth, crises and disasters may lead to vacancies as people move out of unsafe locations.

According to Fritzsche & Vandrei (2018, p.2), the causal relationships and factors involved in vacancies need to be understood. The importance of this lies not merely in the fact that not all vacancies are disadvantageous but also because there is a natural vacancy rate (Economistview, 2005; Metreveli, 2019). The concept of natural vacancy describes a naturally occurring situation of unavoidable vacancies in the housing industry. The situation is natural because time does not limit unconstrained makers and takers in the industry as they exercise free will in making deals. Because time must necessarily elapse between a property becoming available and the conclusion of a transaction, a natural vacancy is created (Metreveli, 2019). Therefore, market forces are responsible for the natural vacancy rate. Although the rate is not constant, it is essential for two reasons. First, it can cause price rises or falls (Economistview, 2005). Prices would fall if the natural vacancy rate is lower than the new market supply and rise if the rate is higher than the new supply. In the first case, a maker's market exists (i.e. more vacancies), whilst in the second, there is a taker's market (i.e. fewer vacancies). The natural vacancy rate varies amongst real estate markets. Second, knowledge of the natural vacancy rate can furnish information which would help predict future market price movements (Wai, 2017). Such knowledge is vital to understanding the real estate and housing markets. Having explained the concept of vacancy and its potential causes, consideration is now given to causative factors in the major urban areas of Abuja and Lagos.

In accordance with its position in the hierarchy of human needs, housing is an important research subject in Nigeria's academia. Areas of research include housing policy, informal housing and slums, affordability, development, standards and finance, amongst others from diverse disciplines including Architecture, Business, Geography, Economics, Estate Management, Finance and Urban Planning. However, there is a dearth of published studies on the vacancy phenomenon, which also, is a housing issue. This suggests that policymakers and perhaps market watchers may not be familiar with the concept of vacancy in relation to housing. Two reasons may be adduced for this situation. First, the housing challenge in Nigeria



has been associated more with insufficiency than sufficiency. Thus, there is more familiarity with identifying the causative factors and solutions to scarcity rather than dealing with abundance. This tendency is reflected in research. Second, the phenomenon of vacancy became topical only in recent years due to the pre-2015 highly visible vacancies in Abuja and the vacancies observed in Lagos during the 2015-2016 recession. Both issues are investigated in the first published vacancy study of Nigeria's property market (Onwuanyi, 2018), where Abuja and Lagos vacancies are comparatively analysed. The recency of the study tends to confirm abundant residential vacancies as new both to the Nigerian market and the country's housing research.

Taking Abuja and Lagos as representatives of Nigeria's urban property markets, it is necessary and important to ask whether or not the concept of natural vacancy can explain the housing vacancies observed in both cities. The answer depends on the length of the vacancies. The tentative answer would be "yes" if they are short-term but "no" if long-term. Since property markets are local in nature, a complete answer can be arrived at only after considering the characteristics of each market and the forces behind their respective vacancies. Indeed, there are distinctions to be made between house vacancies in Abuja and Lagos. Despite the challenge of accurate data, Abuja's vacancies are more numerous than Lagos'. This impression is conveyed by observation, but according to Northcourt (2019), vacancy rates for many desirable residential districts of Lagos were lower than for their equivalents in Abuja. For instance, the rates were Victoria Island (23%), Lekki (22%), and Oniru (15%). For Abuja, the rates were Katampe (37%); and Apo (14%). However, Lagos' Ikoyi (41%) and Abuja's Katampe (37%) were the highest in Nigeria. There is an interdependent relationship between property markets and the economy (Fraser, 1984), so Abuja's vacancies are associated with the peculiarities of its property market, which is interdependent with its economy. The most significant peculiarity of the Abuja property market is that the city's economy is basically dependent on government activities (Onwuanyi, 2018). The identified causes of vacancies in Abuja include overprovision for the level of effective demand in specific locations; investors' poor reading of market needs due to a lack of professional advice; and high input costs (particularly land), which tends to make the output unaffordable to prospective takers. (Onwuanyi, 2018). This is not helped by a 2020 per Capita GDP of US\$ 1,292 (Kingmakers, 2021a) which is below the national average (US\$2,274) and just 60% of Lagos' (US\$2174). In the absence of takers in the market, vacancies will be elongated, and it is a fact that Abuja's house vacancies tend to be long-term in nature, some having lasted for as long as eight years (Kolawole, 2015).

In the case of Lagos, a city with a per capita income of US\$ 2 174 in 2020 (Kingmakers, 2021) which is close to the national average (\$2,274), a more robust business environment creates a larger and more resilient property market. Agglomeration economies propel the capacity for continuous and sustainable growth, business linkages and the multiplier effects of private sector activities (Onwuanyi, 2020), including over 60% of Nigeria's business concerns (Ambode, 2014). The inevitable result is that the vacancy level is lower and tends to be short-term. A study of other cities in Nigeria should reveal whether or not their vacancies are generally short-term or long-term since, as mentioned, property markets are local in nature. In sum, this review of the vacancy concept reveals some features of the phenomenon that official thinking may not have taken into account. These are that vacancies can be natural; may not always be a disadvantage; may be short-term or long-term. Obviously, the official view is that vacancies are always a disadvantage.

It needs to be mentioned that the Nigerian situation presents another dimension of vacancy, which is attributable to project abandonment. This phenomenon occurs in public and private

housing projects, which are at various stages of completion. In the public sector, as revealed by the Presidential Panel on Abandoned Projects (PPAC) (Idonor, 2011). The identified causative factors were mainly a poor capacity in conceptualisation, design, technical knowledge and defective execution. The panel investigated 11,886 abandoned projects in the country on which ₦2.69 trillion had been expended yet required for their completion another ₦7.78 trillion. Some of these projects were in locations which lacked basic infrastructure. Projects tend to get abandoned in the private sector when the developer runs into financial difficulties. This tends to happen because of the reliance on self-building occasioned by an undeveloped mortgage sector. Vacancies arising out of project abandonment fall into the long-term category.

### **5. Does Housing Sufficiency Exist in Nigeria?**

This issue requires a consideration of the state of the housing markets in the study areas. It is best to start by stating that the common thread between Nigeria's past and present housing policies is the production of more houses because of an existent need and demand. The claim of housing sufficiency at present seems to contradict the official objective of using the NHFP and NMRC to produce more houses. The following critical housing availability and affordability issues have been identified by the World Bank (2018). On the supply side, the issues are access to land, a lack of infrastructure and services, construction permit difficulties, high development finance costs, high construction costs and a lack of skilled labour. Considering that it cannot be persuasively argued that these challenges have been overcome since that report, it is difficult to justify the housing sufficiency claim. On the demand side, access to end-user financing, lack of disposable income for housing and the cost and time of foreclosing (World Bank, 2018) were identified. Again, these issues are yet to be overcome or significantly ameliorated. Since demand and supply make the market, and the challenges exist, a claim of sufficiency cannot be justified, particularly since the annual output of houses has not exceeded 100,000 units (Lagos Bureau of Statistics, 2015). Although, since the 2012 introduction of its Home Ownership Mortgage Scheme (HOMS), the Lagos state government has produced at least 3,000 units. It plans to attain 7,000 units by 2022 (James, 2021). The reality is that the city's housing output is mainly the effort of independent self-builders who use their own funds. The situation in Lagos has not changed much from of Abiodun's (1997) observation that over 90% of housing in the metropolis is provided by the efforts of individuals and the private sector.

Regarding the observed vacancies, the ministry suggests that they can somehow be put together and sold or let out to meet urban needs, assuming that all vacant houses are available houses. This may not necessarily be the case. Vacancy refers to all space that is currently *unoccupied* and *available* for occupancy (Metreveli, 2019). Therefore, the official assumption of what constitutes vacancy does not align with received wisdom. The status of not being occupied does not imply availability for occupation. There are many reasons why a property might be unoccupied and yet unavailable. The first step to determining the reasons for non-occupation is to determine whether the vacancy is short-term or long-term. Vacant buildings might be newly completed, buildings in the process of being let out, and recently vacated buildings. Buildings might also be vacant due to legal processes, including criminal investigations. Therefore, only truly available houses can be considered for the officially suggested idea. Obviously, there is a hint of impracticality to the suggestion.

Impracticality is further indicated in the sense that the vacant houses are privately owned and the possibility that the owners may have no intentions for their disposal or letting. In this regard,

Freitzsche & Vandrei (2018: p.20) take the view that *"leaving a property vacant might be an efficient decision for an owner who needs it for future use and faces low holding costs"*. In the case of Abuja particularly, there are reports associating real estate investments with money laundering (ICIR, 2014; Ngbokai, 2020). In the absence of taxes on vacant property, the owners of such houses in Abuja and Lagos can be viewed as having low holding costs. This could contribute to the growth of vacancies. Indeed, a viable option for the government might be to find out from the owners why their houses are vacant; address the revealed reasons, where possible, to prevent wide-scale future vacancies; and aim for more housing output by direct production and giving incentives to private producers. It is in the government's interest to minimise vacancies not only for economic reasons but also for security because they may become hideouts for criminally-minded people in the event of the houses becoming dilapidated. There is also the possibility of these vacant houses becoming sources of urban blight and environmental nuisance.

A further issue which defines the market's status is the existence of market segments, amongst which vacancy rates can differ. Market experience in Nigeria reveals that smaller-sized — that is, one and two-bedroomed — housing units are more desired and, therefore, more easily let. This suggests a lower vacancy rate than for market segments which experience longer letting periods. These variations in vacancy rates can also occur in the investment sub-sector, where houses are sold and purchased. Vacancy rates within an urban area can also have a spatial dimension. Also, larger homes would have a higher vacancy rate, as seen in Abuja and Lagos, because the required outlay limits the number of potential consumers.

Also important for an insight into the state of the market is knowledge of the motivations of producers of houses. The houses which come onto the market are investments made by private interests motivated by a search for profit. Since mortgages are not easily accessible or affordable, and the government no longer is involved in mass housing, urban housing is supplied by self-builders who mainly use their own savings. This suggests that the production process would be slow, output low and prices and rents high. The output is created through an investment process involving costly input. Successful investing requires that the input be recovered (with profit) from the sale proceeds or rental income, as the case may be. Onwuanyi (2018, p.110) notes that *"the objective of all economic activity is to obtain value. This is achieved by creating usefulness which enables the delivery of value in exchange"*. Usefulness is created by producing what is needed, where, and when it is needed. If these three dimensions are not present, the exchange cannot occur, and the production objective is defeated. In that event, long-term vacancies will result. Price is a determinant of the likelihood of exchange, but so also are consumers' expectations and tastes. If what has been produced does not meet buyer or user expectations, it will be untaken and likely become long-term vacancies.

Any suggestion of housing adequacy in Nigeria cannot be substantiated without market evidence of prices and rents. Given the interpretation of vacancies as evidence of sufficiency, the suggestion is that demand is saturated. In this situation, house prices and rents would rationally fall to reflect the minimum prices of house producers. Since this is not the case in Nigeria, the suggestion is that these vacancies have alternative explanations. After all, value, whether for buying, selling or leasing, boils down to what is acceptable to the transacting parties. In this regard, Blackledge (2009) observes that value cannot have a meaning outside what is acceptable to the two parties in a transaction. This highlights the issue of affordability and its potential role in vacancies. A claim of sufficiency should not be made without regard to the state of the economy. Vacancies do not just connote empty buildings; instead, they are tell-tales of the state of the housing industry, which, in turn, reflects the state of the economy.

Vacancies may arise from unviable investments (such as Nigeria's abandoned projects) since property's characteristic as a fixed and costly resource will tend to create challenges if it becomes necessary to redeem investment which is poorly conceptualised, whether by location, design or execution. Since property investment is a way of holding money (Millington, 1981), many house owners may be pushed by the present parlous economy — a 33% unemployment rate, double-digit inflation, double-digit borrowing rates, low aggregate demand — to put up their houses for sale or let to survive the times. This may well contribute to having more vacancies.

How does the minister's claim of housing sufficiency sit with the claimed national housing deficit of some 20 million units? Undeniably, it is difficult to dispute the ministry's argument that the figure is apocryphal and unreliable as both the World Bank and African Development Bank have denied its authorship. However, these are insufficient grounds for denying the existence of a housing deficit in Nigeria, particularly in Lagos and Abuja. The Lagos shortfall was put at 2.5 million units as of 2015 by an agency of the Lagos state government (Lagos Bureau of Statistics, 2015). For Abuja, Ronald Igbinoba Real Foundation for Housing and Urban Development, (2017) puts the figure at 600,000 units. These independent acknowledgements of a deficit in excess of 3 million housing units in Nigeria's two fastest urbanising spaces and most prominent housing markets contradict the official position. The Central Bank of Nigeria (2020) estimates a national housing deficit of between 12 million and 16 million units. A deficit is suggested since annual production, according to the Real Estate Developers Association of Nigeria (REDAN), as reported by Ihua-Maduenyi (2016), ranges between 250,000 and 300,000 units. This estimate consists of houses built by governments and REDAN, a private association of firms engaged in a housing development (REDAN, 2021).

It is indisputable that an undeveloped mortgage sector points to a deficit situation. In this regard, the Central Bank of Nigeria (2020) estimates the housing stock in Nigeria at just below 11 million. Additionally, as of 2005, outstanding mortgage loans were 0.5% of GDP compared to 77% (U.S.), 80% (U.K.), 50% (Hong Kong), 33% (Malaysia), 61% (Singapore); and mortgages accounted for less than 1% of the total assets of Deposit Money Banks. Nigeria's statistics, dwarfed by these more developed countries, do not support the claim of housing sufficiency. It is contradictory that official admission was made that a deficit exists, but its size cannot be known until after the next national population census. The impression given is that a poor data capacity exists at the ministry. This is because, in one breath, it is logically rejecting the 20 million deficit for lacking data backing, but in another, illogically claiming, without data backing, a housing sufficiency situation predicated on observed vacancies. This raises the need for the ministry "*to rethink and understand the problem*".

