

Chapter One

Introduction

1.1 Background to the Study

Real estate consists of land and its permanent structures. It is a vital component of Nigeria's economy. It includes residential, commercial, and industrial properties, playing a critical role in providing shelter, creating investment opportunities and generating wealth¹. In Nigeria, real estate contributes significantly to Gross Domestic Product and is instrumental in urbanization and employment generation. Abeokuta, the capital of Ogun State, exemplifies the potential of real estate as it continues to attract investment due to its proximity to Lagos, growing population and strategic location². Real estate development refers to the process of acquiring land, planning, financing and constructing properties for various uses. This multifaceted process plays a vital role in shaping urban landscapes and addressing societal needs such as housing and infrastructure³.

Real estate development plays a critical role in economic growth, infrastructure modernization, and urbanization. It encompasses the creation of residential, commercial and industrial properties, driving job creation and wealth generation. Internationally, sustainable development and smart cities have become focal points, integrating technology to enhance urban living conditions. Countries like China and the United States lead in real estate development, leveraging innovative financing models and Public-Private Partnerships (PPPs). For example, urban redevelopment in China has been supported by integrated credit risk assessment frameworks, fostering confidence among financial institution⁴.

Real estate development is a cornerstone of economic growth, particularly in urban regions where rapid population growth has intensified the demand for housing and commercial spaces⁵.

Real estate development in Abeokuta has been shaped by increasing urbanisation, the construction of government-backed housing estates and private investments in mixed-use projects. Real estate development plays a crucial role in urbanization, economic growth and social transformation, contributing to infrastructure, employment and economic stability. In Abeokuta, the capital of Ogun State, exemplifies the interplay between government-driven infrastructure and private real estate investments. The development of the 42 km Sagamu-Abeokuta Interchange and the Kobape Housing Estate highlights the role of infrastructure in boosting real estate activities. Real estate development has emerged as a pivotal driver of urban growth and modernization, impacting both residential and commercial sectors⁶. However, challenges such as inadequate infrastructure and rising construction costs hinder growth in the region³.

The foundations of modern commercial banking date back to the early European banking systems, which were rooted in the practices of merchants and traders in the middle Ages. The earliest known banks were established in Venice and Genoa during the 12th and 13th centuries, as merchants needed facilities to safeguard wealth and facilitate trade across regions⁷. The 17th and 18th centuries saw a significant expansion of commercial banking activities, particularly in England, where the establishment of the Bank of England in 1694 set the stage for modern banking practices. This era marked the beginning of central banking, which was integral to the development of commercial banks. The Bank of England's role in

lending to the government and managing the nation's currency influenced the establishment of commercial banks across Europe and eventually spread to other parts of the world⁷. Commercial banks are crucial in providing the necessary capital for real estate projects. Their involvement is vital because real estate development often requires substantial financial resources that exceed the capacity of individual investors or developers⁸. The activities of commercial banks significantly influence the real estate sector, particularly in emerging economies where access to credit and financial stability are critical drivers of property development. In Nigeria, commercial banks play a major role in financing real estate projects by providing mortgage loans, construction financing and investment capital, all of which are pivotal for urban development and economic growth⁵.

However, the willingness of these banks to finance real estate projects is influenced by various factors, including economic conditions, regulatory frameworks, risk assessments and the overall stability of the real estate market⁹. Similar to a catalyst, real estate not only acts as an engine that drives all other economic sectors but also boosts an area's development rating. It has been found to contribute significantly to the Gross Domestic Product (GDP) of a country. In Abeokuta, banks are cautious about financing real estate due to concerns over market volatility, the long-term nature of projects, and challenges related to property rights and registration¹⁰. Despite these challenges, the city's growing demand for housing and commercial spaces presents opportunities for financial institutions willing to invest in viable projects¹.

1.2 Statement of the Problem

Despite the growth potential in Ogun State's real estate sector, obtaining financing from commercial banks remains a significant hurdle for developers. Commercial banks often perceive real estate projects as high-risk investments due to the long-term nature of these projects, market volatility and the potential for economic downturns¹¹. This perception leads to stringent lending criteria, higher interest rates, and in some cases, outright refusal to finance real estate projects⁹.

The reluctance of commercial banks to finance real estate development in Ogun State has resulted in a financing gap, limiting the ability of developers to undertake large-scale projects. This gap not only affects the growth of the real estate sector but also hinders economic development in the region¹². Therefore, understanding the willingness of commercial banks and the factors that influence commercial banks' willingness to finance real estate projects is essential for developing strategies to bridge this financing gap.

1.3 Aim and Objectives of the Study

The aim of the study was to investigate the willingness of commercial banks in financing real estate development in Ogun State, Nigeria with a view to providing information that would enhance commercial bank development financing decision making.

The objectives were to:

- i. examine the profiles of selected commercial banks and development organizations in Ogun state, Nigeria;

- ii. identify various real estate developments financed by commercial banks in the study area;
- iii. assess the criteria required for financing real estate development by commercial banks in the study area;
- iv. examine factors influencing the willingness of commercial banks in financing real estate development in the study area.

1.4 Research Questions

This study addressed the following research questions:

1. What are the profiles of selected commercial banks and development organizations in the study area?
2. What are the various real estate developments financed by commercial banks in the study area?
3. What are the criteria required for financing real estate development by commercial in the study area?
4. What are the factors influencing the willingness of commercial banks in real estate development financing in the study area?

1.5 Significance of the Study

Many studies have been carried out on the impact of real estate financing on financial performance of commercial banks, factors influencing residential real estate finance in Nigeria. Some of these studies concluded those high interest rates, high capital outlay for real estate projects, are the major factors influencing real estate finance. Therefore, there is need

to carryout study to assess the commercial banks willingness in real estate development finance in Ogun state. It will serve as a guide to real estate developers and financial institution in the study area.

