

**ANALYSIS OF THE RISK FACTORS ON DIRECT REAL ESTATE INVESTMENT IN
AUCHI**

BY

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**BEING A PROJECT WORK SUBMITTED TO THE DEPARTMENT OF ESTATE
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ESTATE MANAGEMENT AND VALUATION**

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CERTIFICATION

We, the undersigned hereby certify that this project work has achieved its objectives both in scope and quality of the requirements for the award of Higher National Diploma (HND) in Estate Management and Valuation Department, Auchi Polytechnic, Auchi.

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DEDICATION

This project work is dedicated to Almighty God, the merciful and the giver of life. I also dedicate this project work to my parents they have been there for me through the thick and thin.

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My utmost gratitude goes to Almighty God, the most beneficent, the merciful who spared my life and granted me the grace to sail through this stage of my academic life.

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ABSTRACT

This study analyzes the risk factors on direct real estate investment in Auchi. The study adopted the descriptive research design. A sample size of 166 was selected using the simple random sampling technique. The survey research design was used for the study and the research instrument used was the questionnaire. Data collected were subjected to statistical analysis. Findings revealed among others that the various forms of Real Estate Investment in Auchi are residential, commercial, agricultural, Industrial and Recreational. Result also show that the various economic factors that affect direct real estate investment returns in Auchi are corruption and poor legal, bureaucratic risk, availability of finance from banks, economic growth (changes in demand), technological developments (productivity of capital), Economic risk, Government Policies, and others (depreciation, wage costs, inflation, government policies, Findings revealed that the different elements of risk in Real Estate Investment in Auchi are competition in the market risk; business risk, the liquidity and risk and the purchasing power, the financial risk is, interest rate risk, social risks, and natural risks. The study recommended that investors, when investing should consider other real estate diversification techniques rather than diversification within a particular real estate submarket, not just basing their investment decisions on the high level of return that could be realised in investing in properties within a submarket, investor should not only look at the return aspect of investment as performance indicator, risk (measured by the level of uncertainty) should also be considered alongside with return when making investment decision, in addition, investors should explore the potential of diversification benefit inherent in investment and hereby ensure a proper investment mix.

CHAPTER ONE INTRODUCTION

1.1 Background to the Study

The term risk has been defined as the probability of loss of income, assets or condition of mishap, unfortunate situation or circumstances that result in the decline of revenue or loss of income, property, wealth and other items having economic and financial values. In statistics, risk relates to a situation where a probability or weight can be assigned to a possible outcome arising from a policy decision (Eneve & Isaac, 2007). In the financial sense, risk is somewhat more intricate than the calculation of historical or expected returns. It is the possibility that an investor will lose some or all of the initial investment. Such conditions are the outcomes of a fall in product demand, high competitive pressure, unfavourable government policies, poor economic conditions, community uprising, industrial disharmony and management inefficiencies. Environmental factors such as changing weather conditions and environmental degradation are also noted to have adverse effect on investment. The international component of risk is relatively more complex, which arises from divergent economic policies, political and cultural ideologies thus making management of risk across national boundaries a difficult task

From the real estate investment perspective, risk is seen as the level of probability that a required return will be achieved when measured in terms of capital value and income. As an investment, some properties have a high-risk profile while others have low-risk profile. This depends on the type, nature, location and possibly, the lease term of the property. Over time, the variance of actual return from expected return can be measured and used to help determine probability level. Risk is a deviation from the expected return and not just the chance that the return on an investment will be below expectations (Geddes, 2002). Thus, risk is about the interaction of future returns, which can have a number of possible results, and the chances that

any particular outcome will occur. It is all about variances and probabilities. The degree to which actual performance may exceed the expected performance is called the upside potential while the amount by which it falls below expectation is known as the downside risk. Investors are concerned with the upward potentials, particularly when the investment is funded by borrowed capital. Upward potential is the actual bonus over and above the targeted return (Chandra, 2010).

Risk is a common feature of all forms of investment including real estate and fundamental to investment choice. Therefore, any investor who embarks on a project development or acquires a property expects some benefits as future returns. Like any other form of investment, real estate has two principal components: expected return and risk. In an ideal situation, an investor is expected to maximize returns while minimizing risk. Therefore, the investor assumes risk with the hope of making profit or other forms of return. Risk assumption depends on past investment operation, future projection, trend in the economy, government intervention programmes and the expected returns from the investment. Often, the actual returns from the investment may vary from the projected returns. In some cases, the invested capital is lost. According to Ubom (2010), the degree of variability of the actual return from the estimated return of the investment as well as the probability of the loss of capital reflects the risk elements of investment. The higher the degree of such variability, the higher the risk involved and vice versa; and the greater the risk involved in a project, the greater the expected rate of return or cost of capital. The problems associated with investment risk cannot be totally eliminated even in an ideal economic situation.

Real estate investors come across various types of risk in the course of embarking on projects and in the life of the projects. Investment risk may be examined on the basis of the fundamental components or sources of risk and making predictions on how future returns will be

affected by each fundamental risk. Risks have been variously classified into business, financial, interest rate, market and business power risks. Other forms of risk are political risk, tenant risk, sector risk, structural risk, taxation risk, planning risk, legal risk, comparative risk, timing risk and holding period risk, risk of unplanned obsolescence as well as management or union risk (Geddes, 2002; Chandra, 2010; and Udoudoh, 2016). These risks are collectively described as investment risk. The goal of an ideal investor is to embark on any project or scheme that involves minimum risk with an expectation of maximum profit.

In Edo State where this study is based, there has been phenomenal growth in real estate investment especially in Auchi Metropolis due to the influx of people and investors from other parts of the state as well as the ongoing renaissance in infrastructural development. There is therefore the need to empirically examine the risk structure/ components associated with real estate investment in the area in order to generate a roadmap that would guide prospective investors in the real sector.

1.2 Statement of the Problem

Risk has been seen as a common feature of all forms of investment in many urban centres in Nigeria. One fundamental problem of real estate investment is how investment decision can be taken without determining the extent of risk involved in the envisaged project. Thus, many rational investors do not take any investment decisions without a careful examination, identification and assessment of the expected risk elements. This is because an investor who embarks on a project of any type expects some benefits in the form of returns which are uncertain. These benefits are subjected to the effects of risk elements including the risk of being duped by fake property agents, non-compliance to planning and building regulations, lack of basic infrastructure at many project sites, inaccessibility to project finance, non-usage of durable

building materials and competent contractors, lack of building maintenance and default in rent payment by occupiers of the property. It is common to also mention that the actual returns from any investment usually vary with individual project based on investors and analysts' projections. According to Nwokenkwo (2014), an investment is considered risky because the investor is unsure of the actual returns which he will realize from his investment. The degree of variability of the actual return from the estimated return of investment as well as the possibility of loss of capital reflects the risk elements of investment (Ubom, 2010). This clearly indicated that where the degree of variability is higher, the risk involved in the investment is certainly higher and vice versa. It has been observed that the influence of risk on real estate investment have forced many property investors to adopt wrong development strategies which result in poor construction leading to collapse of several buildings and structures in different urban centres of Nigeria.

1.3 Research Questions

1. What are the various forms of real estate investment in Auchi?
2. What are the economic factors that affect direct real estate investment returns in the study area ?
3. What are the different elements of risk in real estate investment in the study area?