The very characteristic of property (including housing) as a fixed resource is an essential factor in vacancies. Whilst property may be mobile amongst uses, it is physically immobile. A housing good cannot be taken to the user or buyer as moveable goods can; instead, the user or buyer must come to the location of the good. The utility of the product is tied to its location. If consumers are not desirous of coming to the location of an available house, then the house remains untaken. The occurrence of vacancies may, therefore, be due to the production of the 'right' type of housing in the 'wrong' location or building in the right location, but to a specification lower or higher than required by the particular market segment; or asking prices which are above market value because of high production costs. The resultant higher costs make selling or letting problematic, leading to vacancies. According to Azasu (2016), successful property development should be preceded by a search for evidence of demand for what is to be produced. This is a necessary and vital measure by which investors can be

protected from avoidable losses. The suggestion is that Abuja's vacancy rate is mainly attributable to cost-inefficiencies. This is because its 2011-2015 prices were found by Onwuanyi (2018) to exceed Lagos' which is a more resilient market and economy; and also unreflective of its essentially administrative status. Both Abuja and Lagos have a reputation as expensive cities, but Lagos is a more resilient market, as mentioned. Delmendo (2020) describes Lagos housing as the most expensive in Africa in terms of selling prices and rents. Given that Abuja falls into the same category, it may not be mere conjecture that high prices and rents are contributory to the vacancies in these cities, particularly Abuja, which, as a less productive economy, should have a less resilient property market, given the acknowledged interdependence between the economy and the property market.

A further insight into the state of the market is that the factors which affect house purchasing may differ from those which affect house letting. This is because, as mentioned, vacancies comprise

houses in these two categories. But the official position does not highlight this important distinction. In common with the broader property market, the housing sub-market consists of the investment, letting and development sectors (Fraser, 1984). Just like property generally, houses are sold and bought in the investment sector, where flows of supply and demand also fix house prices; houses are let out in the letting sector, where rents are fixed in the same way; and site values and the supply of new development for sale and lease are determined in the development sector (Fraser, 1984). The availability and cost of loan finance affect property built for sale whilst the levels of disposable incomes and economic prosperity, employment, age distribution of population and household formation rate tend to affect houses for let. The reality that houses for sale and those for let are affected by different market factors attenuates the official position. According to the Central Bank of Nigeria (2020), the homeownership level in Nigeria is around 10%, compared to 72% (U.S.), 78% (U.K.), 60% (China), 54% (Korea) and 92% (Singapore) suggesting a potentially high demand for rented accommodation and that vacancy rates will vary between houses for sale and those for let. Second, the REDAN estimate of national annual housing output is between 250,000 and 300,000 units. This level of annual industry production lags behind the 3.5% per annum population growth (National Population Commission, 2016) and is potentially below the (as yet unverified) natural vacancy rate for the entire country, and being so, implies a sellers' and landlords' market (fewer vacancies) characterised by rising prices. The contrary situation is where industrial production far exceeds the country's natural vacancy rate, leading to a buyers' and tenants' market (more vacancies) with falling prices. As mentioned, knowledge of the industry's natural vacancy at any time can help predict market behaviour.

In addition, given that 70% of the Lagos population lives in informal housing (Lagos State Bureau of Statistics, 2015), an existent need is implied. Still, without data evidence, this may not entirely prove to be an effective demand. Living in informal settlements may not be by choice, meaning that a high proportion of residents of Nigeria's most prosperous city are effectively excluded from the formal housing sector by the issue of affordability. This situation implies that the formal housing sector is relatively small. If this is the case, then housing vacancies (in the formal sector) do not reflect abundance or the overall housing situation in the city. Besides, over 70% of the population live in rented accommodation (Lagos State Bureau of Statistics, 2015). This situation in Nigeria's most prominent and largest housing market underlines the need to distinguish between vacancies in houses for sale and those in homes for let because there is the suggestion that the latter would be much lower than the former. The review in this section reveals that Nigeria's urban housing situation, as typified by Lagos and Abuja, indicates a lack of sufficiency. It also suggests that vacancies may vary in many ways:

amongst cities; between houses for sale and houses to let; large and small housing units; and city districts or geographical sections. These many dimensions of vacancies reflect the state of the housing market and takers' preferences, thus emphasising the need for a rethink on the part of the ministry.

## **6. Urban Migration and Housing Vacancies**

The movement of population from rural to urban areas leads to an increase in the number of people who reside in cities, producing a greater need for housing. But the need is not the same as demand which entails the ability to pay for desired accommodation in the market. Nigerian experience reveals that rural-urban migrants tend to be of a relatively low financial status, usually school leavers, previously unemployed people, people without skills, people without formal education and mendicants. This is partly discernible from the army of street traders and other hawkers of commodities in Abuja and Lagos. Such persons do not have the means to participate in the formal housing sector and find a solution to their accommodation problems in informal housing, squatter settlements and slums. Therefore, they cannot contribute immediately to reducing house vacancies in the formal sector through effective demand. Some may become able to do so in future when their economic circumstances change for the better. Thus, the official view that rural-urban migration entirely drives urban housing demand is questionable. Where need cannot translate to demand, available houses will remain vacant.

According to Akinwuotu (2015), the plethora of informal settlements in Lagos is the consequence of the inability of poor, rural-urban migrants to participate in the formal housing market. Arimah (2001) describes this inability, which has produced so many slums, as evidence of social exclusion. But, it may be added that they also reflect a lack of affordable housing, mainly as housing vacancies exist concurrently with numerous slums. This is a tell-tale of the situation in the housing market. It is either that what is available in the market is not what is needed, or is not located where it is required, or not available at a price affordable to those who need it. Vacant houses may, therefore, not necessarily imply a situation of housing sufficiency. A history of long-term house vacancies, particularly seen in Abuja, suggests that the housing market and its influencing factors hold the key to explaining the situation.

Whilst agreeing with the official position that rural-urban migration leads to urban population growth, this is not the only way migration can increase the urban population and housing need and demand. According to Oyeniyi (2013), there are four types of internal migration: rural-urban, urban-urban, urban-rural and rural-rural. The first category is well-known as the principal factor in the country's urbanisation. It has also been a significant factor in recent years due to the insurgency crisis in the north, which has seen many rural dwellers relocating from vulnerable to more secure urban areas of the region. The second category exists but is usually not given its deserved importance. The third is generally associated with people who go on retirement after years of working in urban areas (Adewale, 2005). But other factors in this migration category include work transfers, relocation occasioned by security challenges and the avoidance of the high costs of urban living. The last category involves rural-based people who take the decision to move from their less-endowed locations to explore better economic opportunities in more prosperous rural areas, which often have the locational advantage of proximity to a regional economic hub.

The often downplayed phenomenon of urban-urban migration is actually of great importance. Avis (2016) states that inter-urban migration involves "*increasingly different types of migrants with varying motivations. Some are searching for formal and informal jobs; some are single*

*women migrating to support a family; women uniting with husbands; asylum seekers; students and trainees, amongst others".* These varying examples suggest that urban-urban migration is no less important than rural-urban migration, which mainly involves economically weak groups (Chete *et al.*, 2016). It is not misplaced here to contend that urban-urban migration contributed to the internal revenue generation of Lagos, which rose from ₦7 billion in 1999 to ₦26 billion in 2017 (Filani, 2012) and has continued to grow since. According to Ambode (2017), this growth was enabled by Lagos' advantage of hosting about 65% of Nigeria's commercial activities, comprising businesses, manufacturers, financial institutions, and small and medium enterprises. Whilst new business start-ups must have contributed to urban revenue growth, the impact of business relocations and the creation of new branches by older and more significant concerns should not be understated. As these businesses relocate and create branches, the need to accommodate their work force naturally arises. Urban-urban migration would appear to be more economically advantageous to cities because migrants are more likely to be people who have formal education, assets and skills and have been economically productive elsewhere.

On the other hand, as mentioned, rural-urban migrants tend to be school leavers, unskilled people and people who are just starting off in life. The implication is that urban-urban migrants, more likely than rural-urban migrants, would-be players, in the urban housing market. This suggests that the official view that rural-urban migration is responsible for burgeoning urban housing demand may be incorrect, as migrants of this status are more likely to have a need for housing rather than a demand for it. This explains the plethora of informal settlements and slums in Nigeria's major cities.

Intra-urban migration is another dimension of urban migration. This involves the relocation of businesses and people within an urban area. It may be due to the presence of better environmental conditions and facilities in the new locations or a decline in conditions in a particular area, compelling residents to relocate within the same city. This type of movement has implications for vacancies and housing demand. It highlights the peculiarities of the property market and the already mentioned spatial dimensions of vacancy. Intra-urban migration can create value in specific locations and precipitate a fall in value in others. Taking Lagos as an example, intra-urban migration significantly impacted property values in Lagos and Victoria Islands between the 1980s and 2000. Ageing infrastructure and escalating crime on Lagos Island, Nigeria's foremost business district, led to an exodus of businesses to contiguous Victoria Island, a purely residential area. The resultant vacancies on Lagos Island led to a fall in rents and prices. Correspondingly, a rapid rise occurred in Victoria Island rent prices as relocating businesses outbid the relatively low rents being paid by tenants under existing residential leases. The desire of financial institutions and large businesses to have their corporate head offices in Victoria Island was a strong factor in rising property rental and capital values. The consequences were an unwillingness of property owners to renew residential leases and their preference for business tenants willing to pay higher rents. The market for land was affected in the same way as lettable property. Residential tenants of Victoria Island had to relocate to the adjacent and newly initiated Lekki Phase 1 residential estate. Thus, it is clear that intra-urban migration converted Victoria Island from residential to commercial use and accelerated the growth of Lekki as a residential but now increasingly commercial space.

Urban retirement deserves mention here because of the potential to impact the urban housing market. Urban retirement describes a situation where urban residents, upon attaining retirement status, choose to live in cities rather than resettle in rural areas. If such retirees choose to stay in the same city where they worked, no out-migration would be involved. However, movement

to another city would amount to migration. Factors influencing this outcome include access to better healthcare, lower mobility costs due to better transport infrastructure and better options for entertainment which is important to retirees who typically have a lot of time on their hands (Backman, 2017). Also, there would be more opportunities for cultural enrichment given the cosmopolitan nature of cities and the availability of more services (Josephson, 2018). But this may be countered by expensive rents for the retiree who is not a property owner; and social isolation and loneliness depending on the retiree's circumstances (Josephson, 2018). If urban retirees keep their residences, vacancies should not be as common as where houses are vacated and put out either for sale or letting. Where retiring residents resettle in another city, they may either have to buy a property or lease one. Their resort to the housing market may have a reducing effect on the vacancy rate in that city. Thus, urban retirement is an influencing factor in urban vacancies. Still, its impact would depend on the existence of a critical mass of house-owning retirees who decide not to relocate to rural areas.

It is of great relevance to mention that migrations alone cannot account for all urban housing demand. Being organic in nature, an urban entity is not impacted by external forces only. A factor which cannot be ignored is the demand which arises from intra-urban dynamics. These include a natural increase in the resident population over time. Also, demand is affected by fertility and mortality rates. In addition, there is the rate of household formation as young and even older urban residents set up new homes upon entry or re-entry into matrimony. Lastly, the level of prosperity in the urban economy impacts disposable incomes and empowers people to become, for the first time, either tenants or homeowners. Those who already fall into these two categories may be further motivated to seek an upgrade to larger or higher-quality housing facilities.

## **7. Summary**

The main clarifications in this critique are as follows:

- (i) Vacancies are natural. They have many causes and are usual if short-term but disadvantageous if long-term. The fact of their presence does not imply their availability for use. They produce economic and environmental consequences.
- (ii) The evidence of large housing deficits in the major cities of Abuja and Lagos suggests that Nigeria's situation is better described as housing insufficiency rather than abundance.
- (iii) As evident in the cases of Abuja and Lagos, Nigeria's most prominent housing markets, urban-urban migration potentially contributes more to housing demand in the formal sector than rural-urban migration, which has a greater potential to impact the informal housing sector. While the country's extant insurgency challenge creates vacancies, as many urban dwellers fleeing from insecure areas sell off their property at a discount and seek more secure environments, such crisis-induced movements may eventually prove to be impermanent.

## **8. Practical Implications**

Adopting the new thinking in policy may have undesirable implications for the following reasons. First, the revealed misconceptions suggest a low familiarity with the housing market at the highest level of the Housing ministry. The persistence of this knowledge deficit threatens the achievement of success in Nigeria's quest for housing sufficiency. Second, Nigeria's long-term house vacancies call for a solution. But, as pointed out in the cases of Abuja and Lagos,



characteristic differences between locations suggest that the solutions would vary (Fritzsche & Vandrei, 2018). This underscores the importance of knowledge of the various housing markets, their respective natural vacancy rates and the influencing factors of the vacancy phenomenon. Third, the disadvantages of long-term vacancies make it imperative for the government to pursue policies for minimisation. It is in the government's interest to minimise vacancies not only for economic reasons but also for security because these overlooked places may become hideouts for criminally-minded people. Again, if they fall into dilapidation, they present the risk of becoming sources of urban blight and environmental nuisance.

## 9. Conclusion

This paper examined some official pronouncements on aspects of Nigeria's housing challenge. They focused on the existence of urban housing vacancies, which were interpreted as indicative of sufficiency, and, therefore, evidence of the absence of a housing shortfall in Nigeria. The other views relate to how effective use can be made of urban vacancies and the role of rural-urban migration in urban housing demand. These views were examined in accordance with the concept of house vacancies, the house vacancy situation in Nigeria's two largest cities; the rationale of economic activity; and the tenets of migration. The main findings suggest that Nigeria's house vacancies do not imply a state of sufficiency, nor do they prove the absence of a housing deficit as officially claimed. This position is believed to be theoretically and empirically valid, even if the study concurs with the official rejection of the 20 million-unit housing shortfall for lack of data evidence. The conclusion, therefore, is that the housing minister's postulations are not tenable.