This study is significant for several reasons. Firstly, it contributed to the existing body of knowledge on real estate financing in Nigeria, with a focus on Ogun State. By identifying the factors influencing commercial banks' willingness to finance real estate projects, this study provides insights that can be used by policymakers, financial institutions and real estate developers to address the challenges of real estate financing¹¹. Secondly, the findings of this study will help to develop strategies that can encourage greater participation of commercial banks in real estate financing, thereby promoting the growth of the real estate sector in Ogun State¹⁰. At the end of this research, it enhanced more collaborative real estate projects between the real estate developers and commercial banks

1.6 Scope of the Study

The scope of the study in geographical terms is Abeokuta being the capital of Ogun state and centre business districts; where rapid development takes place as a result of Lagos-Abeokuta inter-linkage. This study focused on commercial banks and real estate developers domiciled in Abeokuta Ogun State, Nigeria. The study covered commercial banks operating in Abeokuta being the capital of the state and also considering their involvement in financing various types of real estate projects, including residential, commercial and industrial developments. The respondent includes the staff of commercial banks, developers belonging to Real Estate Developers Association of Nigeria (REDAN), Estate Surveyors and Valuer in the study area.

1.7 The Study Area

Abeokuta is used as the study area, because it is the capital of the Ogun state and seat of power where decision are being made. The office branches of the respondent which is located at Abeokuta. There is rapid industrialization growth in the study area as a result of Lagos-Abeokuta inter-linkage which has brought expansion of developments in real estate. Therefore, this makes Abeokuta more suitable than the other cities in Ogun state for the study area.

About 1830, Sodeke, a hunter and leader of Egba refugees who had escaped the collapsing Oyo Empire, established Abeokuta. Missionaries also established in the town.

Abeokuta is capital city of Ogun state in southwestern region part of Nigeria. Its coordinates are 7 09' 39'' North as latitudes, and longitudes 3 20' 54'' East of the equator. It is located around a collection of rocky outcroppings that rise above the nearby forested savanna on the east side of the Ogun River. Abeokuta is the largest and populous city in Ogun State with the population of over 500,000 peoples. It is a growing primate urban centre and is developing rapidly.

In terms of socio-economics activities Abeokuta is fast growing as a result of the presence of local resources and rapid population growth. There are numerous modern economic activities in the city which includes banks, insurance houses, olumo rocks, modern and traditional market¹³.

Modern Abeokuta is an agricultural trade centre which includes agricultural products such as rice, yams, cassava and maize with exporting points for cocoa, kolanut and palm produce.

Additionally, it houses the federal Ogun-Osun River Basin Development Authority's headquarters, which oversees projects to use land and water resources for rural development.

Abeokuta has over 200 nursery and primary schools, over 100 secondary schools, 1 technical college, 1 federal College of Education, 1 polytechnics private and public universities. It also has two federal government Health Institutions, eight state government hospitals. Abeokuta has attracted both public and private investors in outdoor recreational facilities¹⁴.

1.8 Limitations of the Study

Despite the relevance and depth of this study, several limitations were encountered during its execution. Some commercial banks were reluctant to give detailed financial data or internal strategies related to real estate financing, citing confidentiality concerns. This limited the ability to conduct a more thorough quantitative assessment of their financial commitment to real estate development.

The study was limited to commercial banks and organizations operating within Ogun State. Therefore, the findings may not fully represent the experiences or policies of banks operating at a national level or in other states with different market dynamics. The duration of the research and limited funding restricted the scope of data collection and analysis. A broader sample size across more institutions and local government areas might have produced more generalizable results.

1.9 Operational Definition of Terms

- **Commercial Bank:** is a financial institution that offers real estate loans, financial grants for the development of real estate.
- **Real Estate:** refer to the land and any other permanent additions, such as homes, or improvements, whether man-made or natural, that are connected to the land. It can be used for commercial, industrial and residential purposes.
- **Real Estate Development:** refers to the process of acquiring land, planning, financing and constructing properties for various uses.
- **Real Estate Finance:** involves the provision of capital to support the acquisition, development, or improvement of properties. It also means any financings in the nature of indebtedness secured by the interest in real property.
- **Willingness:** involves the readiness to allocate resources towards projects in a manner aligned with organizational goals, risk tolerance and regulatory framework.

Endnotes

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Chapter Two

Literature Review

This chapter provides a comprehensive review of the literature related to commercial banks' involvement in real estate development financing. It explores the conceptual and theoretical review that underpins real estate financing, examines the factors influencing banks' willingness to finance real estate projects and identifies the challenges faced by banks in this context. The chapter concludes with an assessment of strategies to improve banks' participation in real estate financing.

2.1 Conceptual Review

The conceptual review for the study will look into concept of commercial banks, real estate, real estate development, real estate developer, real estate finance, commercial banks financing policies, concept of commercial banks in financing real estate development.

2.1.1 Commercial Banks

Any society's broad public is served by commercial banks, which are crucial financial intermediaries. Commercial banks typically own more assets than any other type of financial institution, and in certain situations, they even possess more than the central bank. Commercial banks support growth and development in addition to their many other roles. Banks lends in various areas or sectors of the economy¹. From the perspective of the building and construction industry, they support investment, job generation, and consequently the infrastructure and economic growth².

For many developers, commercial banks are a major source of funding for real estate developments. The three primary functions of banks, which are money-creating financial

institutions, are deposit acceptance, lending and giving, and payment and mechanism operator settling. The banks get their funding mostly from two³.

2.1.1a Reserve and Capital

The capital bank is responsible for the capital stock and debenture, while the reserve is responsible for surpluses and undistributed profit. Debentures are securities or debt instruments that banks issue to raise money over an extended period of time. The debentures are expressly subordinated debts; they do not represent ownership. Only after all depositors have been reimbursed in full will the debenture be paid in the event of a bank liquidation. As a result, it offers other creditors protection just like any other capital account.

2.1.1b Deposits

The sum that the bank owes its clients is categorized as bank deposits. When someone deposits money into the bank, the money becomes the bank's property and can be used anyway the bank sees fit, it can be used for lending purposes or to pay for current expenses or idle funds. Banks are keen to draw in new deposits due to the requirement for more reserves and an increase in lending power. No commercial bank can function properly without sufficient savings.

There are various forms of deposit accounts provided by commercial banks, which include: deposits of Time Saving, account deposits, current account deposits³.

In commercial bank operations, the edifice of these deposits plays an important role. The more time deposits, for instance, the better the bank is placed to undertake term loans. Banks like to lend on a correspondingly short-term basis because bank deposits are typically and theoretically repayable on demand or with little notice. In a similar vein, commercial banks

lend primarily for short-term reasons due to their requirement to maintain a high liquidity ratio.

