

# DETAIL Real Estate Business Series – Unlocking Financing Opportunities for the Real Estate Market

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#EventHighlights



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The DETAIL Real Estate Business Series was hosted on the 8th of June 2023 at DCS Place, Lagos, with a focus on the Nigeria Real Estate sector, and brought together a panel of industry professionals and attendees for presentations and discussions on the theme: 'Unlocking Opportunities: Real Estate Financing for Success'.

The panel session, moderated by Olawunmi Alade, Associate Partner at DETAIL, featured Saadiya Aliyu Aminu (MD/CEO of Urban Shelter LTD), Tola Akinhanmi (Executive & Head Real Estate Finance at Stanbic IBTC), Adetola Nola (CEO of Veritasi Homes Limited), and Ereifemi Akeredolu (MD/CEO of Cardinal Stone Trustees Limited).

## **Key Takeaways from the Real Estate Business Series Event:**

- Nigeria's real estate sector is the country's 5th largest contributor to GDP growth by 5.31% as at Q1 2023.
- There is a prediction that real estate sector growth will be tethered to anticipated overall GDP growth, based on policies being floated by Nigeria's new administration and buoyed investor confidence.
- Macroeconomic factors such as interest and inflation rate, and alignment on foreign exchange rate, among others, impact the real estate sector.
- A risk of mismatch between the duration for real estate projects and the duration of financing continues to exist, and it was recommended that a healthy mix of debt and equity financing options, as against relying on a single financing option for projects, is typically advisable.
- The cost of funding real estate projects is stifling, and bank loans are better used as bridge financing.
- Major reforms expected under Nigeria's new administration includes tax credit initiatives, lower interest lending, unification of the FX rates, and economic growth through higher oil production.
- Regulatory reforms such as direct financial interventions are required in the real estate sector to enhance players in the sector, similar to the support made available to the agriculture and power sectors by the Central Bank of Nigeria.
- There is a need to simplify and remove bureaucratic bottlenecks in processes for owning and transferring ownership of real estate in Nigeria and improving land management systems.
- Amendment of laws and regulations guiding the real estate, such as the Land Use Act.

- A boost in demand for the residential asset class is likely, following the National Pension Commission approval for the use of retirement savings account as equity contribution for mortgages.
- Some key factors which real estate participants ought to consider when seeking financing are positive leverage, capital structure, and nature of project/asset type being financed.
- Ease of accessing financing can be impacted by the activities of other developers in the sector. As a buffer, real estate companies seeking to raise funds from the capital market must ensure that they have a good investment grade rating and adhere to good corporate governance practices.
- The use of professional advisers, such as financial advisers, legal advisers, etc would help place upstart real estate companies, in a more viable structure for accessing finance.
- Real estate stakeholders at their early stages are advised to establish relationships, leverage network, and share key information with like-minded individuals with the aim of establishing a market presence.
- Recent building collapses, loan defaults, and other hurdles continue to confront players within the sector. As such, extensive due diligence is now required for real estate projects.
- Furthermore, customers should imbibe the culture of demanding for quality test certificates and evidence of acquired approvals before buying housing products in Nigeria.
- A cross-sectoral collaboration with strong lobbying groups like the Nigeria Economic Summit Group is highly recommended for achieving improved public sector engagement on behalf of real estate industry stakeholders.

We thank the participants, and we hope to continue collaborating in driving the real estate industry forward!

For any questions and inquiries, please contact us at [info@detailsolicitors.com](mailto:info@detailsolicitors.com).

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