The findings are that vacancies are normal and have different causes. Furthermore, despite the observed vacancies in urban areas, Nigeria still has a housing challenge, even in the absence of accurate data. The undeveloped mortgage market, high mortgage rates, continually rising urban rents, the compulsion of tenants to pay upfront rents on a multi-year basis and a high number of slums and informal settlements are clear pointers. Again, not all urban vacancies can be seen as available for sale or letting because they occur for different reasons. In addition, not all migration to urban areas originates from rural areas as there is also urban-urban migration which has a greater potential to add value to urban areas and reduce vacancies. Intra-urban migration, as well as urban retirement, are also factors of demand. Again, the housing ministry does not have accurate and recent data for discharging its mandated responsibility, which is why its claims lack evidence. It is also revealed that urban housing demand comes from internal changes such as a natural increase in population, rising household formation rates and higher incomes.

The meaning of the findings is as follows. First, as discussed in this paper, the Nigerian Housing ministry's statements on aspects of the country's housing situation are not the result of diligent market investigations. This is particularly because they lack data evidence and disregard many influencing factors of urban housing demand. Since the statements are neither supported by theoretical precepts in housing economics nor reflective of the wisdom established from housing research, they are *ipso facto* unsubstantiated. Consequently, the postulations can more appropriately be termed as official orthodoxy rather than received wisdom. So also are the official suggestions that the government can use urban house vacancies to solve urban housing needs; all migration to urban areas originates from rural areas. In addition, the findings mean that supervening economic, legal and other factors at play may make it impossible for all vacant houses to be available for occupation.

Furthermore, the lack of data to discharge the housing responsibility is a veritable challenge within the housing challenge of Nigeria. There is no gainsaying that the lack of research and data contributes to these official misapprehensions. More thinking and research need to be done in official circles so that informed and market-based advice forms the basis of future policy and official pronouncements.

In consonance with its desire to bring a better understanding to these highlighted aspects of Nigeria's housing challenge, the study recommends a revision of the official orthodoxy and acknowledging received wisdom.

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## Evaluation of the Education and Training of Valuation Surveyors in Uganda

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### Abstract

In the developing world, matching the education and training of Valuation Surveyors with the needs of the industry is increasingly becoming challenging. This is primarily due to globalisation, commercialisation, and information and communications technology advancements, among others. In Uganda, while curricula are reviewed at least every five years, the technologies and the market requirements continue to evolve, affecting the skills and knowledge passed on to graduates at universities and other tertiary institutions. Through a stakeholder survey, this paper evaluates the education and training of Valuation Surveyors in Uganda to determine the gaps in training and suggest ways to fill the gaps and consequently improve the valuation surveying curriculum. A questionnaire designed to capture both quantitative and qualitative data was administered to valuation practitioners and students. Almost half of the respondents suggested the need for constant review of the curriculum and adopting a more practical approach to learning as one of the significant ways of bridging the gap between the education system and the changing industry. The study's findings can be used by stakeholders in the education sector to identify and prioritise the training needs of valuation students in different institutions for quality improvement purposes.

**Keywords:** valuation surveying, education, training, curriculum

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## 1. Introduction

The overarching role that is publicly ascribed to a Valuation Surveyor is to deliver an opinion on the value of different asset classes for various purposes. West (2014) describes Valuers as 'warriors for the truth: the true client for the appraiser is the public trust.' In other words, a valuation is a generic approach to objectifying the critical dimensions of the quality of an asset from all perspectives (Bartke and Schwarze, 2021). As assessors, Valuers provide an expert assessment of an asset by objectively assessing the various market risks and uncertainties involved. Therefore, Valuers are neither required to give their subjective opinion on value nor exploit market opportunities for the benefit of their clients; instead, they are meant to provide a well-founded expert assessment of value, returns, and interests, as well as the prevailing market risks (Bartke and Schwarze, 2021). Under professional, statutory, international, national, or local laws and regulations, a Valuer is usually required to develop appraisal reports subject to the principles, guiding norms of good practice and appraisal methods codified in international and regional standards (IVSC, 2020). Despite ongoing debates in some nations over the variations in the nationally recommended methods, Valuers are expected to guide and lead to comparable results (Schnaidt and Sebastian, 2012). Hence, a Valuer is not only an individual professional expert but rather an actor operating in a regulated environment (Ramsey, 2004; Bartke and Schwarze, 2021).

Professional standards and national laws reflect the role of valuers and valuation in general, with the explicit traditional roles including valuations, property management, and conducting investment appraisal. However, the roles of a broader Land Economist are diverse in the Built Environment. These roles include the agricultural and conservation aspects of land management (Lally, 1998), property and asset valuation (Amidu et al., 2008) and acting as middlemen counteracting information uncertainties in the real estate market (Bartke and Schwarze, 2015). Also, alongside the traditional valuation of real estate as an alternative investment asset, Valuation Surveyors engage in the valuation of other intangibles, including roles in finance and accounting, portfolio management, and investment performance measurement and accounting (Mun, 2002). However, in practice, most valuation professionals exist mainly as a client's property valuation consultant and property manager, typically under two main stages of the construction process, primarily offering pre-construction and post-construction advice. Therefore, proper training of prospective Valuers should not only deal with passing on knowledge but also proper practice-based grooming, focusing on the divergent roles to be played by these Valuers. This is essential if they are to fit into both the national and international built environments.

In the developing world, matching the education and training needs of Valuation Surveyors with the industry needs is becoming more challenging than ever due to globalisation, commercialisation, and advancements in information and communications technology (Ibisola, Oni, and Nkolika, 2015). While curricula may be reviewed regularly, the technologies and the market requirements continue to evolve rapidly, affecting the skills and knowledge passed on to graduates at universities and other tertiary institutions in countries like Uganda. For the industry to survive and compete in the current business world, these institutions, coupled with the valuation firms, need to nurture talent and teams that can recognise and seize strategic opportunities amidst the constantly changing conditions (Oleyede, Ayedun, and Ajibola, 2016). Adebola and Oluyinka (2021) elaborate that in Nigeria, most Valuation Surveying firms are small-scale with less than ten employees. As such, they are not ready to employ graduates that do not possess the skills required to execute tasks. This situation is not different for Valuation firms in Uga; therefore more, fit-for-purpose training is critical.

Galuppo and Worzala (2004) argue that the Valuation Surveyors should possess combined multi-disciplinary skills and competencies ranging from technical proficiency to technological and social skills. Priority and the need for particular skills and competencies could differ based on the practice segment. For example, whereas general property valuation skills could include research methods, calculation, measurement, report writing, negotiation, law, management and business finance, information technology skills, working knowledge of economics and politics, knowledge of building construction, and awareness of the environment (Blackledge, 2016); those required in Corporate Real Estate related to strategy, business structure, portfolio management, construction, leasing, property finance, procurement and sales (Gibler Black, and Moon, 2002; Epley, 2004). Pace et al. (2002) add that core and spatial statistics are vital for valuers as it provides a unifying intellectual framework for reconciling appraisal practices with statistical theory and seeks a shift to traditional hedonic pricing models based on an impressive corpus.

However, in the wake of the digital age, Valuation Surveyors require adequate skilling and training in computer and communication skills as well as knowledge in building pathology, commercial content, property development and land economics, coupled with the ability to relate theory to practice (Callanan and Mccarthy, 2003). All these skills and competencies can be acquired through academic study, field practice and continuous professional development (Blackledge, 2016). With education and training taking the lead in shaping a graduate Valuer, there is a need to adequately prepare and impart the required competencies in the form of knowledge, skills, and attributes that reflect the changing dynamics of the industry. This enables the graduates to not only gain employment on completion of the degree but also adhere to the changing dynamics through innovation, creativity and critical thinking, and ultimately drive the market towards increased productivity (Olaleye and Adama 2018).

### **1.1 Valuation Surveying in Uganda**

In Uganda, the Department of Construction Economics and Management (DCEM), established in 2003 at the current College of Engineering Design Art and Technology (CEDAT) in Makerere University, was the first department to provide valuation training at the degree level. This was through the Land Economics programme that was aimed at incrementally addressing real estate sector issues and filling the domestic gap of Valuation Surveyors. The majority were sourced from within the East African region. DCEM sought to create professionals that were bound by the global professional and ethical standards (for instance, RICS (2019)) that require them to act with integrity, always provide a high standard of service, to act in a way that promotes trust in the profession, treat others with respect and to take responsibility for their actions and decisions regarding professionalism.

The Valuation Surveying profession in Uganda is governed by the codes of ethics and conduct set by the Surveyors' Registration Board (SRB), established by the Surveyors Registration Act 1974. However, until 2019, the Surveyors Registration Act 1974 did not regulate surveying firms as corporate entities, but only regulated individual registered Surveyors. As such, SRB's efforts to develop a policy that governs surveying firms to enhance professional standards of ethics and professionalism (Knight Frank, 2019). The Valuation Surveying profession has the potential to elevate all other productive sectors in Uganda by creating professionals who are trusted to deliver an authentic opinion of value in different sectors of the economy. This would further translate into the performance of all sectors.



Given that land is the ultimate resource and factor of production facilitating livelihoods, infrastructure, service provision and economic development (MoLHUD, 2019), the valuation training in Uganda is skewed towards the land and real estate sector. Although the roles of Valuation Surveyors include advising clients (public or private) on the value of land purchased, sold or rented for preparation of rating, payment of stamp duty, acquisition of loans, and investment opportunities, amongst others (Obaikol and Ogwapit, 2017), the approaches applied especially concerning investment on land, often do not provide the true value of the land to the landowners in light of the benefits from the investment. While the investment principle seeks to leave the people better off than before the investment, this may not be true in Uganda (Obaikol and Ogwapit, 2017). The 3rd National Development Plan (2020/21-2024/25) for Uganda indicates that one of the problems faced in implementing the past two development plans was costs associated with land compensation for infrastructure development. In many cases, the total costs associated with compensation were higher than the actual project cost, despite the ultimate benefits outweighing the cost. This dramatically impacts planning considerations and budgeting, leading to referred budgeting of the implied cost. Though NPA (2020) attributes this to corruption tendencies, a greater responsibility lies with valuation surveyors to provide timely and well-researched valuations that do not aggravate development programmes.

Valuation Surveyors in both the private and public sectors are faced with the challenge of fulfilling sector-specific strategic goals, and contrary to the Ministry of Land, Housing and Urban Development Land Sector Strategic Plan 2019-2020, Uganda lacks the intermediary Valuation Surveying professionals to spearhead partnerships between the private and public sector, and with the different stakeholders. Also, amidst the current challenges such as the loss of assessment territories to other assessors as those attached to insurance companies, and the poor performance of the mortgage subsector, the valuation professional is facing binding professional judicial precedents that require Valuers to take on extra obligations of third parties as was the case of KCB Bank Uganda Limited Vs Sendagire Joseph, Eddie Nsamba Gayiyya and UAP Insurance Uganda, Kintu Paul T/A Terrian Consult- Third Party, 2021. Nevertheless, the profession is shifting to new territories that require a paradigm shift from traditional valuations that are static to rather dynamic valuations that require future expectations (Mun, 2002). More professionals seeking new knowledge and venturing into broader aspects such as financial assets face a harsh reality while valuing these assets, given limited background training in these segments (Pereiro, 2002). Thus, education and training that is holistic in nature in terms of the curriculum is such a valuable asset to produce creative and dynamic valuation professionals.

## **1.2 Valuation Curriculum and Training**

The curriculum is the vehicle through which educational expectations of society are translated into reality. It encompasses the process of transmitting knowledge to the learner and applying the skills acquired (Ezema, Oluwatayo, Adewale, and Aderonmu, 2014). Due to the constantly changing global demands, flexibility in the structure, content and delivery modes are important to achieve the intended outcomes. Professional disciplines and the educational process are transitioning from "teaching" and "processing numbers" to an approach that combines different teaching and training methods (Żróbek and Grzesik, 2013). Higher institutions like Makerere University must employ the appropriate methods and encompass programmes that will prepare graduate valuers to provide sound advice on important investment decisions in the real estate market. However, due to the continuous technological advancements, a big gap and/or imbalance has been created in the demand and supply of valuation curricula. Several studies



have shown deficiencies in the curricula on a global scale (Nzioki, Kariuki, and Murigu, 2006; Obeng-Odoom and Ameyaw, 2010; Nasir, Eves, and Yusof, 2012; Ayedun, Oloyede, and Durodola, 2012; Vasović and Gućević, 2013; Oloyede and Adegoke, 2014; Xiao, 2015; Woga and Akujuru, 2016).

A study by Oloyede and Adegoke (2014) found that young graduates of estate management in Nigeria were deficient in valuation, agency, feasibility and viability appraisal, and property management. The situation was not different from other countries, including China, where most real estate academics had no practical experience (Xiao, 2015). In addition, several studies reveal that although valuation and property management are the most desired areas of specialisation, other areas, such as environmental valuation, plants, equipment and machinery valuation, and infrastructure and facilities management, have been neglected (Nasir, Eves, and Yusof, 2012; Woga and Akujuru, 2016). Xiao (2015) found that the inconsistency in the quality of valuation graduates in China was due to such factors as limited research in the discipline caused by insufficient research funding, deficiency of necessary knowledge and skills, including economics and finance, computer, and soft skills like communication, limited industry exposure of students and lack of cooperation and frequent communication between the educational and professional institutions. These challenges, in turn, have detrimental consequences on the profession, as depicted in research by Ayedun, Oloyede, and Durodola (2012). They ranked experience and educational background as the top two causes of inaccuracy and variance in the Nigerian valuation practice.

Therefore, to keep abreast of the new and emerging issues in the education and training of Valuers, several researchers have suggested workable solutions in their respective countries (Nzioki, Kariuki, and Murigu, 2006; Ayedun, Oloyede, and Durodola, 2012; Oloyede and Adegoke, 2014; Xiao, 2015). In Uganda, the burden lies with academic institutions, in this case, DCEM, to improve the quality of graduates to match the market's requirements and achieve the global sustainable development goal of providing quality education for all. This research, therefore, sought to evaluate the education and training of valuation surveyors in Uganda.