2.1.2 Types of Finance Provided by Commercial Banks

Commercial banks provide different types of financing for real estate development based on the duration of loans, which can be categorized as short-term, medium-term and long-term. Each type is tailored to meet specific project phases, ensuring that developers have access to adequate funding at different stages of real estate development.

2.1.2a Short-Term Financing

Short-term loans typically have a repayment period of less than one year and are used to address immediate financial needs during the early stages of a real estate project.

Construction Loans: Construction loans are a common form of short-term financing provided to cover costs such as land acquisition, site preparation, and initial building works. These loans are disbursed in tranches tied to project milestones, ensuring funds are used for intended purposes⁴. In Abeokuta, commercial banks often require detailed project plans and feasibility studies before approving construction loans. Developers face challenges with high interest rates and stringent collateral requirements, which can delay project initiation⁵.

Bridge Loans: Bridge loans are short-term financing options used to maintain cash flow during project transitions, such as completing ongoing construction while waiting for long-term financing or revenue from sales. Bridge loans are critical in mitigating delays caused by financial constraints⁶. However, they often come with higher interest rates due to their short duration and risk profile.

2.1.2b Medium-Term Financing

Medium-term loans typically have a repayment period of 1 to 5 years and are designed to fund specific phases of a real estate project or support smaller-scale developments.

Term Loans: Term loans are medium-term financing options provided for project development or property acquisition. These loans usually have fixed repayment schedules and interest rates. Term loans are commonly used for funding commercial properties such as office spaces or small shopping centers⁷. In Ogun State, including Abeokuta, term loans are approved based on the project's financial viability and the borrower's creditworthiness. Developers are required to provide detailed revenue projections and collateral to secure these loans⁸.

Mezzanine Financing: Mezzanine financing, which combines debt and equity features, is another form of medium-term funding. It is often used to supplement other financing types and provides developers with additional capital while allowing lenders to share in the project's profits. While less common, this type of financing is growing in Nigeria's urban centers, including Abeokuta⁹.

2.1.2c Long-Term Financing

Long-term loans typically extend beyond five years and are critical for funding large-scale real estate projects and property ownership.

Mortgage Loans: Mortgage loans are long-term financing options that allow individuals or organizations to acquire real estate properties by spreading payments over an extended period.

Mortgages are secured by the property itself, which serves as collateral. Mortgages are essential for increasing home ownership rates, especially in cities like Abeokuta, where affordable housing remains a significant challenge. While mortgage loans offer flexibility in repayment, high interest rates and limited access to financing reduce their accessibility for low- and middle-income earners¹⁰.

Syndicated Loans: Syndicated loans involve a consortium of banks pooling resources to finance different large-scale real estate projects with extended durations. These loans are typically used for mixed-use developments, luxury housing estates and major commercial hubs. Syndicated loans are preferred for projects requiring substantial capital investment, as they distribute risk among multiple lenders⁹.

Real Estate Investment Trusts (REITs): Although not a traditional loan, REITs provide long-term investment in real estate by pooling funds from multiple investors. Banks play a key role in structuring and managing REITs, which support property development and management over extended periods. REITs are gradually gaining popularity in Nigeria, including in Abeokuta, as an alternative to direct real estate financing¹¹.

2.2 Financing Processes in Commercial Banks

The process of real estate development financing encompasses a series of structured steps that guide the interaction between commercial banks and real estate developers. These steps are designed to mitigate risks, evaluate project viability, and ensure successful project delivery. This section explores the main stages of real estate financing, including loan application, credit assessment, loan disbursement, project monitoring and repayment.

2.2.1 Loan Application

The first stage in financing real estate development is the submission of a loan application by the developer. This application typically includes detailed project documentation, such as feasibility studies, market analysis, projected cash flows and collateral information¹². In Abeokuta, developers often face challenges at this stage due to incomplete or inadequate project documentation, which can delay the application process or lead to outright rejection¹³.

Additionally, financial institutions demand comprehensive business plans to assess the project's potential profitability and alignment with their risk tolerance. Banks prioritize projects with clear revenue streams, such as pre-leased commercial spaces or guaranteed buyers for residential units¹⁴.

2.2.2 Credit Assessment

Once a loan application is submitted, banks conduct a rigorous credit assessment process. This involves evaluating the developer's financial health, project feasibility and the broader market environment. Credit scoring models, stress tests and risk analysis tools are commonly used to quantify the risks associated with lending to developers¹⁵.

In the Nigerian context, this stage is critical due to the high level of uncertainty in the real estate market. Many banks in Abeokuta consider macroeconomic factors, such as inflation and exchange rate fluctuations, during the credit assessment process¹⁶. These factors influence banks' willingness to extend loans to developers and may result in stricter loan terms.

2.2.3 Loan Structuring and Approval

Once the credit assessment is favorable, banks proceed to structure the loan. Loan terms are designed to fit the project's specific needs, often dividing the loan into short-term construction financing and long-term mortgages. Approval is contingent on securing adequate collateral, which is typically the property under development. Developers must meet stringent conditions, as banks prioritize risk mitigation⁸.

2.2.4 Loan Disbursement

If the credit assessment is favorable, the loan proceeds to the disbursement stage. Banks typically release funds in tranches tied to specific project milestones, such as land acquisition, foundation laying, or structural completion¹⁷. This phased disbursement approach helps ensure that funds are used for their intended purposes and reduces the risk of project abandonment.

Commercial banks adhere to strict monitoring protocols during this stage. Failure to comply with these regulations can lead to penalties or withdrawal of the bank's operating license¹⁸. Consequently, banks in Abeokuta often employ external consultants to oversee the disbursement and utilization of funds.

2.2.5 Project Monitoring and Evaluation

Ongoing monitoring and evaluation are essential to ensure that the project adheres to agreed timelines and budgets. Commercial banks conduct regular site visits and require periodic progress reports from developers. Robust monitoring mechanisms not only reduce the likelihood of project failure but also strengthen the relationship between banks and developers¹⁴.

However, monitoring in Abeokuta is often hindered by inadequate regulatory enforcement and a lack of skilled personnel¹². Banks have addressed these challenges by adopting technology-driven solutions, such as project management software and remote monitoring tools¹⁵.