1.4 Aim and Objectives of the study

The primary aim of this study is to analyze risk factors on direct real estate investment in Auchi. The objectives of the study included

1. To identify the various forms of real estate investment in the study area
2. To determine the economic factors that affect direct real estate investment returns in the study area
3. To ascertain the different elements of risk in real estate investment in the study area

1.5 Significance of the

Result of this study educate the general public, investors and estate managers on the real estate risks, how it can be minimized and its factor on project viability. This research will also serve as a resource base to other scholars and researchers interested in carrying out further research in this field subsequently, if applied will go to an extent to provide new explanation to the topic.

1.6 Scope of the Study

This study on risk and its factors on direct investment on real estate investment in Auchi cover all the risks an investor is exposed to in real estate with a view of understanding its effect on viability of project.

1.7 Limitation of the Study

The researcher encounter a lot of limitations, first was the attitude of the respondents to the researcher, some of the respondents took the researcher to be an agent from external bodies and deliberately refused to answer the questions. Closely associated with this problem is the fact that some of the respondents did not return the questionnaire to the researcher. This was a big limitation to this study since it further reduced the sample used for the study; also the scarcity of relevant materials was a serious limitation to the study.

1.8 Study Area

Auchi lies between latitude 7° and 8° north of the equator and latitude 6° and 7° east of Greenwich meridian. Auchi is in Etsako West Local Government Area of Edo State and is also the headquarters of the Local Government Area which comprises Auchi, Uzairue, South Ibie, Agbede and The Anwain Clan.

The language spoken by the Auchi people is Afemai (Yekhee). It is an Edo Language dialect or variant although the language is commonly referred to by the same name as which the people are also referred to.

Climate: In Auchi, the average annual temperature is 5.6 °C. In a year, the average rainfall is 809 mm. The least amount of rainfall occurs in August. The average in this month is 5 mm. Most precipitation falls in March, with an average of 135 mm. The temperatures are highest on average in July, at around 18.1 °C. In January, the average temperature is -7.2 °C. It is the lowest average temperature of the whole year.

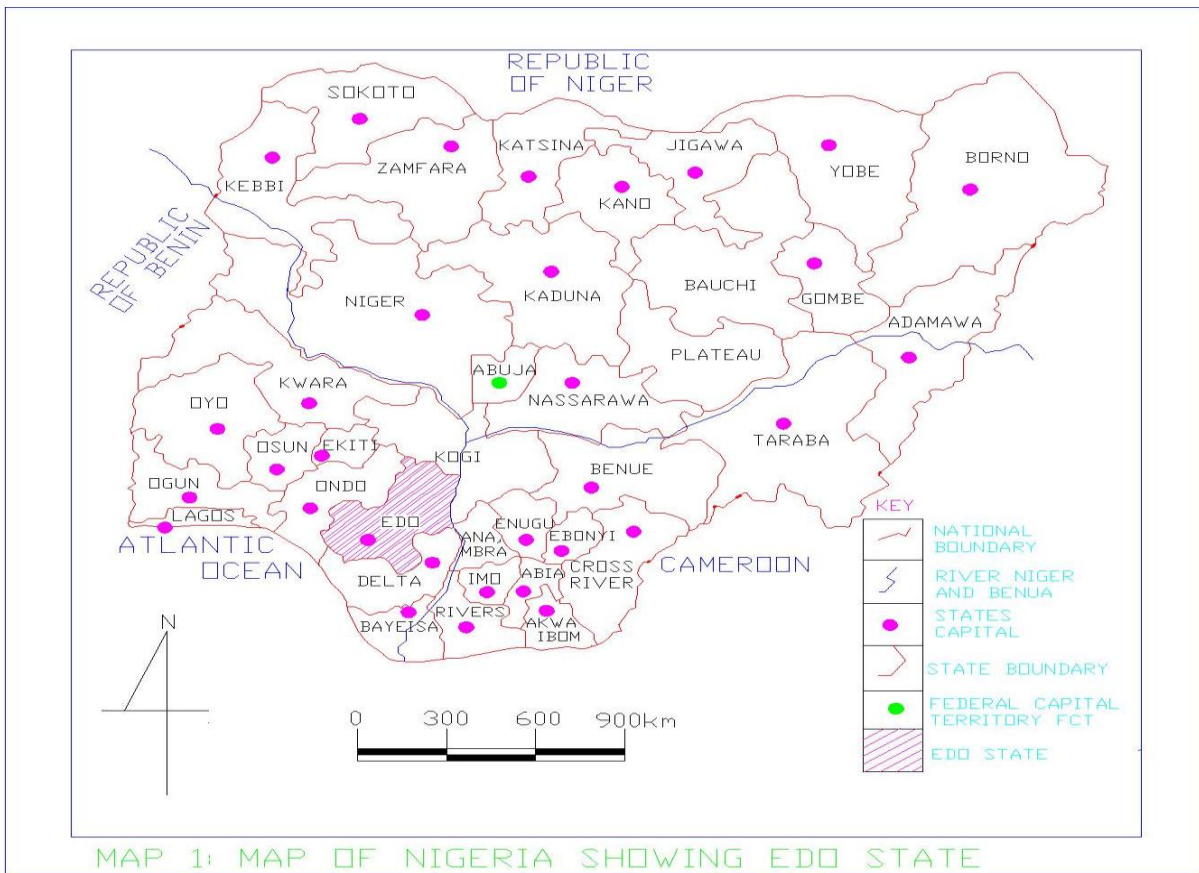
The variation in the precipitation between the driest and wettest months is 130 mm. The average temperatures vary during the year by 25.3 °C. The population grew to 42,638 by 1952, including people from many Nigerian tribes.

Population: As of 1995, its population was 140,612. As of 2005–2006, the population was 152,652. Auchi has in recent years been amongst the fastest growing cities in Nigeria.

Geography: Auchi town is divided into five grand quarters which could also be referred to as districts; these are in turn made up of 25 villages. The five grand quarters are: Utsogu, Akpekpe, Aibotse Igbe and Iyekhei

Religion: Auchi historically is an Islamic enclave, and still has a predominantly larger population of Muslims than Christians. Since the early 1990s there has been a rush of Christian churches setting up base in Auchi and the surrounding towns, this has pushed the religious composition within the community to a 70% Muslim and 30% Christian mix. The very welcoming and hospitable nature of the Auchi people has to a very large degree contributed to the cultural and religious diversity in Auchi. The need for decent and affordable housing in the rural area cannot be overemphasized. Ughiole in Aviele Etsako West Local Government Area,

like any other rural area in Edo State Nigeria is experiencing shortage of adequate and modern housing, this has contributed to mass exodus of people from the community to urban area where better housing are provided. Based on this fact, this project seeks to address the issues and prospect of rural housing development in Ughiole, Aviele, by providing information to relevant authority of the current state of housing in Ughiole, Aviele and also proffering solutions and making recommendations on how to develop housing units in the study area.