## **2. Materials and Methods**

A stakeholder survey was conducted from 20th April 2020 to 4th May 2020, using a questionnaire designed to capture both quantitative and qualitative data to gather views and suggestions about the current university valuation surveying training curriculum and how to match the education and training needs with the market needs. The target population consisted of Valuation Surveyors who are members of the Institution of Surveyors of Uganda (ISU), who fall into six categories: Fellows, Professional Members, Associate Members, Graduate Members, Technicians, and Students (ISU, 2020; Kibwami et al., 2021). Consideration was also made for members registered by the Surveyors Registration Board and the Royal Institute of Chartered Surveyors (RICS). According to the 2020 directory of ISU, there are a total of 416 members registered under the Valuation Chapter. However, only 177 members had renewed their membership as of March 2020, out of whom a sample of 121 respondents was randomly selected for the research based on the Krejcie and Morgan formula (Krejcie and Morgan, 1970).

The questionnaire was created using Google Forms, from which a link was copied and shared with the target group, the majority of whom formed part of the ISU WhatsApp platform, through which contact was made. However, a few responses from those who did not form part

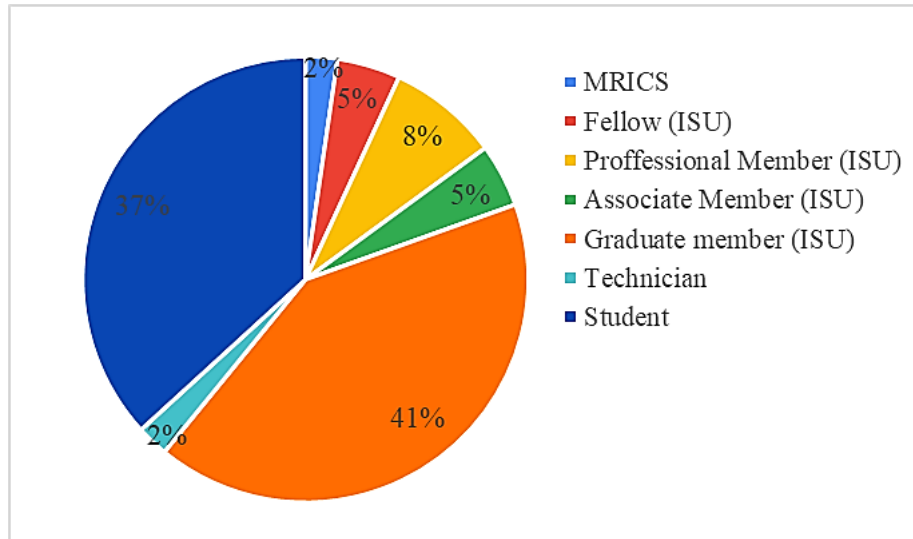
of the WhatsApp group were obtained through email. The questionnaire consisted of two sections. Section one covered the demographic background of the respondents, capturing specific aspects that were likely to influence their responses, such as designation, highest qualification, and whether they were alumni of Makerere University. Section two assessed the relevance of Valuation Surveyors in the current construction industry based on a 5-point Likert scale. The section provided an open-ended question where respondents were required to give their opinion on what could be done to improve the students' skills to bridge the gap between education, training, and the industry. A summary of the existing Valuation Surveying curriculum depicting the current course units taught and their scheduling over the four years of the program was presented to inform and facilitate the respondents' judgement.

The first section covering the respondents' demographics and other participant characteristics, which were primarily categorical in nature, were analysed descriptively. Cross tabulations created using IBM SPSS statistics version 20 were used to evaluate differences in responses across different groups, and results were presented in the form of tables and graphs. The open-ended questions were qualitatively assessed through thematic analysis using 'Quirkos Software. All responses were carefully studied, and a codebook was collaboratively developed to reflect major themes identified from the data. Summary statements of the responses were then grouped based on the main themes created. Codes were then applied independently in 'Stata version 13' software, and interpretations were drawn based on the evaluation of the individual responses vis-à-vis the demographic data gathered to answer two critical questions; (1) Are the Valuation Surveyors still relevant in the current construction industry, and (2) How can the training and education curriculum of Valuation Surveyors be tailored to match the needs of the current industry.

### **3. Results**

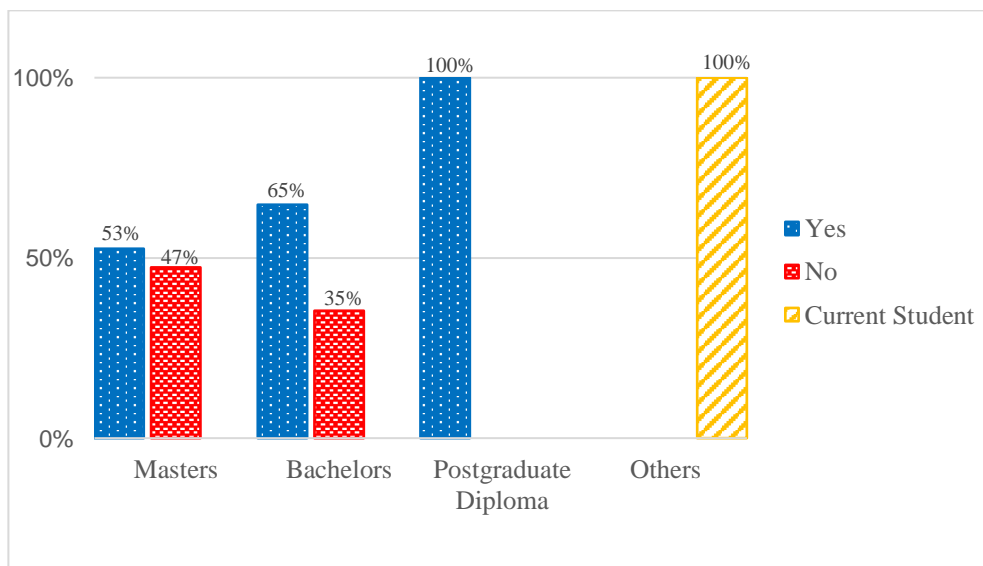
#### ***3.1 Demographic Data***

The research obtained a response rate of 72%, compared to the average online response rate of 33% obtained by Nulty (2008) and Nair and Adams (2009), which was considered sufficient to enable the generalisation of the results to the target population. This rate was attributed to the mixed approach combining email surveys and internet-based response mechanisms, boosted by scheduled reminders. Out of the 87 respondents, the most considerable number were graduate members (36), 32 were Student members, 7 Professional members, 4 Fellows, 4 Associate members, 2 Technicians, and the remaining 2 were Members of the Royal Institute of Chartered Surveyors (MRICS) as shown in Figure 1.



**Figure 1: Professional Status of the Respondents**

Regarding the education levels and whether or not they were alumni of Makerere university, the results presented in Figure 2 show that the biggest percentage of the respondents, 38%, had Bachelor degrees (with 64% of these being alumni of the DCEM under the CEDAT), 22% had a Masters' degree (with 53% as alumni), 2% had a postgraduate degree and were all alumni, and the remaining 38% were current students pursuing a Bachelor's degree under the DDCEM Makerere University.



**Figure 2: Education Level of the Respondents**

There was an even distribution of the respondents' professional status ranging from the student level and graduate level to the professional level registered under both ISU and RICS, as well as their level of education, especially under the master's and bachelors' degree levels. Therefore, reliability and accuracy of information gathered from the respondents were expected. In addition, with 39% of the all respondents being former students and another 37% current students pursuing a bachelor's degree in Land Economics at the university, the

respondents were better placed to suggest strategies for improvement of the course based on their own experiences with the existing university system and teaching curriculum. These students, who are the final consumers of the curriculum, are usually sent out to the field for industrial training, where they get to share experiences and understand the gaps that exist in the university curriculum being taught. In addition, many of these students practice as they study and thus, could validly evaluate the valuation curriculum.

### 3.2 Relevance of a Valuer

Given the changing landscape of the valuation profession requiring dynamic rather than static valuations, it was imperative to assess the extent to which a Valuation Surveyor is still relevant. More than half of the respondents (59%) suggested that a Valuer is still relevant to a great extent, 32% to a great extent, 8% to a moderate degree, and only 1% to a small extent. When the responses were gauged based on the respondents' designation, as depicted in Figure 3, it was noted that all the MRICS and most of the other ISU members suggested that a Valuer was still relevant to a very great extent. However, one Fellow member, an associate member, two graduate members and three students thought that a Valuer was relevant only to a moderate degree, and one graduate member thought otherwise, suggesting very little or no relevance of a valuer in the current industry. Pearson Chi-square results indicated that there was no association between the respondents' status and their responses to the relevance of a Valuer in the current industry ( $\chi^2 = 11.811, df = 18, N = 87, p = .857$ ) since the p-value was greater than 0.05 (considering a 95% confidence level). The correlation analysis showed a negative but very weak insignificant relationship between the professional status of the respondents and their responses to the relevance of a valuer in the current industry ( $r = -.177, p = .860 < .05$ ). These statistics suggested that all respondents, regardless of status, shared similar opinions regarding the relevancy of a Valuer.

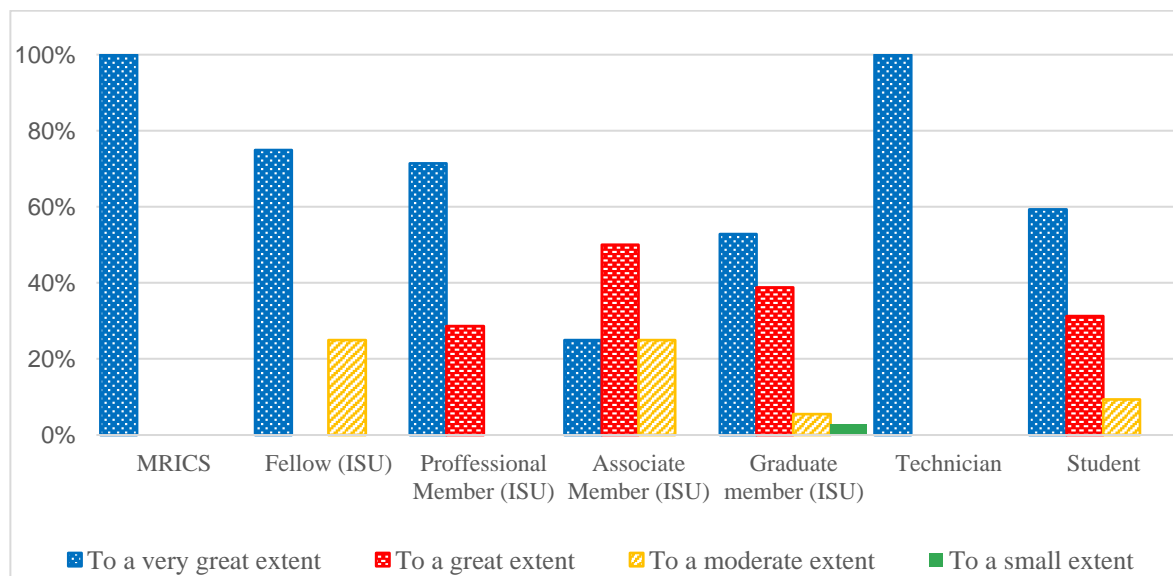
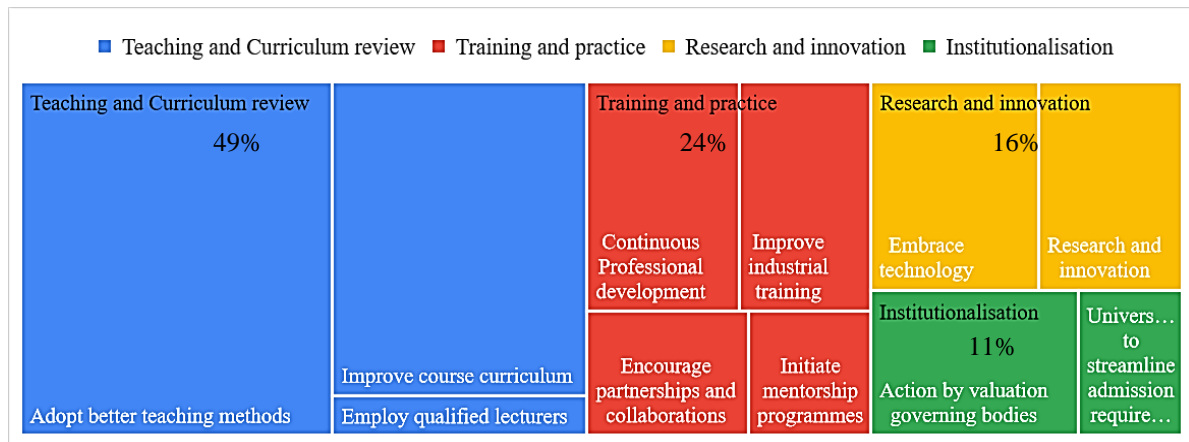


Figure 3: Relevance of Valuation Surveying

### 3.3 Strategies for Improving Valuation Surveying Training

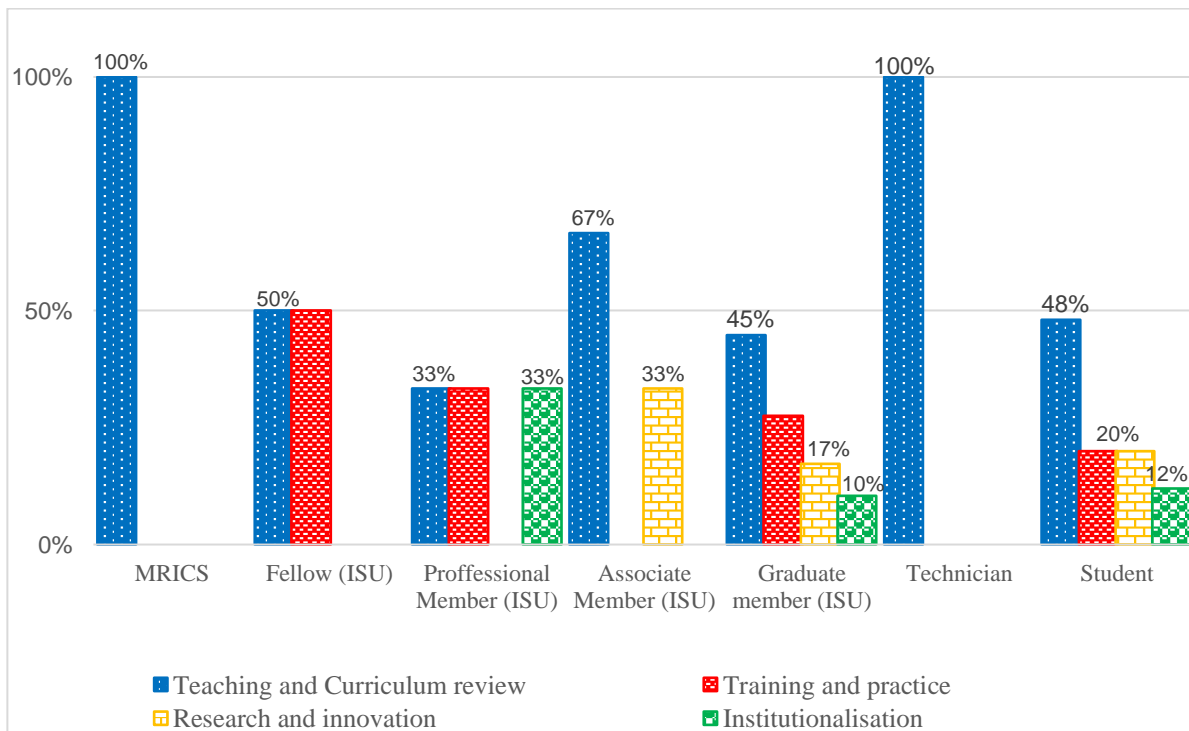
Using Quirkos software, all the responses were reviewed and grouped to create four main themes with varying sub-themes, as summarised in Figure 4. The biggest percentage of respondents (49%) suggested the improvement of the teaching methods and curriculum review

of the Valuation program at the university as the most prominent way of improving the valuation training and matching it with the current industry needs. This was followed by continuous student training and practice with 24%, research and innovation with 16%, and institutionalisation with 11%.