2.3 Commercial Banks Financial Policies in Nigeria

The financial policy of commercial banks in Nigeria is shaped by a combination of regulatory mandates from the Central Bank of Nigeria (CBN) and internal strategies employed by individual banks. These policies determine how banks manage their reserves, extend credit and navigate market risks. The CBN's monetary policy plays a pivotal role in influencing interest rates, liquidity ratios and foreign exchange regulations¹⁹. These factors directly affect the lending behavior and investment strategies of commercial banks.

Moreover, Nigerian commercial banks are subject to the prudential guidelines issued by the CBN, which set out requirements for capital adequacy, liquidity and risk management. Adherence to these guidelines is crucial for maintaining financial stability and ensuring the banking system's resilience against external shocks²⁰.

2.3.1 Capital Adequacy and Liquidity Management

One of the most critical aspects of financial policy in Nigerian commercial banks is capital adequacy. The Capital Adequacy Ratio (CAR) is a measure of a bank's financial strength, ensuring that banks hold sufficient capital to cover potential losses. The CBN requires banks to maintain a minimum CAR of 10%, though systemically important banks are subject to higher thresholds²¹. This policy ensures that banks can absorb losses during economic downturns, thereby protecting depositors and maintaining confidence in the financial system.

Liquidity management is another essential component of financial policy. Nigerian banks are mandated to maintain a minimum liquidity ratio to ensure they have enough liquid assets to meet short-term obligations. Effective liquidity management helps banks avoid solvency issues, particularly in times of market volatility²². Failure to meet liquidity requirements can result in severe penalties from the CBN, including fines or, in extreme cases, the revocation of a banking license.

2.3.2 Risk Management and Lending Practices

Effective risk management is fundamental to the financial policies of commercial banks. The risk management framework in Nigerian banks is largely shaped by both the CBN's guidelines and international standards such as the Basel III framework. Banks are required to identify, assess and mitigate various types of risk, such as credit risk, market risk and operational risk. Nigerian banks have adopted increasingly sophisticated risk assessment models to comply with these regulatory requirements²³.

Lending practices are a significant focus within financial policies, as they impact both profitability and systemic risk. Commercial banks must balance the need for profitable

lending with prudent risk management. For instance, excessive exposure to non-performing loans (NPLs) can severely affect a bank's balance sheet, necessitating stricter credit policies²⁴. Recent reforms by the CBN, such as the directive to maintain a minimum Loan-to-Deposit Ratio (LDR) of 65%, are aimed at encouraging banks to extend more credit to the private sector while maintaining adequate risk controls²⁵.

2.3.3 Impact of Financial Policies on Economic Growth

The financial policies of commercial banks in Nigeria have far-reaching effects on the broader economy. Adequate capital buffers and sound risk management practices contribute to financial stability, which is a prerequisite for sustainable economic growth. Banks efficiently allocate credit to productive sectors of the economy, such as agriculture and manufacturing, they play a vital role in driving economic expansion²⁶. On the other hand, poor financial management or excessive risk-taking by banks can lead to instability, which may result in economic contraction, as seen during the 2009 banking crisis in Nigeria²⁷.

2.4 Real Estate

Land or immovable items, often referred to as chattels or legally movable items, are referred to as real estate and personal property. In addition to the exclusive right to the future profits of an economic product, property is the sole right to own, enjoy, and dispose everything that may be the subject of ownership.

2.4.1 Types of Real Estate

There are different types of real estate. Whereas some authors classed real estate kinds based on the nature and owner of the property, others categorized real estate types based on the use of the property. Real property is classified into six according to the use which the property is put namely;

Agricultural Property: This refers to properties such as farms, farm ranches, and poultry houses that are utilized for crop cultivation and animal rearing. etc.

Residential Property: This refers to homes that are utilized as living quarters, such as bungalows, duplexes, apartments, and single-room units. etc.

Commercial Property: These are properties, such as shops, offices, and stores that are primarily used for purchasing and selling. etc.

Recreational Property: This includes establishments used for leisure, such as theme parks, spas, lodging facilities, game reserves, clubs, and museums.

Special Purpose Property: These are properties that are intentionally constructed to fulfill a certain purpose and are not accessible or readily available on the real estate market. e.g. churches, mosques, shrines schools²⁸.

2.4.2 Characteristics of Real Estate

Real estate has endowed special features that distinguish it from other forms of property. The special features of real estate include;

Tangibility: a real estate investor has the opportunity to visit their investment, talk to the occupants or tenants, and show off their property to friends and relatives. Because of these qualities, a real estate investor can exert some physical control over their investment.

Requires Management: real estate must be managed to maintain continuity because it is durable in nature e.g. When aging begins to set in, it is necessary to handle tenant complaints, take care of landscaping, and renovate. etc.

Inefficient Market: There is information asymmetry among market participants, which has the benefit of enabling those with specialized knowledge, resources, or experience to make larger profits.

High Transaction Costs: Private market real estate comes with a lot of expenses, including commissions from real estate agents, purchase and sale costs, attorney fees, engineer fees and numerous additional expenses that may cause the effective buying price to exceed the amount the seller will truly get.

Lower Liquidity: There is no public exchange for the trading of real estate, with the exception of real estate securities. Because transactions must be mediated privately and there may be a significant delay between when you decide to sell a property and when it is sold, this makes real estate more challenging to sell.

Underlying Tenant Quality: This is taken into consideration because investing in real estate involves both the acquisition of the actual property and the rental revenue stream. The risk of the investment is higher if the renters are likely to miss their monthly or annual payments, which is not the case with other kinds of investments.

Variability among Regions: When investing in real estate, location is crucial. The performance of a piece of real estate can vary greatly throughout nations, areas, cities, and even within any urban area. When making real estate investment decisions, taking regional differences into account is crucial since they have a significant influence on the final returns from the selection of properties in the market.

Heterogeneity: Different properties have different locations, sizes, and construction materials. It is also flexible, meaning that it may be used for home purposes as well

High Cost of Purchase Relative to Current Income: The cost of buying real estate is frequently greater than the investor's relative current income, and it is occasionally not possible to finance it using equity capital, which calls for mortgage financing²⁹.