Map of Nigeria

Source: (Feller & Joseph, 2005)

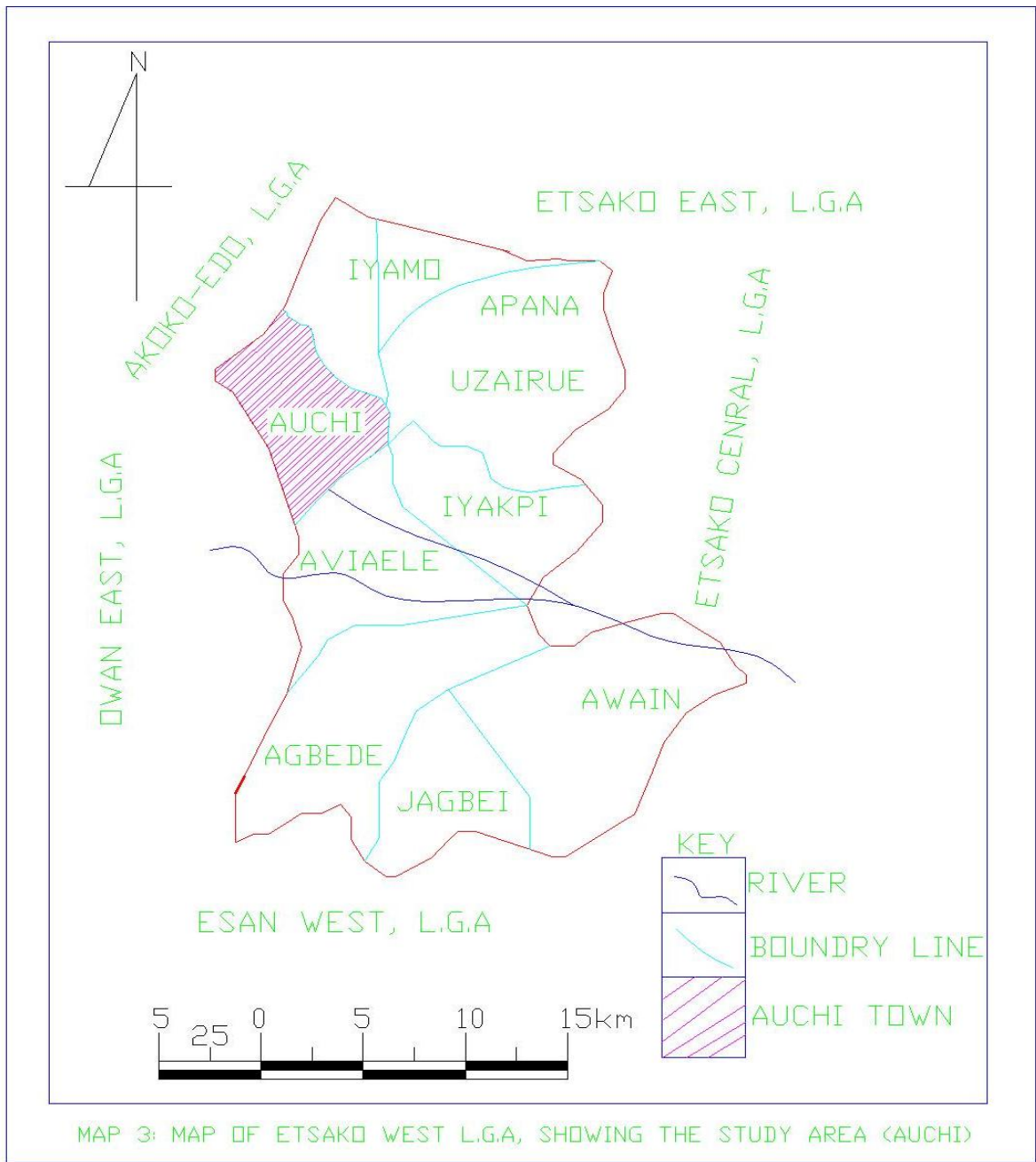


Figure 1: Study area in its Regional context

Sources: www.wikipedia.com/maps/edostate (2015)

1.9 Operational Definition of Terms

Direct investment: The raising of capital is carried out by the company that directly develops the real estate operation. **Indirect investment:** the raising of capital is carried out by a company that in turn invests the amount raised in the company that deals with real estate development (Udoudoh, 2016).

Real Estate: is the land along with any permanent improvements attached to the land, whether natural or man-made—including water, trees, minerals, buildings, homes, fences, and bridges.

Real estate is a form of real property (Sirota, 2016)

Risk: is the possibility of something bad happening. Risk involves uncertainty about the effects/factors of an activity with respect to something that humans value, often focusing on negative, undesirable consequences (Oni, 2010).

Commercial Property: is a built structure that serves as a work place and accommodates the administrative, information and knowledge processing activities of an organization such as supervising, directing, decision making, communication, filling etc. For the purpose of this research, “commercial buildings refer to the physical structure which provides the work place (Becker, 2000).

Residential property: These are property which are designed and constructed to be used as residential properties. These includes Self contain, duplex, bungalows, block of flats, etc. (Mike, 2006).

CHAPTER TWO

LITERATURE REVIEWED

2.1 Concept of Real Estate Investment

Real estate investment involves the purchase, ownership, management, rental and/or sale of land and building for profit-making purposes. Improvement of real property as part of a real estate investment strategy is generally considered to be a sub-specialty of real estate investing called real estate development. The real estate industry has grown substantially in the recent years and is recognized in various literatures as consisting of several classification based on property use and types (Wikipedia, 2019). Sirota (2016) gave the numerous and diverse investment opportunities in real estate to include land, residential developments, office buildings, shopping centers, industrial projects and mobile-home park.

Real estate as an asset form describes a considerable investment vehicle for the private, commercial and institutional investors. Investment in properties reveals different features compared to conventional assets like stocks and bonds (Steffen and Alexander, 2009). It applies to long term investments and is recognized with low correlations and a distinctive risk/return structure, which in turn is accountable for being classified as an alternative asset. With respect to issues of asset allocation, investment in real estate therefore provides remarkable potential for diversifying an investor's portfolio. Earlier studies measuring the diversification benefits such as Emoh (2004) found favorable characteristics of real estate investments, including high stability of value, comparatively low volatilities and opportunity to hedge against inflation.

Real Estate Investment

Real estate has to do with land and buildings which is often referred to simply as property or landed property. According to Ajayi (2010), the concept of land as property involves real

estate and has legal connotations. The legal connotations are concerned with the traditional and/or modern-day constitutional rights bestowed on individuals, families, communities or the states to own, develop and manage land and its resources without hindering the rights of others. The rights are granted to private or public institutions to utilize land efficiently. Land means different things to different people. It includes all the physical development carried out by man on the earth's surface. These are man-made improvements on land used to attain economic goals through the application of capital, labour and technology. It covers all economic crops and trees, buildings, structures and installations, roads, bridges, dams and all sorts of physical development on land. Agricultural resources include the fertile farmlands where economic crops, trees and vegetables are cultivated and arable farmlands used for cattle rearing. Economic trees include cocoa, rubber, cotton, oil palm, cowpea, maize, yam, fruits, vegetables and cassava; while livestock include cattle, goat, sheep, exotic poultry and local fowls. Residential land includes the various houses that are built for the occupation of individuals and members of the family. It may be tenement houses, flats, bungalows, maisonettes and multi-storey apartment blocks. Residential land is classified into high density, medium and low density residential areas within a residential estate, and is usually the largest use of land within the urban areas as well as privately or publicly built as permanent or semi-permanent structures (Chandra, 2010).