**Figure 4: Suggestions on how to Improve the Valuation Surveying Training**

On further analysis of the responses based on the membership status of the members shown in Figure 5, the ISU graduate members, the students and members of RICS emphasise the need to employ better teaching methods and review curriculum. The Fellow and Professional ISU members thought that a balance between improvement of teaching and curriculum review and improvement of training and practice needs to be sought, with responses split into 50/50 for both categories of people. However, the Pearson Chi-square statistics revealed that there was no association between the respondents' status and the suggestions made for the improvement of the course ( $X^2 = 15.654, df = 24, p = .900$ ) based on a 95% confidence level.



**Figure 5: Members' Comments on Improving Valuation Surveying Training**

Based on the main themes and sub-themes created, the type of responses/suggestions made included the following:

### ***3.3.1 Teaching and Curriculum Review***

This theme comprises three sub-themes relating to the course and material outlines, modes of knowledge transfer, and staffing at the department. All three sub-themes aim to improve the valuation program's teaching and curriculum. Overall, 27% of the respondents, mainly dominated by the graduate members and current students, suggested that the best way of matching the training to the industry need is by adopting a more practical approach to teaching involving discussions and tutorials, case studies with exposure to the real-world dynamics, study tours/trips, public lectures in the form of conferences or events where students meet with different professionals, as well as inviting guest lecturers from diverse fields to give students a hint about the industry.

However, 19% of the respondents, including one RICS member and two ISU Fellows, suggested that continuous development and review of the valuation curriculum would best match university training with social needs. Most of them suggested the inclusion of more practical units into the curriculum, with one graduate member suggesting the inclusion of market research, field inspections, report writing, property measurements, law related to the field of valuation, computer skills, presentations and communication skills. In addition, whereas another graduate member suggested the need to extend the students' exposure to other fields of land economics and not only valuation, the RICS member and a fellow suggested the need for specialisation, especially in the final year. A RICS member claimed that most appraisers in Uganda are 'jacks of all trades and masters of none, suggesting tailoring final year courses to fit either real estate valuation or real estate financing. Interesting to note was a suggestion from a current student who called for introducing a course unit related to agricultural engineering and production, which is currently the biggest industry in Uganda.

Another 2% comprising one Associate and one Professional member of ISU, emphasised the fact that a good curriculum would not be adequate without good tutors; thus, both members urged the university needed to employ qualified and knowledgeable tutors, especially practising valuers, to enrich the students with practical skills.

### ***3.3.2 Training and Practice***

This comprises four sub-themes relating to continuous professional development, improvement of industrial training, creation of partnerships and collaborations, and initiation of mentorship programmes, as further discussed below.

Continuous professional development was deemed necessary by 10% of the respondents, who mainly consisted of graduate members, students and one professional member. The professional member called for continuous engagement of students, for example, in ISU programs to boost interaction with other professionals and also know the advantages of registering with the Surveyors' Registration Board (SRB) early. Other respondents called for the introduction of seminars and short-term refresher courses that could cover such aspects as business administration and management, dispute resolution, and arbitration.

Some respondents (7%) thought that improving industrial training was vital in matching the training needs with industry needs. Whereas one graduate member urged the valuation companies to provide students with dedicated heart training, the other two called for diversity during training to cover several aspects and fields of valuation. In addition, 5% of the respondents, consisting of only two professional members and two graduate members of ISU, called for creating partnerships and collaborations with valuation firms and other private field practitioners. One graduate member argued that with collaborations in place, valuation firms would be able to take on and train students outside lecture hours or organise periodic public lectures and workshops to equip the students with field practice better. In addition, one professional member urged the university to support student associations, especially relations with sister associations in other universities in the neighbouring countries, including Kenya, Tanzania and Rwanda. On the other hand, two graduate members and one Fellow constituting only 4% of the respondents, encouraged the initiation of mentorship programmes involving senior peers, lecturers and other field practitioners for professional and career guidance of the students.

### ***3.3.3 Research and Innovation***

This was broken down into two sub-themes, use of technology and research and innovation. The graduate members and current students constituting 7% of the respondents, called for embracing technology applied to valuation by incorporating it in the study and the workplaces. Another 7% comprising one associate member, one student, and four graduate members, emphasised the need for continuous research and innovation within the valuation field by the students and lecturers. The associate member called upon all Valuers to break the rigidity and straight-line thinking given the ever-changing industry trends and the environment. In the respondent's view, this would boost innovation and the profession's relevancy. However, the respondent emphasised that this could be done within ethical standards of practice not to taint the profession.

### ***3.3.4 Institutionalisation***

Lastly, institutionalisation was encouraged, with the responsibility falling on either the valuation governing bodies or the education institutions. A few respondents(7%) thought that the bodies governing valuation, including ISU and RICS, played a role in breaking boundaries between the education system and field practice. Whereas the graduate members campaigned for a change in the national policy or the work environment to show more appreciation for valuers primarily through remuneration, one professional member suggested the need for accreditation of the course from international organisations like RICS and the International Valuation Standards Council. However, one student called for the creation of an independent institution separate from ISU, claiming the presence of criticism due to the duplication and merging of Valuation and Quantity Surveying disciplines. Regarding the university, the other three members representing only 4% of the respondents, thought that the duty lies on the universities to streamline and tailor the education offered to the industry needs. However, these had contradictory suggestions, with the student suggesting the need to train more valuers, the professional member leaning towards the universities having a controlled intake of students, and the graduate member suggesting the increase of admission points to admit only highly knowledgeable students.

#### 4. Discussion and Conclusion

The research aimed to determine the gaps in the training of Valuation Surveyors in Uganda and suggest ways to fill the gaps and better the valuation surveying training curriculum. A questionnaire survey was used to collect practitioners' and students' opinions. The survey of professionals provides more realism and positivism as opposed to subjectivity and idealism; thus, the responses gathered can be used to improve the education system. Over 90% of the respondents thought that even amidst the current technological shift in the industry, the Valuation Surveyor was still relevant to a great extent. However, 49% of the respondents suggested the need for constant review of the valuation curriculum and adoption of better teaching methods, 24% indicated the adoption of better training and hands-on practice, 16%, research and innovation, and 11%, institutionalisation, as the major ways of bridging the gap between education and training, and the contemporary practice in Uganda.

These findings clearly show that the educational paradigm shifts require a more robust curriculum regarding the syllabus and content, student assessment and learning materials, as mentioned by Van deMortel and Bird (2010). Therefore, the educational institutions have the core role of orienting the education and training of valuation surveyors through regulating and structuring enrolment and curriculums. This is in line with Oloyede and Adegoke (2014) and Xiao (2015), who recommended the need for innovation and frequent review of the valuation program model and curriculum, as well as Kelly (2009) and Dromantienė, Indrašienė, Pange, and Bielskytė - Simanavičienė (2015) who argue that curriculum is not only drawn for transfer of knowledge but most importantly for the students to freely express themselves, improve their personality, consolidate competencies, qualifications and skills required out in the field.

In addition, more modern, practical, and innovative teaching and learning methods that promote interactive learning forms, active learner participation and integral thinking need to be adopted. This is in agreement with the findings of Nzioki, Kariuki, and Murigu (2006), who advocated for change in the mode of delivery to adapt to problem-based learning methods like case study or the outcome-based method, among others; Oloyede and Adegoke (2014) who recommended the use of computer-based teaching techniques, to strengthen and improve the practicability of both teaching staff and students. According to Dromantienė et al. (2015), teachers, amidst their roles of production, transmission and dissemination of knowledge (Havelock and Hamilton, 2004; Patankar and Jadha, 2013), endeavour to motivate and constantly encourage the students to communicate, cooperate, and actively engaging in activities, thus enhancing personal development of all the students. Therefore, improvement of the curriculum and method of delivery could go a long way toward bridging the gap between education and field practice of the Valuation Surveying students.

Similarly, training and practice largely influence the students and the institution by improving efficiency, productivity, and quality and boosting the institution's reputation (Pržulj, Akademija, Vještica, and Srbija, 2017). Therefore, a hybrid option incorporating relevant professional development and practice alongside formal education will play a vital role in improving the quality of Valuation Surveyors, thus bridging the gap between education and the industry. This agrees with the findings of Mat et al. (2011), who found that over 90% of the engineering students in Malaysia believed that industrial training increased their knowledge, skills and attitudes. Although the methods of finding training placement still pose a challenge similar to that highlighted by Mat et al. (2011), with a majority of the students taking individually applying for placement based on their initiative, increased industry engagement, and fostering close collaboration between the education sector and the property



industry as recommended by Ayedun, Oloyede, and Durodola (2012) and Xiao (2015) could help solve the problem. In addition, regular and continuous professional development courses and seminars could boost collaboration and sharing of ideas between the lecturers and estate surveyors in public and private practices (Nzioki, Kariuki, and Murigu, 2006; Ayedun, Oloyede, and Durodola, 2012), consequently increasing the students' chances for career opportunities.

According to Serdyukov (2017), innovation is directed towards progressing in one or more aspects of the education systems, including theory and practice, curriculum, teaching and learning, technology, policy and administration, and culture, among others; to make a positive impact on learning and the learners. This concerns all stakeholders, including the learners, tutors, parents, administrators, and policymakers. According to Dromantiené et al. (2015), the focus in the teachers' activity is given to the search for and application of new information, knowledge, methods and new measures. Given the limited research in valuation surveying in Uganda. There is room for encouraging research and innovations skewed towards the local market. Avenue for further research of student projects and implementation of innovation projects is synergy not yet exploited by academia. Therefore, more room for research in the profession is needed and available through initiating a postgraduate research-based program skewed towards developing the valuation surveyor's education and training.

The study's findings agree with the literature, suggesting that frequent curriculum review, training and practice, research and innovation, and institutionalisation are vital requirements in the education and training of Valuation Surveyors to meet the contemporary challenges in the profession. The study, therefore, recommends that the undergraduate programme curriculum be reviewed and structured to improve students' critical thinking abilities in not only valuation but all aspects of land management. This could be tailored towards training students focusing on valuation at undergraduate and specialising in valuation at postgraduate. Continuous professional development also calls for structuring a master's programme for specialised valuations with elementary modules such as Business valuations, Plant and Machinery, Real Estate Development, and Real Estate Financing. This will further the knowledge and skilling of graduates to take on roles and be masters in a given valuation speciality. A holistic approach to research and innovation translating into the imitation of collaborations with the necessary stakeholders and institutions for joint research in the sector should be adopted. DCEM also deserves more anonymity and mandate to make decisions regarding admissions and research as the university transforms into a research-based university.

This research work is beneficial in several ways as it offers stakeholders (which includes Makerere University, DCEM, industry players, real estate and valuation practitioners in Uganda, and students) an in-depth assessment of the teaching and training at the DCEM. Furthermore, it provides information to stakeholders about gaps at Universities, which may assist them with identifying and prioritising needs for quality improvement purposes. Finally, it can act as a pilot for a further comprehensive assessment of the performance of Universities in teaching and training Valuation Surveyors.

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## Developing a Contextual Framework for Land Value Capture in Lagos, Nigeria

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### Abstract

This study aims at developing a framework to guide the use of Land Value Capture (LVC) as a financing mechanism for infrastructure development in Lagos State, Nigeria. This is geared towards facilitating sustainable economic development in the region. Being desk research, the methodology adopted was a literature survey. This was in order to identify the baseline conditions necessary for the efficient application of LVC. The conditions identified were then analysed in terms of their workability within the context of the study area. Data was drawn from research articles, case studies, policy papers, and publications from relevant intergovernmental organizations. In addition to developing a framework that guides the use of LVC in the study area, the study found that there is potential for the use of LVC in Lagos. Areas requiring minimal intervention include the existence of a vibrant property market and a lead implementing institution. The region's current inability to fully capitalize on LVC hinges on not having a strategic national vision on LVC, clear policy framework, sound structure for institutional development finance, nor an effective land title documentation system. This is the first study that develops a framework for the use of LVC specifically for Lagos. Further, the paper contextualizes the baseline conditions for LVC in Lagos, presenting an alternate finance mechanism for infrastructure development revenue.