2.5 Real Estate Development

Real estate development can be defined as the planning, building and financing of real estate projects that range from small residential buildings to commercial and industrial complexes. It is a multifaceted sector that plays a critical role in shaping urban landscapes and influencing economic trends.

Real estate development refers to the process of improving land or properties for the purpose of creating new uses or enhancing existing uses. It encompasses activities from the purchase of raw land to the sale or leasing of the finished product. These activities typically include planning, financing, construction and marketing. Real estate development is integral to urban growth and transformation, contributing significantly to economic and social changes²⁹.

Real estate development in Nigeria involves the acquisition and improvement of land or existing buildings for commercial, residential, or industrial use. Real estate development is a process that starts from the conception of an idea, through the acquisition of land and culminates in the construction and disposition of the property³⁰. It includes several key stages such as feasibility analysis, site acquisition, financing, construction and marketing.

2.5.1 Stages of Real Estate Development

The process of real estate development is multifaceted, generally following stages that require different levels and types of capital. These stages are as follows:

Land Acquisition Phase: here developers often rely on bank loans or private funding to secure prime locations for future developments, as this phase is capital-intensive but critical for ensuring the project's success. Real estate financing at this stage is often influenced by location, zoning regulations and market potential³¹.

Project Planning and Design Phase: this requires additional capital to cover architectural and engineering services, feasibility studies and environmental assessments. Financing institutions may be more selective at this stage, given the potential risks associated with project approval and alignment with market demands.

Construction Phase: this is stage where substantial funding is needed to cover labor, materials and regulatory costs. This stage often involves high financial commitments and is typically supported by construction loans from commercial banks as well as equity from developers or investors.

Marketing and Sale Phase: this is the final stage, where developers seek to recover costs and generate profit. At this point, long-term financing options, such as mortgages or Real Estate Investment Trusts (REITs), play a significant role in ensuring the developed property reaches end-users. The ability to obtain financing throughout each stage of development significantly impacts the viability of real estate projects, as delays or lack of capital can hinder project progress and ultimately its market success.

2.5.2 Challenges in Real Estate Development

The real estate development process in Nigeria is fraught with challenges, including inadequate infrastructure, unstable economic conditions and regulatory bottlenecks. Infrastructure deficits, particularly in electricity, water supply and road networks increase the cost of real estate development and make it difficult for developers to deliver affordable housing or commercial spaces³². Furthermore, inflation and currency devaluation also pose risks to developers, as they may lead to increased costs of construction materials and labor³³.

Land acquisition remains another significant challenge. The Land Use Act of 1978, while aimed at streamlining land ownership, has led to complex land tenure systems that are often difficult to navigate. Disputes over land ownership, delays in obtaining certificates of occupancy and challenges with compensation for land acquisition often result in project delays or increased costs³⁴.

Additionally, corruption within government agencies involved in the land allocation and approval processes is a major impediment to real estate development. According to³⁵, developers are often required to pay bribes to expedite land registration or obtain building permits, which increases the overall cost of development and discourages investment in the sector³⁴.

2.6 Real Estate Financing

Real estate financing is a crucial component of the property industry, involving a range of funding mechanisms and stages of project execution that significantly impact the success and sustainability of real estate projects. Real estate financing refers to the means by which

capital is acquired to fund the acquisition, development, or improvement of properties. This includes a variety of financing types, such as construction loans, permanent loans and mortgage financing³⁶. The availability and accessibility of financing for real estate projects are often determined by economic conditions, regulatory policies and the risk appetite of financial institutions, which together shape the extent of investment in the sector²⁸.

2.6.1 Types of Real Estate Financing

In real estate financing, there are many options that cater to different project needs, primarily categorized as construction financing, mortgage financing and bridge financing.

Construction Financing: this is usually a short-term loan taken out by developers to fund the building phase of a real estate project. These loans are high-risk due to the uncertainty associated with project completion and the market's reception of the development¹¹.

Mortgage Financing: this type of real estate finance is long-term and is often utilized after the construction phase when a property is sold or refinanced by a buyer. Mortgage loans are influenced by interest rates and borrowers' creditworthiness, both of which are significant factors in financing decisions by banks³⁷.

Bridge Financing: this provides short-term capital for projects that are in transition, often to bridge the gap between the initial development phase and securing long-term financing. Bridge loans are essential for developers who require immediate capital but anticipate funding through longer-term financing options upon project completion³⁸. Each of these financing types is essential for different stages of real estate development, offering varied

levels of risk and potential returns for banks and other financial institutions involved in real estate investment.

2.7 Global Trends Influencing Real Estate Financing

Real estate financing has evolved significantly over the past decade, influenced by economic shifts, technological advancements and changing investment strategies. These global trends are reshaping how real estate projects are funded, particularly in developing economies like Nigeria, where market dynamics are increasingly connected to global forces. This section explores key trends that are transforming real estate financing worldwide and their implications for local markets.

2.7.1 Globalization and Cross-Border Investments

The globalization of financial markets has facilitated cross-border investments in real estate, enabling developers to access funding from international investors and financial institutions. This trend is driven by several factors:

Increased Capital Flow: Institutional investors, such as pension funds and sovereign wealth funds, are diversifying their portfolios by investing in real estate markets across emerging economies. In Nigeria, sectors like commercial real estate and luxury residential developments have attracted significant Foreign Direct Investment (FDI), particularly from investors in Europe and Asia.

Access to International Debt Markets: Developers are increasingly turning to international bond markets and foreign banks to finance large-scale projects. These options often provide

lower interest rates and longer repayment terms compared to local banks, making them attractive for high-value developments.

Standardization of Financial Practices: The adoption of International Financial Reporting Standards (IFRS) and real estate valuation methods has enhanced transparency, making emerging markets more accessible to foreign investors³⁷ .

2.7.2 Digital Transformation in Financing

The adoption of digital technologies is revolutionizing real estate financing by introducing new tools and platforms that streamline transactions, enhance risk assessment, and improve accessibility. Key digital trends include:

PropTech (Property Technology): Platforms like Zillow and Rightmove use technology to connect buyers, sellers, and financiers, enabling seamless property transactions. In Nigeria, platforms such as Seso Global are leveraging blockchain to improve property documentation and reduce fraud.

Artificial Intelligence (AI) in Underwriting: AI algorithms analyze market trends, credit histories, and property data to assess risks and predict returns, enabling lenders to make faster and more accurate decisions.