Commercial land includes shops and offices occupied for the purpose of carrying on any trade or profession in the expectation of profit. They may be converted or purpose-built like the shopping centres. It also includes the traditional markets, lock-up market complexes, motels and hotels, cinema houses, petrol/filling stations and supermarkets. Industrial sites include factories where production, processing and storing of raw materials and finished goods are done. The range of properties to be considered is extensive and varies from shops to residential properties

converted for use as storage or for factory purposes, to well-constructed and lighted up-to-date premises with many amenities. The light industries may be located within the residential areas while heavy industrial outlets noted for industrial pollution are located at the outskirts of the city. Examples include petro-chemical industries and refineries. Educational sites are properties developed for the training and acquisition of knowledge and skills which may be privately or publicly owned. They include nursery/primary schools, secondary schools, technical colleges, higher institutions of learning such as Colleges of Education, Agriculture, Technology, Polytechnics and Universities found at nooks and crannies of Nigeria. Ajayi (2010) see investment as the giving up of capital sums now in exchange for benefits to be derived in the future, while Ajayi (2010) defined investment as an act of laying out money now in return for future financial rewards. Both look at returns on investment to accrue in financial form. Investment involves opportunity cost as the present consumption is foregone for the expected benefits. In total agreement with these scholars, an investment is the art of committing a given sum of money at the present time in expectation of future returns. It is the foregoing of a fixed sum as an alternative for some future benefits. Such benefits may be in the form of economic attainment such as income flow and/or capital gain, political power or philanthropic services. A decision as to the type of investment one can undertake depends on factors such as capital to be sunk into the business, feasibility and viability appraisal conducted, managerial skill, risk involvement and market forces(Chandra, 2010).

Real estate investment involves the creation of new income yielding assets from land and its resources based on capital analysis of expected cost, risk and benefits within a given time. An investor may purchase a freehold or leasehold interest in landed property for any purpose through auction, tender, private treaty or bid. If the investment is an owner-occupied property or

cultivated farmland, the returns could come in form of savings or food consumption for the family. The money that would otherwise have been used for payment of rent or purchase of foodstuff is saved after all. Investment decisions are influenced by various motives and usually require the comparison of alternative investment media such as real estate, bank deposits, gilts and equities. Whatever the nature of investment, a rational investor seeks to maximize his returns while minimizing the risk undertaken as has already been stated. Investment in landed property is inflation-proof, that is, it performs well even in the face of inflation as against those in bank deposits and fixed interest securities which are inflation prone (Udoudoh, 2016).

2.2 Forms of Real Estate Investment

According to Igbozurire (2011) the forms of real estate investment are known to be:

- i. Residential land use
- ii. Commercial land use
- iii. Industrial land use
- iv. Agricultural land use
- v. Recreational land use

Residential Land Use: This covers a wide range of properties that are basically used for residential purposes. Examples of residential properties include, detached houses, which could either be on bungalow or a 2-story building standing solely. Duplex houses, which is a symmetrical accommodation unit separated internally by a common wall usually on 2 floor. While tenement residential is an accommodation units in rooms within a building block and sharing common unconvinced such as kitchen, toilet and bathroom. All the above residential types is basically for people and properties to dwell in and also for security purpose.

Commercial Land Use: Commercial areas in a city are area, districts or neighborhoods primarily composed of commercial buildings such as a downtown central business district or shopping center. Commercial activity within cities includes the buying and selling of goods and services in retail business, wholesale buying and selling financial establishment and a wide variety of uses that are broadly classified as “business”. While commercial activities typically take up a relatively small amount of land, they are extremely important to a community’s economy. They provide employment, facilitate the circulation of money, and often serve many other roles important to the community, such as public gathering and cultural events.

A commercial area is real estate intended for use by for-profit business, such as office complexes, shopping malls, service stations and restaurants. “it may be purchased outright by a developer for future projects or leased through a real estate broker. Practically every incomer must grant permission to build a new office complex or other profit making business, the city government must determine that the chosen area is indeed commercial area. A commercial area can be held by real estate agents who treat is the same as residential area. Signs advertising the availability and size of the real estate can be erected and arrangement can be made to buy or lease smaller plots.

Industrial Land Use: Industrial land use encompasses a great variety of structure types and land use. Light and heavy industry are comprised of land use where manufacturing, assembling or processing of products take place. Urban-industrial land usage generally refers to the sitting of factories or petroleum refineries and utilities such as electricity generating stations and water and sewage treatment facilities. While rural industrial land use include mines, smelters and mills for the production of ores and metal mines and well fields for the production of fossil fuel such as crude oil and natural gas. Together industrial land use type are factories, petroleum refineries,

utility generating stations, water and sewage treatment stations, mines, smelters, well field and mills for production of ores and metals.

Agricultural Land Use: Agricultural land use is land that is arable and regularly tilled for the production of annual field crops with or without irrigation. The word agriculture refers to a broad class of resources use that includes all forms of land use for the production of biotic crops whether animals or plants. In its broadest sense, agricultural land includes all land that provides direct benefits for mankind through the production of food, fibres, forages and fodder, bibful, meat, hides and skins as well as timber. Agricultural land use is typically land devoted to agriculture. The systematic and controlled use of other forms of life particularly the rearing of livestock and production of crops to produce food for humans. It is thus generally synonymous with farmland or cropland. Agricultural land use an operation sometimes involves activities that are regulated by laws designed to protect water supplies, threatened endangered plants and animals or wetland areas. The laws backing land tenure in Nigeria is predominantly customary and a variety of system exist before the land use act of 1978.

Recreational Land Use: This type of land use is used for human pleasure. This mostly includes parks, museums, sports grounds and the sites of other activities that aren't essential to life but are pleasurable. Cities often specifically plan these things to make sure their cities are attractive to people both visitors and residents, also recreational land use can also be used for a wide range of activities, including guard biking, off roading, archery or for suitable simple gathering of family and friends.

2.3 Risk of Real Estate Investment in Nigeria

The number one risk is legal hassle and bureaucratic encumbrances especially as it deals with purchase of land and development. Land is purchased in Nigeria under the land use Act of

1978 while the development of land is done under the supervision of the Nigeria Urban and regional Planning Decree of 1992. A developer is thus under obligation to obtain two different approvals, one for the right of occupancy under the Act and the other for developmental purpose under the decree (Babalakin, 2008). The tedious and slow bureaucratic procedure to get these approvals or resolve issue that may arise in a contract will certainly be a subject of great concern to foreign investors that are used to fast automated transactions.

The risk of terrorism, civil unrest and natural disaster can cause a great damage to real estate development but such incidences seldom happen in Nigeria. Effects on properties could range from damages to installations, building components or total destruction of a building by burning. Apart from the huge cost that will be needed to restore such properties, investors will also be skeptical to make renovation work or rebuild for fear of future attacks. Risk can either be a threat or an opportunity.

Islamic fundamentalist violence in the northern part of the country is an example of risk associated with terrorism, of recent a number of residential buildings in some villages were bombed in the Northern by the sect. Even though the targets of the attacks are not against real estate investment building status, it has effects on patronage of such buildings and adverse effect on the general investment climate. However, this risk is not as prominent in the Southern part of the country. Risk assessments can be made on the following categories: Security, political stability, government effectiveness, legal and regulatory frame work, macroeconomic, and foreign trade and payment Hamilton et al (2009).

The crisis in Nigeria financial sector (though global) that saw 3 banks in Nigeria nationalized in 2011 is also another concern. Investing in Nigeria and Africa by extension is considered as scary to most investors, because you can't predict what will happen in the future.

Real estate in Nigeria is also seen as not affordable to meet longer term loans or funding (Omisore, 2012). This suggests that real estate business in Nigeria lack well-defined and reliable Mortgage financing. Illiquidity as inherent risk of real estate also exist but at a minimal level.