**Keywords:** framework, infrastructure, Lagos, land value capture, sustainable urban development

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### 1. Background

Urban infrastructure investments are widely acknowledged as essential for sustainable economic growth and development. Further, they are needed to restructure inequitable and unsustainable cities (McGaffin, Viruly and Boyle, 2019). Unfortunately, regions across Sub-Saharan Africa are still grappling with the delivery of as little as basic public amenities. In

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countries like Nigeria, the infrastructure sector is generally underinvested, resulting in visible deficits in areas like housing, climate resilience - and public services generally. Soyeju (2013) affirms that visible infrastructure investment deficits abound, with Abass (2017) similarly noting that Nigeria is underinvested in overall infrastructure.

Central to the issue of poor infrastructure delivery is finance. These public investments generally require substantial spending. Romanik (2017) writes that there is a daunting challenge in accessing the financing needed to build infrastructure for the growing populations of developing countries. Experience indicates that inappropriate financing mechanisms account significantly for infrastructure financing gaps. Fox and Edminston (2000) note that most African countries have not done a good job due to inadequate funding mechanisms. If sub-Saharan Africa is to gain any traction, effective mechanisms must be applied in closing the funding gaps.

Recent studies (Tyson, 2018; World Bank, 2017) have strongly advocated for private sector participation in funding infrastructure. Scholars like Walters (2012), Blanco *et al.* (2016), Connolly and Wall (2017) have advocated particularly for the use of Land Value Capture (LVC) financing. LVCs use private sector finance to cover the initial costs of infrastructure provision and then 'capture' - through taxes or fees - the costs of infrastructure, from enhanced property values. With land constituting highly valuable assets in many cities in sub-Saharan Africa, the LVC is particularly endearing. Tomori (2003) asserts that the potential wealth inherent in land in Nigeria is more than enough to develop and sustain the country if well managed and administered. Further, the massive population, high growth rate, and dire need for public investments in infrastructure in Lagos create tremendous potential for the utilization of LVC.

## 2. Research Problem

Most cities in developing countries are not harnessing the benefits of LVCs broadly - due in part - to lack of conceptual clarity. The African Centre for Cities (2015) explains that there is a lack of conceptual clarity on the application of LVC in Sub-Saharan Africa. Generally, financing urban investments using LVC still attracts little interest in Africa. There is also minimal research on its use and applicability (Ijjasz-Vasquez and Guislain, 2015; Oualalou, 2012). In Nigeria, it remains sparsely featured in literature - being limited to studies such as Famuyiwa (2017), Ibrahim and Fosudo (2017); Agboola *et al.* (2018); Famuyiwa (2020), OECD/Lincoln Institute of Land Policy (2022). Regardless, Africa will not be able to cope without this type of financing, taking into account its enormous needs (Oualalou, 2012).

If this financing mechanism is to be adapted for use in Lagos, a framework to guide its use must be developed. The African Centre for Cities (2015) points out that work is needed to develop a framework in the Sub-Saharan context on LVC. Yang, Alterman and Li (2020) similarly assert that the goal is to reach developing countries and tailor the knowledge about LVC tools to their needs and capacities. This paper thus proposes a framework for the use and application of LVC in Lagos, Nigeria, through the following objectives:

- (i) To identify the baseline conditions for the effective use of LVC.
- (ii) To ascertain the workability of LVC within the context of Lagos through the analyses of the baseline conditions required for the effective use of LVC.
- (iii) To develop an LVC framework for Lagos, Nigeria.

The second section of this paper discusses the concept of LVC whilst also highlighting its essential operational features and requirements. The third section tackles the second objective

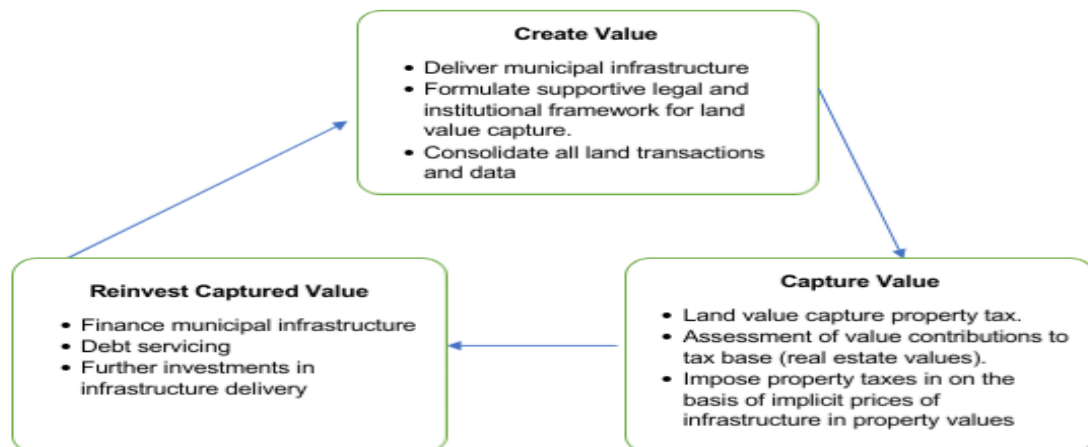
of the research, on the operationalization of LVC - in Lagos. In the fifth section, an LVC framework is developed, and in the final section, conclusions and recommendations are made.

### 3. Literature

#### 2.1 Land Value Capture: An Overview

LVC generally refers to financing techniques that recover costs through taxes and fees from the additional values (windfall gains) conferred on real estate from public investments and infrastructure. These charges are then invested/re-invested in infrastructure projects or used for debt servicing. Santos (2017) writes that infrastructure raises the value of nearby land, automatically feeding through into revenues – which helps to pay for the improvements. The attractiveness of LVC in infrastructure financing is based significantly on the responsiveness of land and real estate values to the level and quality of public interventions or infrastructure provided.

LVCs combine the best resources of the public sector (policy, government, social issues, institutions) and the private sector (innovation, efficiency, funds). It is financially self-sustaining for infrastructure (Famuyiwa, 2020) and allows for investment borrowing against future cost recovery. The World Bank (2021) explains that LVC techniques support *all forms* where infrastructure costs or other investments are expected to be incurred from land value enhancements. Figure 1 depicts the process of LVC.



**Figure 1: The Land Value Capture Process**

*Source: Famuyiwa 2020*

Cost recovery could be in form of charges imposed on developers (development-based LVCs) or property users (tax-based LVCs) - depending on the specific financing strategy. With development-based LVCs, land value increments are captured by selling or leasing lands, development rights or air rights. Tax-based LVCs, on the other hand, include betterment charges, special assessments, tax increment financing (TIF) and real estate taxes (Suzuki *et al.*, 2015).

Though commonly associated with transportation infrastructure and enhancements, LVCs also support other infrastructure types. According to the World Bank's City Resilience Program (n.d.), despite being largely associated with transportation upgrades, LVCs open financing



opportunities for many more infrastructure items such as water supply, flood mitigation, sanitation and sewage.

In cities like Lagos, there is good potential for LVC due to rising real incomes, increased motorization, rapid population increase, strong economic growth, and high congestion levels - all of which cause land values to appreciate (Obadoba *et al.*, 2019). These factors trigger the demand for infrastructure, which positively influence the viability of infrastructure projects. Besides from the impact on infrastructure development and economic growth, Smolka (2013) identifies regional economic stabilization; fiscal decentralization; urban planning & management strategy, and equitable public policy responses, as other reasons for the growing popularity of LVC.

## 2.2 LVC Baseline Conditions

Successful implementation of LVC requires a thorough recognition of the baseline factors that form its foundation. The African Centre for Cities (2015) states that the challenge is to identify the minimum requirements that will be needed in city contexts. The various LVC implementation criteria from the literature are highlighted in Table 1.

**Table 1: Literature Survey of Baseline Conditions for LVC**

Source Document	Baseline Conditions for the use of LVC
Mennetrier and Romanowicz (2010)	Strong political support; adaptation of policies to local conditions; technical expertise/capacity.
Smolka (2013)	Good urban planning and management; political democratization; increasing social and civic awareness with regard to demands for equity in public policy; PPPs in urban services delivery; influence of multilateral agencies like the UN-Habitat Global Land Tool Network (GLTN); fiscal stabilization and decentralization; autonomy of local authorities to mobilize internally generated funds for local development.
Walters (2013)	Political vision; good property tax policy; decentralized authority; effective land use management system; training for policy makers, administrators and developers; timely land valuations; land and property rights titling, maturity of real estate markets; administrative capacity of public agencies implementing the LVC.
Committee on Local Finance for Development (2014)	Development of a local land taxation base; efficient public land titling registration machinery.
African Centre for Cities (2015)	Property market demand and supply; supportive policy; national government commitment; public accountability; effective land-use management & planning; technical capacity across multi-sectoral responsibilities.
Suzuki et al. (2015)	An active real estate market; urban governance founded on sound demographic and macroeconomic fundamentals; visionary master plan; flexible land use

	planning; intergovernmental collaboration; entrepreneurship; regulatory & institutional factors.
McGaffin <i>et al.</i> (2016)	Conduciveness of land market to value creation; land use regulation; investment policy; legal framework; fiscal and governance structure; local circumstances and rooted traditions regarding land rights.
Agboola <i>et al.</i> (2018)	Functional urban land market with well-developed and documented market indices; established land use planning system; active finance market accessible to institutional and private developers; efficient land rights. (though, with a specific focus on TIF as an LVC mechanism, the study is one of the extremely few that have featured LVC in Nigeria.)
German and Bernstein (2018)	Enabling authority; political will; fiscal framework; capacity of public officials.
The International Bank for Reconstruction and Development (2019)	Management skills (to deal with diverse stakeholders); proper understanding of land market conditions; comprehensive property monitoring systems; coordination among fiscal planning, and judicial entities; political resolve of municipal leaders.
Mahendra <i>et al.</i> (2020)	Political vision; intragovernmental coordination & process integration; national regulatory & policy enablement; accurate land cadasters; reliable financial markets/plans; harmonized objectives between public and private players; learning & capacity building.
World Bank (2021)	Robust real estate market; conducive legal and regulatory framework; strong property tax collection system to include clear land tenure systems; strict enforcement; adequate training of relevant stakeholders.
The World Bank's City resilience program (n.d.)	Land assessment measures; a robust land cadaster; effective tax administration capacity; fiscal decentralization; strong local real estate market that naturally differentiates values of land in their unimproved condition.

Broadly put, the factors which influence the demand and supply of property (real estate market dynamics), as well as supportive institutional parameters, form the significant elements in the implementation of LVC (African Centre for Cities, 2015). Table 1 is essentially geared towards the development of the contextualized framework. The various criteria identified are broadly clustered into key thematic areas, as presented in the following section.

### 2.2.1 Summary of Baseline Conditions Pertinent to LVC

This section presents the elements required for the operationalization of LVC - as drawn from the literature survey in section 2.2.

### **2.2.1.1. Real Estate and Broader Financial Market Factors**

This refers to market and associated financing strategies that could trigger or impair investment decisions in real estate.

#### ***2.2.1.1.1 A Vibrant and Mature Real Estate Market***

This encapsulates those factors that trigger property market investments and participation (demand and supply generally). ‘Demand’ is triggered by a growing population, tenure security and access to finance. ‘Supply’ is supported by access to land, tenure security, and the availability of development/mortgage funding from capital markets. In addition, is the city’s role in infrastructure delivery, through the sale of development rights, and or improved infrastructure to developers and property owners (African Centre for Cities, 2015). Mahendra et al (2020) present the example of São Paulo, where a robust real estate market triggered an appetite for LVC, making implementation easier. This LVC element is clearly intertwined with other factors as discussed below.

#### ***2.2.1.1.2 Supportive Finance System***

Due to the capital-intensive nature of property market products, equity sources remain largely inadequate. Thus, the need to turn to capital markets for long-term debt maturities. The capital market connects the monetary sector with real estate investors, promoting growth in the market. A supportive financial system is characterized by low transaction costs of finance, liquidity provision, stability in the value of securities, informational efficiency, and productive capital allocation. The lack of capital and an ill-developed finance system will result in limited activity in real estate markets (Adlington *et al.*, 2000; Eni *et al.*, 2016).

### **2.2.1.2 Broad Institutional Framework**

The institutional framework consists of formal and effective public structures that facilitate, enable, legitimize, and make workable, primary LVC factors (i.e. real estate markets and financial factors).

#### ***2.2.1.2.1 National Vision and Political Support***

Areas backed by a supportive national vision have high potential for success in LVC. Buensuceso and Purisima (2018) affirm that cities that have met the most success with LVC have particularly given countenance to long-term visionary plans. Where political commitment is merely tentative, an LVC mechanism may start movement in the right direction but will hinder the full realization of the inherent benefits (Mahendra *et al.*, 2020).

#### ***2.2.1.2.2 Policy / Legislative Framework***

There is the need for a robust legislation on LVC. Firstly, it is required to provide the roles and responsibilities of all key players. The African Centre for Cities (2015) explains that policy is essential to provide a framework on issues like the functions of various players in the system, financing approach from private partners and repayment methods. Secondly, it translates into creating a dedicated public authority that is concentrated on managing, implementing, and monitoring particular urban development projects. It also helps secure participants' rights, lays

out the appropriate technique(s), identifies specific role(s) of public service provider(s), and establishes revenue collection method(s) and debt repayment structure(s).

Finally, a sound policy highlights concerns on social equity and prevention of gentrification/displacements (African Centre for Cities, 2015; Biitir, 2019). In India, for example, Tirumala and Tamuse (2021) write that a reflection on policies brings to the fore the conflicts between incorporating private sector motivation of profit maximisation and public sector responsibilities. Legislations essentially legitimize this financing mechanism (UNESCAP, 2019).