Crowdfunding and Peer-to-Peer Lending: These platforms allow small-scale investors to pool funds for real estate projects, democratizing access to property investment. Crowdfunding has gained popularity in Nigeria, particularly for residential housing projects in urban areas³⁹.

2.7.3 Shift towards Sustainable Financing

Environmental sustainability is now a critical consideration in real estate financing. Investors and lenders are increasingly prioritizing projects that align with Environmental Social and Governance (ESG) criteria. This trend is driven by global efforts to combat climate change and promote sustainable urban development.

Green Bonds and Sustainability-Linked Loans: These financing mechanisms support eco-friendly real estate projects, such as energy-efficient buildings and renewable energy installations. For example, Nigeria issued its first green bond in 2017 to finance sustainable projects, including real estate.

Investor Preferences: Institutional investors are favoring properties with green certifications, which enhance property value and align with sustainability goals.

2.7.4 Emergence of Mixed-Use Developments

Mixed-use developments, which combine residential, commercial and recreational spaces, have become increasingly popular globally. These projects are particularly attractive to financiers because they offer diversified revenue streams and reduce market risk.

Economic Resilience: Mixed-use properties generate income from various sources, such as retail leases, office rentals and residential sales, making them more resilient during economic downturns.

Consumer Demand: Urban populations are seeking convenience and integrated living environments. In Nigeria, developments like Eko Atlantic City in Lagos exemplify the shift toward mixed-use urban projects, attracting both local and foreign investors⁴⁰.

2.7.5 Increased Focus on Affordable Housing

The global housing affordability crisis has led to increased focus on financing affordable housing projects. Governments, private developers and financial institutions are collaborating to address housing deficits through innovative financing solutions⁴¹.

Public-Private Partnerships (PPPs): PPPs enable governments to leverage private sector expertise and funding for affordable housing. In Nigeria, initiatives like the Ogun State Homeowners' Charter aim to streamline property ownership and reduce costs.

Subsidized Loans: Low-interest loans and government-backed mortgages are being introduced to make housing more accessible to low- and middle-income households.

Impact Investing: Socially conscious investors are funding affordable housing projects as part of their impact investment portfolios, prioritizing social benefits alongside financial returns.

2.8 Digital Innovations in Real Estate Financing

The landscape of real estate financing has undergone a significant transformation due to the integration of digital technologies. These innovations have introduced new tools and

platforms that enhance efficiency, transparency and accessibility, fundamentally changing how real estate projects are funded and managed. Below is a detailed exploration of the key digital innovations driving for change in real estate financing.

2.8.1 Blockchain Technology in Real Estate Financing

Blockchain technology is revolutionizing real estate transactions by providing a secure and decentralized ledger system. This innovation ensures that property transactions are recorded in an immutable manner, reducing fraud and enhancing trust between parties. Blockchain can streamline processes such as property title verification, reducing the time and cost involved in traditional methods.

In Nigeria, where property ownership disputes and lack of transparency are common challenges, blockchain technology offers a solution by creating tamper-proof digital records of property ownership and financing. For example, developers and lenders can use smart contracts self-executing agreements on the blockchain to automate payment disbursements once predefined conditions are met.

2.8.2 Digital Platforms

Digital platforms such as crowdfunding and Peer-to-Peer (P2P) lending are democratizing real estate financing. These platforms allow multiple investors to pool funds for real estate projects, breaking down the barriers traditionally associated with large-scale investments.

Crowdfunding platforms like EstateGuru and Fundrise enable individual investors to contribute small amounts to fund real estate developments, earning returns through rental income or property sales. In Nigeria, where access to traditional financing is often limited, these platforms provide an alternative for developers with smaller capital requirements. The trends of real estate crowdfunding in urban areas, driven by the increasing penetration of mobile technology³⁹.

Peer-to-peer lending platforms, on the other hand, connect borrowers directly with lenders, bypassing traditional financial institutions. These platforms use digital algorithms to assess creditworthiness, reducing the time and bureaucracy associated with bank loans. For example, platforms like PayLend in Africa have begun to incorporate real estate-focused lending, addressing funding gaps for small and medium-sized developers.

2.8.3 Artificial Intelligence in Risk Assessment

Artificial intelligence is reshaping how financial institutions assess risk in real estate financing. Artificial intelligent powered tools analyze large datasets, including borrower credit histories, market trends and economic indicators, to generate detailed risk profiles and lending recommendations. This reduces human error and accelerates decision-making processes.

For instance, Nigerian banks like Access Bank have started integrating artificial intelligent systems to evaluate loan applications for real estate projects. These systems consider factors such as location, market demand and borrower financial stability to assess project viability.

2.8.4 Mobile and Online Mortgage Platforms

The rise of mobile and online platforms has simplified the mortgage application process, making real estate financing more accessible. Prospective buyers and developers can now apply for loans, track application statuses and receive approvals entirely online. Mobile apps also allow users to calculate mortgage rates, compare loan offers and receive personalized advice.

In Nigeria, platforms like First Bank's digital mortgage service have gained popularity, especially among the younger, tech-savvy population. These platforms eliminate the need for physical visits to bank branches, reducing processing times and costs. Online mortgage applications increased by 40% during the COVID-19 pandemic, reflecting a shift toward digital solutions³⁹.

2.8.5 Big Data and Predictive Analytics

Big data and predictive analytics are helping lenders and developers make more informed decisions by analyzing market trends, consumer behavior and economic indicators. For example, data-driven insights can identify areas with high demand for housing or commercial spaces, guiding investment decisions.

Predictive analytics also enables lenders to anticipate market fluctuations, assess project viability and adjust financing terms accordingly. Banks using predictive analytics in Nigeria were able to reduce loan default rates by 20%, showcasing the potential of this technology to mitigate risks in real estate financing⁴⁰.

2.9 Commercial Banks and Real Estate Financing

Commercial banks play a pivotal role in real estate financing by providing the capital needed to support the acquisition, development and improvement of properties. The financing offered by banks serves as the backbone for large-scale real estate projects, influencing urban development, housing and economic growth. However, the extent to which commercial banks are willing to finance real estate ventures is determined by a combination of factors including project type, perceived risk and potential return on investment.