Jones Land LaSalle ranks Nigeria 96 out of 97 in 2012 global real-estate transparency index. The transparency index assessed the ease and confidence investors have in buying commercial real estate in a certain country. The report places Nigeria in the “Opague category of transparency meaning Nigeria suffers from corruption, lack of fundamental data and poor environment sustainable programs in building large-scale properties. The result of this challenge is seeing an increased in deals with high price tags from opportunistic funds willing to take a chance on Nigeria potential (Evans, 2013).

This is an indication that adequate preparation is necessary for real estate investment in Nigeria, a foreign investor will need trusted local partners who are familiar with the hassle of practice in the market in other for successful enroot. The many challenges of real estate investment in Nigeria may be largely responsible for small presence of foreign investors in the market. Popular real estate investors prefer South Africa and Northern African countries where the investment climates are better for investment. A good partnership with local investors will help in locating good expert who provides real estate agents and brokers with powerful lead generation and management solutions designed to help gain competitive edge (Makarova, 2013).

Ajayi (Oni, 2010) opined that investors in property of various types are uncertain about the outcomes of their actions. Future events are difficult to forecast in precise terms and over time such forecast becomes unreliable. He stated further that risk is the level of probability that required return measured in terms of capital value and income would be achieved. Uncertainty implies that neither alternative outcomes nor their probabilities could be identified.

Oni (2010) further explained that risks occur in many and diverse ways at every stage of the investment process and include systematic and non-systematic risks. Systematic risk, also called market risk, refers to the risk common to all securities and cannot be diversified away within one market. Unsystematic risk is associated with assets value caused by factors that are specific to the subject real estate. There is also the downside risk derived from volatility in the development variables that affect the investor's profit, such variables are rent, void period, yield, construction cost, building period, land cost, and marketing cost, as reported by Ogunba (2002) and Ogunba et al. (2003).

Similarly, Baker (2001) while analyzing the investment in residential rental real estate identified that residential property investment are prone to being affected by the two types of risk which are systematic risk or market risk which cannot be reduced by diversification and unsystematic risk or specific risk which can be reduced or eliminated by diversification. Baker (2001) further explained that residential rental real estate is more likely to be affected by unsystematic risk than systematic risk and identifies them as follows: Systematic risk (general economic conditions, changes in interest rates, taxation) and Unsystematic risk (location, covenants, construction, neighbourhood, building quality, its general condition, age of property, depreciation, tenant and lease structure).

2.4 Importance of Direct Investment-Risk

All business transactions involve some degree of risk. When business transactions across international borders take place, they carry additional risks not present in domestic transactions (Meldrum, 2007). These additional risks are called country risk and include risks arising from differences in the foreign country economic structures, policies, political and legal system, unexpected changes in the exchange rate, changes in tax policies and codes, and other factors.

Such risk factors have negative as well as positive impact on real estate business. It is important to understand and then take actions to mitigate the adverse risk factors. This paper, therefore, concentrates on the foreign direct investment-risk factors on possible techniques and methods to mitigate these factors. The results of this study can be generalized to the real estate industry.

Capital Losses: Capital loss is created when investors sell, or are considered to have sold, a capital property (e.g., land and building) for less than its adjusted cost base plus the outlays and expenses involved in selling the property. The business risk and economic uncertainty are actual sources of risk Olsen (2007) that cause capital losses. Therefore, real estate investors must understand risk of capital losses. Different factors such as political, economic, social, and legal may lead to capital losses in the global market. The largest risk for foreign investors in Nigeria is the complexity in dealing with bureaucracy, political interferences, high cost of capital, and a poor infrastructure (Manjooran, 2004). Other problems are potential corruption and inadequate legal system related to protection of property rights (Manjooran, 2004). Such systems might lead to threats of confiscation and may adversely affect upon liquidity of the business (the ability of an investor to sell property on short notice without appreciable loss) for real estate investors.

Bureaucratic risk comes in the form of red tape issues in Nigeria (Leggett, 2004). The neutrality of bureaucracy has been tampered rather heavily since the mid-1970s by the political masters (Leggett, 2004). Business owners often complain, and perhaps rightly so, that they are more the victims than the perpetrators of economic crimes in a regime of government controls and bureaucratic stickiness. Therefore, it is important to consider bureaucratic issues before taking final decisions to invest in the Nigerian real estate market

Political risk is defined as negative perceptions emanating from internal instability, intergovernmental relationships, anticipated or unanticipated government actions, or government

discontinuities all brought about by social, economic, or political imperatives that exist in a country's internal or relevant external environment. Political risk also refers to the risk of a change in political institutions in Nigeria stemming from a change in government control (Leggett, 2004).

Investment observers have been worried about political developments that have been taking place just as the country is trying to shake off its history of tight government control on all aspects of the economy. In addition, political events do not merely have a potential to cause losses, but actually do cause losses in Asia. Property investors in Asia have to contend with high political risk factors in their search for returns (Wirth, 2007). Typical risks for foreign investors in Asian markets relate to business interruption following political actions. Wirth (2007) also indicates that the politics of Nigeria has been topsy-turvy because of cultural and religion diversity. Thus, Political risk covers the potential for internal and external conflicts and expropriation risk. Therefore, foreign investors should be concerned about political risk in Nigeria and conduct risk assessment analysis of many factors such as the relationships of various groups and decision-making process of the Nigerian government. In addition, it is important for real estate investors to understand foreign direct investment risk before making investment decision

Corruption and poor legal system of Nigeria are other risk factors that foreign investors should consider before buying land and buildings. Since increasingly expensive elections are not state-financed, the stimulus to politics-business corruption remains strong in an otherwise remarkably resilient Nigerian democratic system (Byrne, 2005), which in turn, leads to poor legal system. In addition, a number of laws and regulations, of which the most important are those concerning the retrenchment of employees, restrict the labor market. Companies employing more than 100

workers need government's permission to lay off workers, and the corrupt government officers often withhold this permission. Such restrictions have hindered foreign investment in Nigeria (Byrne, 2005).

Economic risk refers to a significant change in the Nigerian economic structure or growth rate that produces a major change in the expected return on foreign direct investment. The macroeconomic factors are significant risk factors in commercial property returns. Economic risk arises from the potential for detrimental changes in fundamental economic policy goals (fiscal, monetary, international, or wealth distribution). Thus, macroeconomic risks in Nigeria arise from three factors - inflation, interest rates, and fiscal stance of the government (Byrne, 2005).

2.5 The Characteristics of Real Estate Investment

Real estate investment has many features, such as objectivity, uncertainty, measurability and comprehensive and soon. But all of the real estate investment also laid a solid foundation for us to study real estate investment. These unique characteristics make them have different risks. Therefore, to study the risk of real estate investment, we need to discuss the characteristics of real estate investment. Real estate investment needs a large amount of funds. In our country, there are many ways of financing of real estate investment, such as bank loans, its own funds and absorption of foreign investment, etc. These methods are often used to finance real estate investments.

2.6 Real Estate investment has high Investment Rate of Return and Risk

Often have such laws that high yields obtained generally along with high risk. And real estate investment along with higher returned on investment, but because of its payback period is long, there may be some uncertain influencing factors, which makes the project usually has high risk.

Long Operating cycle and Funding Requirements: Real estate investment project requires a long time, the shortest is 1 year, usually is more than a few years. So it need a one-time investment, and the capital investment and money demand is bigger, thus increasing the investment, and reducing the risk of real estate investment.