#### **2.2.1.2.3      *Security of Tenure and Land Rights, through Effective Land Administration and Title Documentation***

This condition encourages sustainability and efficiency of land use and incentivizes economic activity in property markets. Wehrmann and Lange (2019) explain that increased tenure security provides certainty and incentives to invest in long-term land and real estate improvements. In Lima, for example, a large-scale land titling programme increased the rate of housing investments by over 60% (Field, 2007). Weak and insecure property rights limit the effectiveness of land markets to transfer property efficiently and thus reduce incentives to invest in land (Boudreaux and Sacks, 2009). Effective land administration provides information to support land-use policies and offers effective guarantees and protections for land users and operators against forcible displacements, intrusion, interferences etc. The use of comprehensive digital land cadasters has become indispensable to achieving efficiency in this area.

#### **2.2.1.2.4      *Land Use / Regional Planning***

With clear agendas for area planning, infrastructure investments and supporting systems can be developed. The African Centre for Cities (2015) points out that planning allows better understanding of possible levels of service, as well as the extent to which infrastructure can be provided at adequate service levels to all. Such planning considers the role of service providers, economic objectives of the city, identification of service provision programmes, opportunities for infrastructure finance, and selection of appropriate LVCs.

Secondly, planning facilitates a balance between revenue optimization and social equity - especially for lower-income cities. Mahendra *et al.* (2020) note that with urban planning, qualifying cities of relatively lower incomes can ensure a better balance between revenue maximization goals whilst avoiding the potential outcomes of uncontrolled gentrification e.g displacements. Finally, without a functional plan, it is difficult to charge for additional development rights or ascertain where future land value increases will be (Berrisford *et al.*, 2018).

#### **2.2.1.2.5      *Lead Implementing Institution***

There must be a lead implementing institution, overseeing and ensuring seamless coordination of all key ministries, agencies, departments and stakeholders involved in the LVC process. The Asian Development Bank (2021) reiterates that achieving the benefits of value capture in infrastructure financing will require the identification and appointment of a lead implementing institution. Buensuceso and Purisima (2018) submit that the lead implementing institution - also in charge of establishing and enforcing straightforward LVC process flows - would be

saddled with the responsibilities of exploring value capture opportunities, identifying the optimal schemes for projects of significance, and coming up with a corresponding implementation plan. Further would be providing or facilitating advisory services on how to carry out LVCs, measuring the land value uplift attributable to infrastructure for projects, and developing the mechanisms for profit and risk-sharing among the various government and private entities involved.

#### **2.2.1.2.6 Strategic Intragovernmental Synergy and Integration**

Between key government departments, there must be cohesion in terms of administrative and implementation processes. According to Mahendra *et al* (2020), various agencies must coordinate to ensure that LVC works, such as those responsible for land use planning, economic development, and various other key actors. This is especially important to ensure that actions at different government levels and across different agencies are mutually reinforcing, and not working against each other.

#### **2.2.1.2.7 Technical Expertise**

LVC requires skill and experience in various key roles. The World Bank (2019) asserts that the successful implementation of LVC demands skills to deal with many complex factors and diverse stakeholders. For example, the proper understanding of land market conditions, expertise in valorization/ value determinants, and a fluid dialogue among fiscal, urban planning, and judicial entities are some technical skills required. It is also crucial for personnel to recognize the potential and significance of dealing with property affected by infrastructure developments. In Mahendra *et al.* (2020); Smolka and Amborski (2000), building the technical, political, and administrative capacities is crucial to sustaining process efficiency.

#### **2.2.1.2.8 Sound Alliance and Trust Between Public and Private Sector Stakeholders**

This becomes crucial due to the fee imposition element of LVCs. The International Association of Public Transport (2019) points out that because LVCs depend on the ability to pay a new tax or fee to further fund infrastructure, stakeholder engagement becomes crucial. A mechanism that consists of imposing a fee on a previously free service such as public transport is likely to encounter public hostility. McGaffin *et al.* (2016) thus point out that the objectives and non-negotiables of both the public and private players must be clear, unambiguous and understood by all parties from the outset. Trust in government is also key to the workability of LVC. LVCs should be embedded in a participative process that infuses a climate of trust (International Association of Public Transport, 2019). Smolka and Iracheta (1999) reiterate that community engagement also provides the government with a rich source of ideas.

From this highlight, it is quite clear that these various LVC conditions are somewhat intertwined. For example, social equity highlighted in area planning is also an objective with land use planning.

### **2.3 Operational Process - LVC**

As with projects generally, the LVC process advances in stages. Jillella *et al.* (2015) point out that many cities have implemented LVC-based infrastructure financing, using a stage-wise process from initiation to implementation. As seen in Table 2, the entire LVC process can be categorised into six stages: initiation, planning, design, strategizing, execution, and operation.

From this, the various operational elements feature accordingly and in context. Suzuki *et al.* (2015) and Jillella *et al.* (2015), provide meaningful and comprehensive insights on the LVC operational process, which is adapted for Table 2.

**Table 2: LVC Operational Process**

	<b>LVC Life Cycle Stages</b>	<b>LVC Processed</b>	<b>Baseline Conditions/ Key Inputs</b>
1.	Initiation	<ul style="list-style-type: none"> <li>• Need and problem definition</li> <li>• Project objectives</li> <li>• Network feasibility</li> <li>• Legislations and regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• National Vision.</li> <li>• Policy</li> <li>• Favourable real Estate Market conditions.</li> </ul>
2.	Planning	<ul style="list-style-type: none"> <li>• LVC Catchment identification</li> <li>• Infrastructure beneficiary analysis</li> <li>• Property value impact analysis</li> <li>• Stakeholder category identification.</li> </ul>	<ul style="list-style-type: none"> <li>• Lead implementing institution.</li> <li>• Area planning.</li> <li>• Favorable Real estate market conditions.</li> <li>• Technical expertise.</li> <li>• Sound Alliance and trust between public and private sector stakeholders.</li> </ul>
3.	Design	<ul style="list-style-type: none"> <li>• LVC Funding assessments</li> <li>• LVC Mechanisms identified.</li> <li>• Sustainable development focus.</li> <li>• Infrastructure and land use integration.</li> </ul>	<ul style="list-style-type: none"> <li>• Lead implementing institution</li> <li>• Policy/ Legislative Framework</li> <li>• Area planning.</li> </ul>
4.	Strategizing	<ul style="list-style-type: none"> <li>• LVC value proposition defined</li> <li>• LVC fund structure established</li> <li>• LVC stakeholder gain share model</li> <li>• Value redistribution focus</li> </ul>	<ul style="list-style-type: none"> <li>• Lead Implementing Institution</li> <li>• Policy/ Legislative Framework</li> </ul>
5.	Execution	<ul style="list-style-type: none"> <li>• LVC Implementation tools.</li> <li>• LVC Fund management.</li> <li>• LVC Organizational focus.</li> <li>• LVC accountability.</li> </ul>	<ul style="list-style-type: none"> <li>• Lead Implementing Institution.</li> <li>• Policy/ Legislative Framework.</li> <li>• Supportive finance system.</li> <li>• Strategic Intragovernmental Synergy and Integration.</li> <li>• Sound Alliance and trust between public and private sector stakeholders.</li> </ul>
6.	Operationalization	<ul style="list-style-type: none"> <li>• LVC debt repayment.</li> <li>• LVC redistribution to community.</li> <li>• Monitoring and evaluation.</li> <li>• Periodic review of LVC model.</li> </ul>	<ul style="list-style-type: none"> <li>• Lead Implementing Institution</li> <li>• Supportive finance system</li> <li>• Area planning.</li> </ul>

			<ul style="list-style-type: none"> <li>• Sound Alliance and trust between public and private sector stakeholders</li> </ul>
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Source: Adapted from Jillella *et al.* (2015); Suzuki *et al.* (2015)

#### 4. Research Process

As mentioned earlier, this study is desk research, utilizing secondary data. The research process used was based on the framework adapted from Ke *et al.* (2009). (See Figure 2). McIntosh *et al.* (2017); and Agboola *et al.* (2018) used similar research design.

Based on the study objectives outlined in the first section of this paper, a literature survey (Section 2.2) has helped tackle the first objective, which is “to identify the baseline conditions for the effective use of LVC”. In this regard, the documents selected were based on their specific content on LVC operationalization factors - particularly in low and middle-income regions. Literature was drawn from academia/research articles, case studies, policy papers and publications from relevant intergovernmental organisations. Articles were sourced from online databases and search engines.

The operationalization factors identified in the literature (in Section 2.2.1) were then analyzed within the context of their workability in Lagos (Section 4). This then led to the development of a framework to guide the use and application of LVC in Lagos. Collins and Stockton (2018) submit that such a framework best functions as a map of how all of the literature works together in a particular study.

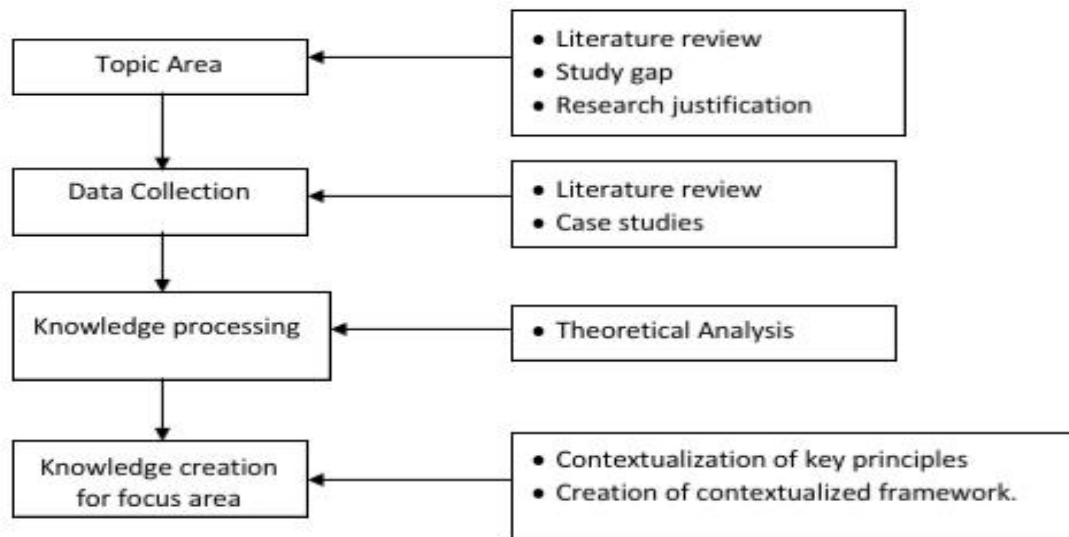


Figure 2: Research process. Adapted from Ke *et al* (2009)

#### 5. Contextual Analyses for the Implementation of LVC in Lagos

This section presents analytical discussions on the workability of LVC in Lagos.

##### 5.1 Vibrant and Mature Real Estate Market

The Lagos property market is highly active in terms of transactions and developments. According to Babawale and Koloeoso (2006), Lagos has the most active property market in Nigeria, with the highest average property value and stock of investments. For these reasons, Lagos ranks highest in potentials to generate revenues from real estate charges (Famuyiwa, 2019). Odunfa *et al.* (2021) similarly point out that this market is a viable option for investors. Further, Lagos has been the focus of several international organizations like the World Bank and the International Monetary Fund, who have placed it under particular scrutiny - for possible donor, lending and grant opportunities (Lee and Anas, 1992; Babawale and Nubi, 2011). The macroeconomic fundamentals (steadily increasing population, economic growth and industrialization) in the Lagos property market also contribute to its LVC viability characteristics.

Regarding market maturity, Abere *et al.* (2018) submit that Lagos has emerged to the point of attracting specific foreign investment in finance. However, a persisting problem with the market's maturity is the lack of data banks on property transactions (Abere *et al.*, 2019). As with other real estate markets, there is still some degree of imperfection. Recommendations proposed for pushing the market to full maturity are ease of title registration; availability of published data on property transactions; and enhancement of mortgage finance structures. Further, relevant stakeholders to address these recommendations include the state government (title registration), real estate regulatory authorities (data on property characteristics) and the Federal Mortgage Bank of Nigeria (finance) (Abere *et al.*, 2018).

## 5.2 Supportive Finance System

Real estate demand is high in Lagos, triggered by an ever-increasing population. However, effective demand is fraught with viable long-term lending arrangement constraints. Thontteh *et al.* (2020) report that development finance ranks 3<sup>rd</sup> amongst the challenges faced by real estate developers in Lagos. The International Finance Corporation (2017) similarly observes that in several emerging markets like Lagos, the use of capital markets for investment financing still has a long way to go in enhancing the availability of long-term funding - due to the absence of clear property rights; the requirement to obtain Governor's consent to each transaction; inefficient land management systems and high costs of property transactions (Boleat and Walley, 2008). Nevertheless, development activities and transactions are still high in spite of the finance challenge. The World Bank (2016) reports that the Nigerian construction industry has experienced steady growth, with its contribution rising from about 1% to 3% of GDP. The lack of finance has led to the use of equity. In Kesinro *et al.* (2018), more than 90% of new homes are built with funds from personal savings. The IFC (2017) submits that essential conditions for a well-functioning financial system is the existence of sound macroeconomic/policy frameworks, downward review of interest rates, loan maturity extensions and indexation of mortgages (World Bank, 2016). Also, is land registration efficiency - as discussed in section 4.5.

## 5.3 National Vision and Political Support

In Nigeria, there doesn't appear to be a specific visionary agenda, and political commitment towards LVC - especially at the national level. The African Centre for Cities (2015) similarly asserts that there is relatively little happening in Sub-Saharan Africa, creating room for far more efforts. There should be an advocacy aimed at cities to assist them in preparing infrastructure investment plans of this nature. The situation in Nigeria may be due to the lack



of a national infrastructure plan that significantly considers the role of land and real estate in infrastructure financing. The National Integrated Infrastructure Master Plan (2015) makes no provision for exploring the use of LVCs. It, however, identifies PPPs as a sustainable financing option. This creates a good starting point for promoting the use of LVC.

Governments at national and subnational levels in Nigeria, should create visionary agendas on monetizing land through LVC financing instruments. This, through first understanding the potentials of LVC and the inherent benefits for the long haul. Though there have been tracts in the interest in LVC by the Ministry of Works and Housing (the Highway Development Management Initiative - HDMI) – it remains loose in infrastructure development initiatives.