2.9.1 The Role of Commercial Banks in Real Estate Finance

In Nigeria, commercial banks provide a variety of loan products specifically tailored to different stages of real estate development. These include

Construction Loans: these are short-term loans intended to finance the building phase of real estate projects. Banks often disburse construction loans in installments, which are contingent on the progress of the project and an assessment of ongoing risks. Construction financing is particularly high-risk due to uncertainties surrounding project completion, real estate market conditions and potential fluctuations in property values.

Mortgage Loans: it constitute a significant portion of the financing provided by commercial banks for real estate. Mortgages are long-term loans that allow borrowers to acquire property by spreading payments over an extended period, thus making real estate ownership accessible to a larger portion of the population. Mortgage financing in Nigeria has been growing in importance as banks expand their services to meet the demands of a rising middle class and urbanization trends. The success and sustainability of mortgage financing are closely linked to economic stability, interest rates and regulatory support from government bodies, all of which impact both the borrower's ability to repay and the bank's overall risk exposure.

Bridge Loans: this is another form of real estate financing provided by commercial banks, especially for developers requiring short-term funding during project transitions. Bridge financing serves to fill the gap between the initial project phases and the acquisition of longer-term financing, or until the project begins generating revenue. However, because of their short duration and higher interest rates, bridge loans are typically used sparingly and only in situations where developers are confident in the project's future cash flow⁴².

2.10 Role of Commercial Banks as Financier for Housing Development in Nigeria

Every economy benefits from the intermediation function of commercial banks. Commercial banks perform a wide range of tasks, including extending loans to different economic sectors⁴². They also perform a number of other tasks, including accepting and safeguarding deposits and other valuables, transferring money, creating money, and promoting banking among the populace, execution of government monetary policies and the creation of job opportunities, just to mention but a few⁴³. Commercial banks provide credit to different

economic sectors primarily in accordance with directives from the Nigerian central bank in order to support the growth of the Nigerian economy.

The commercial banks typically offer short-term credit, while they occasionally offer medium and long-term loans as long as it doesn't negatively impact their liquidity situation of the bank⁴³.

Collateral or securities must be provided for these commercial bank loans in order to support the loan in the event of a default. As stated in the Central Bank of Nigeria Prudential Guideline, commercial banks have lending procedures that must be followed before loans are made. The growth of the economy has benefited greatly from commercial banking operations, particularly from the credit facilities that these institutions provide to different economic sectors. These credits have enhanced both domestic and foreign investments, and it is anticipated that they will help commercial banks achieve their performance goals. Therefore, the aforementioned demonstrates that banks are extremely important to the economy because they provide significant contributions to the financial, social and economic growth of the economy. In a developing country like Nigeria, for example, commercial banks' loan is distributed across numerous places within the country.

2.11 Comparative Analysis of Commercial Banks vs. Other Financial Institutions in Real Estate Development

While commercial banks are key financiers in the real estate industry, their lending policies and risk thresholds often differ from those of other financial institutions like microfinance banks, private equity firms and Real Estate Investment Trusts (REITs). For instance, microfinance banks generally cater to smaller, more localized projects and provide short-term

financing options that might not be suitable for large-scale developments. Unlike commercial banks, which assess real estate loans based on strict risk analysis and repayment potential, microfinance institutions are often more lenient but provide lower loan amounts and shorter repayment periods.

Private equity firms and REITs have also become influential players in the real estate sector. Unlike commercial banks, private equity firms tend to target high-return projects, focusing on larger developments with potentially higher risk profiles but also greater returns. REITs, on the other hand, are vehicles through which investors can participate in real estate ownership without direct involvement. REITs pool funds from investors to acquire, manage and sell real estate assets, offering investors a share of the profits without the need for direct financing from commercial banks¹¹. While commercial banks remain the primary financiers for many real estate projects, the growth of these alternative financing sources offers developers more diversified options.

2.12 Importance of Financing Real Estate Development in Nigeria

The importance of real estate financing lies in its role in facilitating the growth of the property sector, promoting economic development, providing housing and commercial infrastructure. Real estate development is capital-intensive and often requires considerable investment over extended periods, making access to financing a critical factor in the success of projects. The availability of financing enables developers to execute large-scale projects that contribute to urban growth and infrastructure development. In addition, financing supports economic activities within related industries, such as construction and materials, thereby creating employment opportunities and stimulating economic growth.

In developing countries like Nigeria, financing for real estate development is essential to address housing shortages and support economic stability. However, accessibility to financing for real estate projects is often constrained by economic conditions, regulatory policies and the risk assessments of financial institutions. This limited access to capital restricts the capacity of developers to undertake and complete large-scale projects, which are critical for addressing housing demand and fostering economic growth.

The real estate sector also attracts significant investment as an asset class, offering stable returns and portfolio diversification for investors. Real estate financing plays a crucial role in sustaining investor interest in the sector, as financial institutions support projects that align with investors' objectives and risk tolerance. Real estate, therefore, not only contributes to addressing housing needs but also serves as a vehicle for wealth creation and economic development in regions like Ogun State, Nigeria.

The relationship between real estate development financing and economic growth is well-documented in research, as real estate development contributes directly to economic activities, job creation and wealth generation. In Nigeria, commercial banks play a crucial role in driving economic growth through the financing of real estate projects, which include residential, commercial and industrial developments⁴⁴. These projects not only increase property values and improve living standards but also stimulate other sectors of the economy, such as construction, materials manufacturing and retail⁴⁵. By providing financing, commercial banks enable the development of infrastructure that serves as a foundation for economic advancement.

2.12.1 Job Creation

The financing of real estate projects by commercial banks significantly boosts employment, both directly and indirectly. Real estate development generates jobs in construction, engineering, architecture and design, creating opportunities for skilled and unskilled workers alike. A well-financed real estate sector supports employment across the entire construction value chain, from raw material suppliers to construction firms and real estate agencies. Every investment in real estate development typically leads to job creation, supporting economic growth and reducing poverty levels, especially in developing areas like Ogun State⁴⁶.

Additionally, real estate projects increase demand for local products and services, as developer source building materials and services locally, which further enhances the local economy³⁷. By financing these projects, banks indirectly contribute to job creation, particularly in communities where real estate development has the potential to revitalize local economies. Thus, the involvement of commercial banks in real estate financing has a cascading effect, promoting economic development and supporting the government's poverty alleviation objectives.