Real estate investment risk analysis: Risk analysis is the premise and basis for the risk decision. So, a good risk analysis is very important for investors, it is the key to determine the project. The process of the risk analysis is mainly the risk identification, estimation and evaluation. Finally, make a comprehensive and system analysis according to the previous analysis. Including risk identification, risk assessment and risk evaluation stage.

2.7 The Real estate Investment Risk Classification

In the process of the real estate investment, capital requirements a long and persistent period, which makes the risk varied and complex, which mainly including the following:

Competition in the market risk: Competition in the market risk refers to that there is too much similar buildings in the real estate market, which makes the real estate competition and the corresponding promotion costs may improve, housing unsolvable and soon . Which will produces a great impact to investors. And the main reason for the market risk is that the early market research and analysis of the work is not very good. Among them, the market competition ability is the main sales risk.

Business risk : Deviating refers to the expected value and the actual operating results, and the cause of this situation is the operational errors. This risk has the following three situations:

First, as a result of the poor benefit of the enterprise, management level is not perfect, if those are not sold in time, the housing vacancy rate will be high, the profit is also relatively well below expectations, which related costs increased.

Second, the investor's management decision-making errors lead to the operational risk, which is mainly because investors are not know accurate market information, and make mistakes in decision-making. Third, the relevant legal provisions, and city planning regulations makes tax burden for investors, such as real estate investment activity is very important, but it does not very understand.

The liquidity and risk: Real estate is fixed, the deal can only is the process of ownership or the transfer of using right and the entity is unable to move. Because it takes up more money, and the quantity is big, which make the real estate transaction is a quite a long process, These are the influencing factors of the flow risk of real estate and liquidation ability is poor, such as real estate investors would be badly in need of cash but they would not sell the real estate in the hands as soon as possible, even if successful, which will affect the investment income, so it bring real estate investors to liquidate returns on risk.

The purchasing power risk: It is mainly refers to the purchasing power of real estate of people relative decline, because people buy real estate commodity demand reduces relatively, also in this way, which will make it difficult to sale for real estate investors, and cause damage.

The financial risk: The financial risk refers to the financial situation, due to the bad situation makes the real estate investors unable to recover its initial investment. The source of risk is buyers, buyers have bought the house, for example, but it does not bring investors loss timely payment. On the other hand, due to the implementation of indebtedness and too much loan from financial institutions, although this way can increase financing channels, but will increase the risk of investment.

The interest rate risk: The improvement of interest rate risk is through interest rates brings losses, when interest rates change, the real value of real estate changes, which directly affect the

net present value of revenue. And when the loan interest rate increases, the real estate debt capital will be a certain fluctuation, the debt is aggravating, development costs is high.

Social risks: Social risks refers to the policy changes, due to the national economy changes some political factors and lead to fluctuations in the price on the market and demand, and makes a certain amount of losses in real estate investment

Natural risks: Natural risks refer to an event of force major occurred due to natural factors, and make investors suffered losses. This loss is huge and inevitable.

2.8 Analysis of Real Estate Investment Risks

2.8.1 Analysis of risk causes

In the process of the development of the real estate industry in our country on the present stage, there are many kinds of problems, the causes of these problems, as a whole, is due to the real estate industry in the aspects of legal, social, and enterprise is not sound, not perfect and the lack of enterprise management concepts. Also comes from the deviation with economic laws, the macroeconomic situation, the insufficient understanding of the real estate, and many other reasons. From the Angle of the enterprise under the analysis of the causes are as follows:

The early stage of the work is not comprehensive, does not consider the consequences. As companies basis and grasp the information is not comprehensive or accurate, prophase research work is not detailed enough, the lack of the city planning, development strategy, high starting point of the all planning and so on, those kinds of phenomenon is more serious in many cities, the land development plans do not have a detailed and systematic, especially in the overheated real estate phase, most of the enterprise covers an area of for prison, blind enclosure, without considering consequences of long-term, randomness and level is very low.

The market main body itself has a problem. Market main body brings to the enterprise risk is the risk of foreign, more and more market main bodies are not honest, investors risk rate increases. Developers didn't consider the environmental problem; just the pursuit of high buildings and the development of the sea view room for later buried the hidden trouble of risk.

The problems of the government policy, Due to the national implementation of macroeconomic regulation and control, some about the real estate market policies were formulated, the state shall adopt the tax, the control enclosure, such as qualification method was proposed to adjust the macro economy, so it would have influence on the investment to investors, heralding the real estate industry will be faced with new test (Nwokenkwo, 2014).

Investment is a uncertain thing, every investment is risky, each investment project itself is a complex system, many factors affect the risk of it, the relationship between various factors are complicated, their consequences of degree is also different, in order to predict or found a timely manner to these risks, and take effective measures to reduce the harm of it, we need a method to measure the risk. Real estate investment risk analysis of commonly used method with financial indicators analysis, quantitative analysis, break-even analysis, sensitivity analysis, and probability analysis method, etc. Financial indicators analysis refers to the assumed conditions can achieve predetermined each financial index, a method to judge the risk. Financial indicators generally can be divided into dynamic and static indicators (Nwokenkwo, 2014).

CHAPTER THREE RESEARCH METHODOLOGY

3.1 Research Design

For the purpose of this study the researcher adopted the survey design to elicit data from the study area. The reason for the choice of method is to enable the researcher to produce subjective opinion of respondents. The survey involved the collection of relevant data which was analysed to answer the researcher questions.

3.2 Population of Study

The population of the study covered the Real Estate Agents, Estate surveyor and valuers in Auchi.

3.3 Sample/Sampling Techniques

The simple random sampling method was used by the study in the administration of questionnaire for the study. Kothari, (2004) defines sample as small group of respondents drawn from a population about which the researcher is interested in getting the information, so as to arrive at a conclusion. This study selected respondents who have the interest of the researcher. It was selected randomly.

3.4 Methods of Data Collection

The questionnaire was used to collect data from the respondents. A total of 166 copies of the questionnaire were administered personally to the respondents with an expected response rate of 60%. The questionnaire was randomly distributed to landlords, in the study area. A well-constructed questionnaire was designed to elicit information from the respondents. It was made of two sections: Section A (Personal Data) and Section B relating to the researcher problem questions. The questions numbering was designed to seek information that offered answers to

the three research questions formulated for the study. A 5-point response scale of strongly agree, agree, Undecided, disagree, and strongly disagree was used for the study.

3.5 Method of Data Analysis

The study employs simple descriptive and inferential statistics for the analysis of data. For objective one the study adopted weighted mean, for objective two the study employed weighted mean while for objective three and four the study adopted Relative index importance (RII).

Table 3.1 Showing the Analytical Tools to be adopted

Objectives	Analytical Tools
To identify the various forms of real estate investment in the study area	weighted mean
To determine the economic factors that affect direct real estate investment returns in the study area	weighted mean
To ascertain the different elements of risk in real estate investment in the study area	Relative Importance index (RII)

The RII formula adopted is as follows;

$$RII = \frac{\sum W}{A + N} = \frac{5n_5 + 4n_4 + 3n_3 + 2n_2 + n_1}{5N}$$

Where;

W = weighting given to each statement by the respondents and ranges from 1 to 5;

n₅ = strongly agreed; n₄ = agreed; n₃ = undecided; n₂ = disagreed; n₁ = strongly disagreed

A = Higher response integer (5); and

N = Total number of respondents

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

This chapter present the data collected with the questionnaire and the presentation of response and interpretation of data obtained. This enabled the researcher to arrive at a reasonable interpretation and discussion in order to make the necessary conclusion and recommendations.