At the national level, the Ministry of Works and Housing, responsible for formulating and implementing land policies and projects for the federal government of Nigeria, is well positioned to develop visionary LVC agendas. The ministry (through its lands and housing development department) is also statutorily charged with providing leadership in policy, administration, and land management for other government tiers. To push the LVC agenda, the ministry will have to synergize with the Infrastructure Concession Regulatory Commission (ICRC) of Nigeria, whose key objective is accelerating investment in national infrastructure through private sector funding. The ICRC enables the Federal government, its ministries, departments, and agencies to establish and implement PPPs. The World Bank (2020) asserts that the ICRC was established to aid collaboration and promote an orderly and harmonized framework for developing Nigeria's infrastructure and accelerating the development of a market for PPP projects. Thus, the ministry can facilitate a long-term visionary agenda across states in the country. The notion of LVC should be targeted at regions with high growth and market potential.

In Lagos, while there are PPP initiatives, the government is not to relent in its efforts. LVCs need to be also identified and touted as a key and viable tool, for infrastructure development by the state. The Lagos State Development Plan for 2012-2025 points out that the existing PPP programmes in the state must be carefully restructured. This shows a drive for the inclusion of innovation, which can provide an avenue for introducing and promoting the use of LVCs.

#### **5.4 Policy and Legal Strategy**

There is no LVC policy for Lagos. According to Famuyiwa (2020); OECD/Lincoln Institute of Land Policy (2022), LVC is not expressly provided for in any existing legislation for infrastructure delivery. However, land-based financing policies such as the Land Use Charge Law (the annual property tax) exist. The closest - in terms of providing a framework for infrastructure financing arrangements with strategic private sector participation - is the Lagos state 'PPP Law of 2011'. Key features of the PPP law centre on establishing the PPP office and procuring private sector partners for infrastructure development. PPP procurement in Lagos is also governed by 'The Lagos State Public Procurement Act 2011' and regulations issued by the State Executive Council governing the PPP process (Nigeria Infrastructure Advisory Facility, 2012).

Nevertheless, this constraint can be surmounted if the existing PPP law is leveraged on. Existing allied policies can be broadly aligned with the principles of LVC. McIntosh *et al.* (2015) reiterate that altered legislation can be proposed if there is a regulatory or legislative deficiency. This can be carried out through the support of international development agencies. The African Centre for Cities (2015) submits that in advocating for LVC, international

development agencies can provide support in preparing policies - through the Department for International Development (DfID).

### **5.5 Secure Property Rights through Land Administration and Title Registration**

The onerous and cumbersome process of securing title through land registration in Nigeria has been a long-standing phenomenon. Land administration in the region is characterized by a complex system of administrative bottlenecks and high costs. Famuyiwa (2020) writes that while recent reforms on land title registration in Lagos, such as the enactment of the 'Land Registration Law of 2015' and automation of the registration process, are applauded, very rigorous and challenging title processing and documentation subsist. Also is the lack of a complete and dynamic digitized cadastral system. Thontteh *et al.* (2020) found that property developers indicated that the rigours of processing title documentation were the most pressing problem bedevilling land activities and housing supply to the market. Thus, the reform in this area has been ineffective. Challenges that work against effective land titling and registration are prohibitive costs, corruption, time lags at the various stages (caused by the involvement of a multiplicity of government agencies), records mismanagement, information gaps, arduous processes compounded by a lack of supporting technology and digitization (Van der Molen, 2002; Kuntu-Mensah, 2006; Thontteh and Omirin, 2006; Adekola *et al.*, 2020).

If the land administration process is to be eased and fully effective, there must be a holistic reform targeted at these problem areas identified. Firstly, rates must be reviewed downwards drastically. Secondly, operational processes must be further digitized, by including online submission of applications. Thirdly, the roles of the various agencies, such as the lands survey, town planning, and lands commission, must be synchronized in liaison offices within the same location with the Lands registry office of the Lagos State Secretariat. In addition, Thontteh and Omirin, (2020) posit that decision-makers must engage in focus group discussions to better understand how land titling challenges can be significantly eased. Also, there must be the actualization of penalties against erring and corrupt officials.

### **5.6 Land Use/Regional Planning**

Based on the main planning drivers (in subsection 2.2.1.2.4), this subsection reviews the urban planning framework in Lagos - within the context of the policy and operations of the Lagos State Ministry of Planning and Urban Development. The ministry regulates all physical planning, development and urban regeneration in the state. Its foremost responsibilities are the "initiation, formulation and implementation of physical planning, urban development, urban renewal policies and programmes".

Firstly, in terms of developing infrastructure, the ministry's activities on site selection are laid out in policy. In Section 51 of the Lagos State Urban and Regional Planning and Development Law 2010 (LSURPD) — through the Urban Renewal Agency of the ministry — infrastructure planning functions include monitoring and identifying catchments qualified for upgrading and advising the government on redevelopment or renewal programmes. Further, is the preparation and implementation of approved urban redevelopment projects.

Secondly, regarding social equity, social considerations surrounding urban development projects in Lagos appear to be undermined and neglected. Ismaila and Lawanson (2018) submit that development policies and projects in Lagos are primarily determined by neoliberal market forces rather than by the consideration of social issues - thereby leading to gentrification. In preventing the negative consequences of social exclusion, policies and practice guidelines must feature a balance between strong economic outcomes and social inclusivity. This can be

actualized through the LSURPD, which provides for the offering of advice on state development projects with socio-economic and environmental impacts.

Finally, the LSURPD has a hierarchical plan at various levels and implementation strategies. While Olajide *et al.* (2021) affirm that the Lagos government understands the whole essence of urban planning and development - at least in theory, Agunbiade and Ewedairo (2014) note that there is no strong platform through which the enactment of the law can be effectively implemented. Resolution strategies must thus highlight the objectives and work responsibilities of the implementing agencies in the law.

### **5.7 Lead Implementing Institution**

Literature provides little guidance on the selection of a lead implementing institution. Few studies like Buensuceso and Purisima (2018); Medda (2009) identify leading PPP agencies as most suitable to perform the functions of a lead implementing institution. Reasons are due to flexibility in adapting the structure of incentives and risk-sharing. The ADB (2021) elucidates that the lead implementing institution could be structured as a single powerful agency or a joint coordination committee comprising various government stakeholders. From the foregoing, the Lagos state PPP office would be most suitable in terms of coordination and lead positioning.

### **5.8 Technical Expertise and Capacity Building**

The Lagos state PPP office is equipped with a structure whose governing board is statutorily composed of members with requisite expertise in finance, banking, engineering, law, with at least ten years of cognate experience. However, in terms of expertise in real estate market conditions and the estimation of valorisation and distributional impacts of infrastructure, primarily through techniques such as hedonic analyses, there is a gap. In seeking to fill such a role, it must be noted that such expertise is more prevalent in real estate academia than in practice. Abidoye and Chan (2017) found that the main contributors in this area in Lagos were academic scholars affiliated with universities, with real estate professionals not contributing. Thus, academics who are conversant with the property market, highly technical environmental valuation techniques, and econometric aspects are ideally suited for this role.

Other aspects requiring strong skill sets (fiscal, urban development and legal planning) appear to be fairly covered by the establishment of the PPP office. Further, because LVC is a new concept, training should be conducted to reinforce the existing skill set and conversance with this financing mechanism. Capacity can be enhanced by seeking support from international development agencies, such as the Public-Private Infrastructure Advisory Facility (PPIAF) and the DfID. The PPIAF is a multi-donor technical assistance facility aimed at helping developing countries improve the quality of their infrastructure through private sector involvement.

### **5.9 Sound Alliance and Trust between Public and Private Sector Stakeholders**

In attaining public trust in LVC, the government will need to embark on efficient measures towards it. Public confidence in governance has been one of scepticism and distrust in Nigeria. This has featured in research studies - with below satisfactory outcomes. Famuyiwa (2019) found a negative perception by the public - with land-based taxation. The OECD/Lincoln Institute of Land Policy (2022) similarly identified the issue of resistance from landowners in Nigeria. For public trust to thrive, there must be transparency and accountability in the LVC

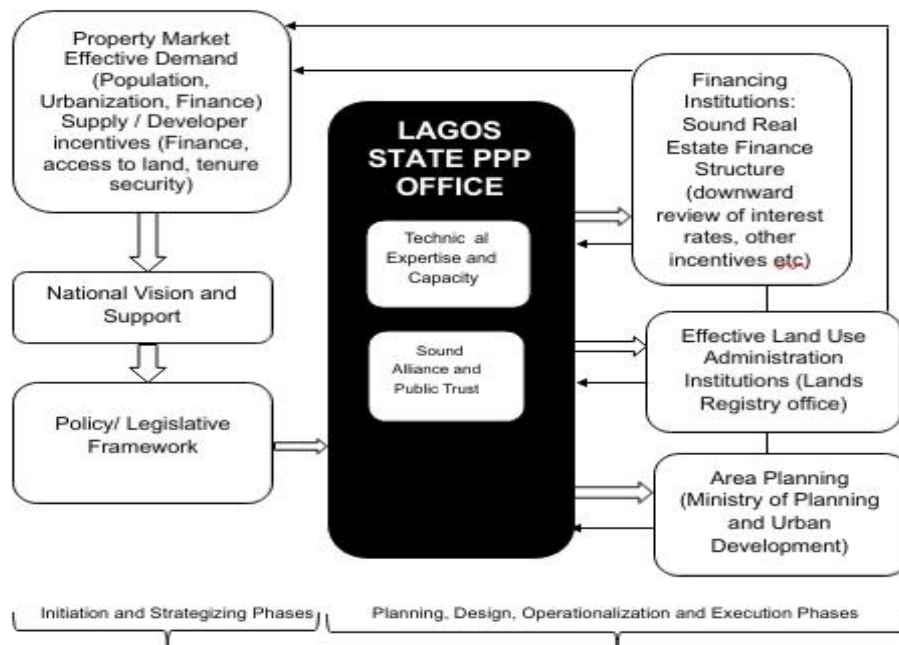
process. In Famuyiwa (2020), effective connections between revenue and services enhances trust in government. Haas (2019) submits that one clear way to achieve transparency and trust is to hold public consultations. Also, the government's ability to deliver on its commitments is ultimately the best way to build trust and accountability over time. Periodic town hall meetings and grassroots engagements are needed to address public concerns.

In terms of attaining a sound alliance with other stakeholders, the Nigeria Infrastructure Advisory Facility (2012) stipulates in the official PPP manual for Lagos state, that the government has certain initial roles and responsibilities to ensure that PPPs can be implemented successfully with the acceptance of all stakeholders and to the satisfaction of all beneficiaries. It further identifies project users, developers/operators, community participants, citizens, financiers, and relevant government authorities as major stakeholders. It is thus necessary that these guidelines are strictly enforced.

It can be seen that there are still some challenges confronting the use of LVC. Nevertheless, and according to Hart (2020), developing cities can still benefit from generating significant public revenue by understanding the local, political and financial contexts. This study thus presents corresponding mitigation approaches.

### 6. Framework for LVC in Lagos

The framework developed here aims to provide a broad-level strategy and overall guidance for LVC initiatives in Lagos. The main elements under scrutiny are the baseline conditions for the effective use of LVC. The conceptual elements for using LVC and the operational process are incorporated below in a diagrammatic representation (Figure 3).



**Figure 3: Operational Framework for Land Value Capture in Lagos State**

Figure 3 shows the LVC operational framework developed. Property market enabling conditions, national vision/support and an enabling legislation fall under the 'Initiation' and 'Strategizing' phases as indicated in Table 2. At the 'Planning', 'Designing', 'Operationalization' and 'Execution' phases are the other baseline conditions.

The process and operational elements are all integrated into a diagrammatic representation. From the figure, population and property market conditions are vital to the conceptualization and initiation of LVC. This brings about a vision and political commitment. A policy guideline must then be formulated and structured in order to establish or identify a lead implementing institution (the Lagos state PPP office), roles, responsibilities, and other participating institutions. The office coordinates the participating ministries, departments and agencies (MDAs) involved in the LVC process. The Lands registry bureau in Lagos, in addition to promoting property market vibrancy through efficient title administration and tenure security, will provide information to support LVC legislation. Technical expertise at the Lagos state PPP must include specialization and understanding of real estate market conditions, the estimation of valorisation and distributional impacts with techniques such as the 'hedonic' approach. Public trust also must be strategically gained through a tradition of delivering on promises, public consultations, and taxpayer engagements. In all of these, there must be a frictionless flow of work between the participating MDAs holding the responsibilities that come with these baseline conditions.

## **7. Summary and Conclusions**

Generally, LVC has a key role to play in addressing the infrastructure financing deficits in Lagos. This prompted a study of this nature, to explore the prospects of LVC operationalization in Lagos. The study found that LVC holds potential for use in Lagos in terms of an active real estate market, policy framework, technical capacity, area planning and a lead implementing institution. However, the areas of security of land rights, mortgage finance, and public alliance require some amount of reform. The following are conclusions derived from the study.

- The creation of strategic and supportive policies, or introduction of new provisions on LVC in the PPP Law of 2011.
- Digitization of land registries; downward review of rates, and harmonization of processes in title registration.
- Political commitment and broad level identification of LVC for infrastructure development.
- Downward review of interest rates, loan maturity extensions towards enhancing mortgage/development finance.
- The LSURPD should include strict mandates directed at implementing agencies.
- Policy and practice guidelines must feature a balance between economic outcomes and social inclusivity.
- Strategic promotion of acceptability among the populace, and land users particularly. Pushing of drives towards education of the public on LVC. Also, transparency of processes and public access to information
- Expansion of capacities to include proficiencies in urban market dynamics, highly technical environmental valuation techniques and econometrics.

Nevertheless, the actions at different levels and across departments and agencies must work in synergy and cooperation with the lead implementing institution. By doing so, case and location specifics can be learnt for recreating projects on a larger scale. It is also recommended that a pilot project on a small scale is tested since this financing mechanism is 'alien' to the region.

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