Based on the population of the study, the researcher administered 166 questionnaires to respondents in the study area, 158 of the questionnaires administered were duly completed and returned.

4.1 Data Analysis

Table 4.1 Respondents socio economic characteristic

Demographic	Frequency	Percentage
Sex		
Male	107	67.7
Female	51	32.3
Total	158	100%
Marital Status		
Single	36	22.8
Married	112	70.9
Separated	10	6.3
Total	158	100%
Age of the Respondents		
25-35 years	35	22.2
36-45 years	97	61.3
46-50 years	20	12.7
51 years and above	6	3.8
Total	158	100%
Educational Qualification		
SSCE	-	-
NCE/ND	40	25.3
HND/B.Sc.	92	58.2
M.Sc/PhD	26	16.5
Total	158	100%
Occupation of Respondents		
Trader	17	10.8
Self-employed	33	20.9
Civil servant	89	56.3
Real Estate	16	10.1
Estate Surveyors and Valuers	3	1.9
Total	158	100%

Source: Field survey, 2022

Table 4.1 examined the demographic information of the respondents. 107 respondents representing 67.9% are males while 51 respondents representing 32.3% are females. It is thus clear that males constituted the greatest number in the sample of respondents who participated. 36 respondents representing 22.8% are single, 112 respondents representing 70.9% are married while 10 respondents representing 6.3% are separated. This implies that majority of the respondents were married. 35 respondents representing 22.2% are within the age bracket of 25-35 years, 97 respondents representing 61.3% are within the age bracket of 36-45 years, 20 respondents representing 12.7% are within the age bracket of 46-50 years, while 6 respondents representing 3.8% are 51 years and above. This implies that those within the age bracket of 36-45 years constitute majority of respondents. 40 respondents representing 25.3% are NCE/ND holders, 92 respondents representing 58.2% are HND/B.Sc holder, while 26 respondents representing 16.5% are M.Sc/PhD holders. From the analysis it can be deduced that majority of the respondents are HND/B.Sc holders. 17 respondents representing 10.8% are traders, 33 respondents' representing 20.9% are self employed, 89 respondents' representing 56.3% are civil servants, 16 respondents representing 10.1% are real estate agents while 3 respondents representing 1.9 % are Estate Surveyors and Valuers. From the analysis above it could be deduced that majority of the respondents were Civil servants.

Table 4.2 Various Forms of Real Estate Investment in Auchi

S/N	Various	SA (%)	A (%)	U (%)	D (%)	SD (%)	Mean	Ranks
1	Residential	80(50.6)	41(25.9)	23(14.6)	10(6.3)	4(2.5)	4.63	1 st
2	Commercial	57(36.1)	47(29.7)	32(20.3)	16(10.1)	6(3.8)	4.60	2 nd
3	Agricultural	77(44.7)	46(29.1)	20(12.7)	10(6.3)	5(3.2)	4.55	3 rd
4	Industrial	66(44.8)	50(31.6)	22(13.9)	15(9.5)	5(3.2)	4.53	4 th
5	Recreational	71(44.9)	57(36.1)	18(11.4)	5(3.01)	7(4.4)	4.49	5 th

Source: Field survey, 2022

Table 4.2 presents the various forms of Real Estate Investment in Auchi, Residential was ranked 1st with a mean score of 4.63 followed by commercial ranked 2nd with a corresponding mean score of 4.60. Agricultural is ranked 3rd with a mean score of 4.55, Industrial is having a mean score of 4.53 and ranked 4th. Recreational is at the extreme bottom with a mean score of 4.49 and the least ranked.

Table 4.3 Economic Factors that Affect Direct Real Estate Investment Returns in Auchi

S/N	Economic Factors	SA (%)	A (%)	U (%)	D (%)	SD (%)	Mean	Rank
1	Corruption and poor legal system	78(49.4)	41(25.9)	25(15.8)	10(6.3)	4(2.5)	4.63	1 st
2	Bureaucratic risk	34(21.5)	57(36.1)	46(29.1)	16(10.1)	5(3.2)	4.58	2 nd
3	Availability of finance from banks	23(14.6)	18(11.4)	33(20.8)	38(24.1)	46(29.5)	4.53	3 rd
4	Economic growth (changes in demand)	62(39.2)	50(31.6)	26(16.5)	16(10.1)	4(2.5)	4.46	4 th
5	Technological developments (productivity of capital)	62(39.2)	42(26.6)	32(20.3)	10(6.3)	12(7.6)	4.41	5 th
6	Economic risk	55(34.8)	63(39.9)	23(14.6)	10(6.3)	7(4.4)	4.41	5 th
7	Government Policies,	71(44.9)	62(39.2)	11(7.0)	8(5.1)	6(3.8)	4.32	7 th
8	Others (depreciation, wage costs, inflation, government policies)	68(43.0)	49(31.0)	20(12.7)	16(10.1)	5(3.2)	4.27	8 th

Source: Field survey, 2022

In table 4.3 the weighted mean score of the various economic factors that affect direct real estate investment returns in Auchi analysed suggests that the various economic factors are corruption and poor legal system ranked 1st with a score of 4.63, followed by Bureaucratic risk ranked 2nd with a mean score of 4.58, Availability of finance from banks is ranked 3rd with a mean score of 4.53 they are followed by the following economic factors: Economic growth (changes in demand), Technological developments (productivity of capital), Economic risk, Government Policies, and Others (depreciation, wage costs, inflation, government policies with mean scores of 4.46, 4.41, 4.41, 4.32, and 4.27 respectively.

Table 4.4 Different Elements of risk in Real Estate Investment in Auchi

S/N	Different Elements	SA (%)	A (%)	U (%)	D (%)	SD (%)	Mean	Ranks
1	Competition in the market risk	108(68.4)	37(23.4)	13(8.2)	-	-	4.60	1st
2	Business risk	58(36.7)	57(36.1)	22(13.9)	16(10.1)	5(3.2)	4.58	2nd
3	The liquidity and risk	77(44.7)	46(29.1)	20(12.7)	10(6.3)	5(3.2)	4.55	3rd
4	The purchasing power risk	97(61.4)	56(35.4)	5(3.2)	-	-	4.55	3 rd
5	The financial risk	46(29.5)	38(24.1)	33(20.8)	23(14.6)	18(11.4)	4.53	5th
6	The interest rate risk	71(44.9)	57(36.1)	18(11.4)	5(3.01)	7(4.4)	4.49	6th
7	Social risks	76(48.1)	78(49.4)	-	-	-	4.49	6 th
8	Natural risks	78(49.4)	70(44.3)	4(2.5)	-	-	4.46	8 th

Sources, field Survey, 2022

Table 4.4: examine the different elements of risk in Real Estate Investment in Auchi; competition in the market risk was ranked 1st with mean score of 4.60; Business risk, the liquidity and risk and the purchasing power risk are ranked 2nd and 3rd with a mean score of 4.58 and 4.55 respectively. The financial risk is having a mean score of 4.53 and ranked 5th. The interest rate risk, Social risks, and Natural risks are at the extreme bottom with mean scores of 4.49, 4.49 and 4.46 and are ranked 6th, 7th and 8th respectively.

4.2 Discussion of Finding

Data were analyzed based on the responses gotten from the questionnaires distributed. One hundred and sixty six (166) questionnaires were administered, while one hundred and fifty eight (158) was retrieved representing 95.2%. Analysis was made on the socio economic background of the respondents and the research questions were also treated. Data were analyzed based on the responses gotten from the questionnaires distributed. One hundred and sixty six

(166) questionnaires were administered, while one hundred and fifty eight (158) was retrieved representing 95.2%. Analysis was made on the socio economic background of the respondents and the research questions were also treated. 67.9% of the respondents were males while 32.3% of the respondents were females. It is thus clear that males constituted the greatest number in the sample of respondents who participated. 22.8% of the respondents were single, 70.9% of the respondents were married while 6.3% of the respondents were separated. This implies that majority of the respondents were married. 22.2% of the respondents were within the age bracket of 25-35 years, 61.3% of the respondents were within the age bracket of 36-45 years, 12.7% of the respondents were within the age bracket of 46-50 years, while 3.8% of the respondents were 51 years and above. This implies that those within the age bracket of 36-45 years constitute majority of respondents. 25.3% of the respondents were NCE/ND holders, 58.2% of the respondents were HND/B.Sc holder, while 16.5% of the respondents were M.Sc/PhD holders. From the analysis it can be deduced that majority of the respondents are HND/B.Sc holders. 10.8% of the respondents were traders, 20.9% of the respondents were self employed, 56.3% of the respondents were civil servants, 10.1% of the respondents were real estate agents while 1.9 % of the respondents were Estate Surveyors and Valuers. From the analysis above it could be deduced that majority of the respondents were Civil servants.

Using descriptive statistical analysis as illustrated in table 4.2. Findings show that the various forms of Real Estate Investment in Auchu are residential, commercial, agricultural, Industrial and Recreational.

Using descriptive statistical analysis as illustrated in table 4.3. Findings show that the various economic factors that affect direct real estate investment returns in Auchu are corruption and poor legal, bureaucratic risk, availability of finance from banks, economic growth (changes

in demand), technological developments (productivity of capital), Economic risk, Government Policies, and others (depreciation, wage costs, inflation, government policies

Using descriptive statistical analysis as illustrated in table 4.4 Findings show that the different elements of risk in Real Estate Investment in Auchu are competition in the market risk; Business risk, the liquidity and risk and the purchasing power, the financial risk is, interest rate risk, Social risks, and Natural risks.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

The research evaluates the Analysis of the Risk and Its Factor on Direct Real Estate Investment in Auchi. The summary of findings is as follow:

1. Findings show that the various forms of Real Estate Investment in Auchi are residential, commercial, agricultural, Industrial and Recreational.
2. Result also show that the various economic factors that affect direct real estate investment returns in Auchi are corruption and poor legal, bureaucratic risk, availability of finance from banks, economic growth (changes in demand), technological developments (productivity of capital), Economic risk, Government Policies, and others (depreciation, wage costs, inflation, government policies
3. Findings revealed that the different elements of risk in Real Estate Investment in Auchi are competition in the market risk; Business risk, the liquidity and risk and the purchasing power, the financial risk is, interest rate risk, Social risks, and Natural risks.

5.2 Conclusion

Nigeria, the seventh most populous country in the world with abundance of natural resources and a well-developed legal, communication, transport and financial sector should be investors target for real estate business in Africa. Real estate investment in Nigeria will not be without risk but the gains outshine the risk. An investor that comes into the market without a detail understanding of the challenges can be frustrated. The processes of real estate transaction are slower and the absence of secondary market makes marketing of real estate properties difficult, this is also responsible for high rate of real estate vacancy in Nigeria. For easy sail, the

best approach is for foreign investors to partner with local investors who are already used to the challenges of real estate investment in Nigeria. These local investors are also familiar with prospective clients who have earned their trust overtime. Unlike in developed countries, where real estate vacancy and real estate properties can generally be assessed online, in Nigeria there is less exposure of real estate properties online and the platform is yet to gain the full confidence of exploiters of real estate. People generally prefer to make enquiries from real estate firms and registered agents; this further reinforces the advantage of foreign and local partnership.

The existence of the real estate investment risks is great threat for investors and enterprises, and in this competition intense society, an enterprise to develop well, the development project must be succeed, must does a good job of risk management. Investors should be more rational when they treat problems, analyze and solve problems. And, risk management is not just a thing, the government should also actively involved, finally find suitable regulation and control policy of our country, through two parties work together to achieve the steady development of real estate market.

5.3 Recommendations

Based on the findings and conclusion made, the study recommended the followings:

1. Investors, when investing should consider other real estate diversification techniques rather than diversification within a particular real estate submarket, not just basing their investment decisions on the high level of return that could be realised in investing in properties within a submarket.
2. The investor should not only look at the return aspect of investment as performance indicator, risk (measured by the level of uncertainty) should also be considered alongside with return when making investment decision.

3. In addition, investors should explore the potential of diversification benefit inherent in investment and hereby ensure a proper investment mix.

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APPENDIX

Department of Estate Management and Valuation
School of Environmental Studies
Auchi Polytechnic,
Auchi.

Dear Respondents,

I am a student of the above Department and Institution. As requirement for the award of Higher National Diploma (HND) in Estate Management and Valuation. I am writing on the above research topic “**Analysis of the Risk Factors on Direct Real Estate Investment in Auchi**”.

This research is purely met for academic work and all information provided will be treated with utmost confidentiality. Therefore, I ask for your sincerity and honesty in providing the needed answer as it will be most helpful to complete this research work.

Thank you for your cooperation.

Yours faithfully

IGBINEDION OSARETIN
Researcher

QUESTIONNAIRE

Instruction: Please Tick [] in the option you consider correct from the alternative given below.

SECTION A: BACKGROUND INFORMATION OF RESPONDENTS

1. **Gender:** Male () Female ()
2. **Marital Status:** Married () Single () Separated ()
3. **Age** (1) 25-35 years () 36-45 years () 46-50 years () 51 years and above ()
4. **Educational Level:** SSCE () NCE/ND () HND/B.Sc () M.Sc PhD ()
5. **Occupation:** Trader () self-employed () Civil servant () Real Estate () Estate Surveyors and Valuers ()

SECTION B: ITEMS RELATED TO THE RESEARCH QUESTIONS

KEY

5 - Strongly Agree

4 – Agree

3-Undecided

2 - Disagree

1 - Strongly Disagree

Question I:

What are the various forms of Real Estate investment in Auchi?	5	4	3	2	1
Residential					
Commercial					
Industrial					
Agricultural					
Recreational					

Question II: What are the economic factors that affect direct real estate investment returns in Auchi

What are the economic factors that affect direct real estate investment returns in Auchi?	5	4	3	2	1
Availability of finance from banks					
Economic growth (changes in demand)					
Technological developments (productivity of capital)					
Government Policies,					
Corruption and poor legal system					
Bureaucratic risk					
Economic risk					
Others (depreciation, wage costs, inflation, government policy)					

Question II: What are the different elements of risk in real estate investment in the study area?

What are the different elements of risk in real estate investment in the study area?	5	4	3	2	1
Competition in the market risk					
Business risk					
The liquidity and risk					
The purchasing power risk					
The financial risk					
The interest rate risk:					
Social risks					
Natural risks					