2.12.2 Infrastructure Development and Economic Growth

Real estate financing by commercial banks also plays a critical role in infrastructure development, which is a key driver of economic growth. The construction of commercial spaces, residential buildings and mixed-use developments contributes to urbanization, improves housing quality and enhances city infrastructure. Such development is essential for economic expansion, as well-developed infrastructure improves productivity, facilitates trade

and attracts further investment. For example, investments in commercial real estate can attract businesses that, in turn, create jobs and enhance the economic profile of a region.

In Ogun State, commercial banks' financing of real estate projects contributes to the expansion of essential services, such as roads, utilities and healthcare facilities, which further support economic growth. These developments improve connectivity and accessibility, making regions more attractive for business operations⁴⁷. In doing so, banks not only provide financial support but also facilitate the development of sustainable communities, thereby supporting long-term economic growth. However, regulatory challenges and high-interest rates can impact banks' ability to sustain such infrastructure financing, highlighting the need for a stable economic environment.

2.12.3 Wealth Generation and Property Market Development

Real estate financing is a significant driver of wealth generation for individuals and communities, as property ownership often leads to asset appreciation over time. When commercial banks fund real estate projects, they create opportunities for individuals to invest in property, contributing to wealth accumulation through capital appreciation and rental income³⁸. This financial empowerment not only benefits individuals but also enhances local economies, as increased property ownership raises the overall asset base within communities.

In addition, commercial banks' involvement in real estate financing supports the development of a more robust and formalized property market. A strong property market can attract both domestic and international investors, thereby increasing the flow of capital into the real estate sector. With increased investment, the sector becomes more competitive,

potentially leading to improved property standards and development innovation. In Ogun State, the formalization and growth of the property market have resulted in rising property values, which further enhances wealth generation for property owners.

2.12.4 Contribution to Financial Sector Growth

By financing real estate, commercial banks contribute to the growth and diversification of the financial sector. Real estate loans constitute a significant portion of banks' loan portfolios, making it a critical component of their revenue generation. As banks generate income through interest payments on real estate loans, they enhance their profitability and ability to finance other economic sectors⁴⁵. This income generation further strengthens the financial sector by enabling banks to expand their services and product offerings, which benefits a wider range of economic activities.

Furthermore, the financing of real estate projects fosters financial innovation, as banks create new lending products tailored to different types of borrowers, including mortgages, construction loans and long-term development loans. These products help banks diversify their offerings and contribute to a more resilient financial sector. In Nigeria, the role of commercial banks in developing real estate financing products has helped address the housing deficit, making it possible for more Nigerians to access homeownership.

2.12.5 Real Estate as a Catalyst for Regional Economic Growth

Real estate development financing plays a pivotal role in regional economic growth, as it enables the construction of infrastructure, housing and commercial spaces that attract businesses and residents. In Ogun State, commercial banks' financing of real estate

development has contributed to the establishment of new business hubs, attracting investors and promoting urbanization. As businesses establish operations in these newly developed areas, they create jobs, contribute to the tax base and stimulate demand for local goods and services, driving economic growth on a regional scale.

Moreover, as commercial banks finance projects in previously underdeveloped areas, they support regional equity by reducing disparities in infrastructure and economic opportunities between urban and rural areas⁴⁷. This regional economic growth is essential for Nigeria's overall economic stability, as it helps to balance development across different areas, thereby reducing the economic divide and fostering a more inclusive economy.

2.13 Challenges Faced by Commercial Banks in Financing Real Estate Development

Commercial banks in Ogun State, and Nigeria as a whole, face several challenges when financing real estate development. One of the most significant challenges is the high-risk perception associated with real estate projects. Real estate development is often viewed as a high-risk venture due to the long-term nature of projects, market volatility and the potential for unforeseen economic downturns⁴⁸. This risk perception leads to more stringent lending criteria, making it difficult for developers to secure financing.

High interest rates are one of the most significant challenges for commercial banks in real estate financing, as they directly affect the affordability of loans for developers. In Nigeria, high inflation rates have led to higher interest rates as banks attempt to protect their margins against the decreasing value of currency. This increases borrowing costs for developers, making it more challenging to secure affordable financing for real estate projects. As a result,

many developers are forced to delay or abandon projects, especially those that operate on limited budgets or that are based in areas with low market demand.

Another challenge is the lack of adequate collateral. Banks typically require substantial collateral to secure real estate loans, which can be a barrier for many developers, particularly those with limited financial resources⁴⁹. This requirement can lead to a situation where only well-established developers with significant assets can access financing, while smaller or newer developers struggle to secure funding.

Market instability also poses a challenge to real estate financing. Fluctuations in property values, changes in demand and economic instability can all impact the profitability of real estate projects, making banks more cautious in their lending practices³⁶. In Ogun State, the real estate market has experienced periods of volatility, which has influenced banks' willingness to finance new development projects.

Market volatility and economic instability are other critical challenges that influence commercial banks' willingness to finance real estate development. Economic downturns, such as those caused by declining oil prices or political instability, can lead to reduced property values, affecting the ability of borrowers to repay their loans. In a volatile market, banks face a higher risk of defaults, which makes real estate financing a potentially unprofitable endeavor. For instance, market fluctuations in Nigeria can significantly impact commercial real estate, especially when demand for office spaces and retail outlets declines due to economic constraints.

Collateral is a key factor in real estate financing, as it provides security to banks in the event of borrower default. However, the collateral requirements for real estate loans are often stringent, especially in Nigeria, where the legal and regulatory framework for property rights is complex. Many developers face challenges in securing clear property titles and other legal documentation necessary to use properties as collateral, which can delay loan processing or lead to outright rejection.

Furthermore, the legal process for enforcing collateral in cases of default is often lengthy and costly in Nigeria, further complicating banks' willingness to accept real estate assets as security for loans³⁷. The time-consuming nature of legal procedures in the Nigerian property market can discourage banks from repossessing collateral, reducing their overall willingness to provide real estate financing.

Additionally, regulatory challenges can complicate the process of real estate financing. Compliance with regulatory requirements can be costly and time-consuming, and changes in regulations can create uncertainty for both banks and developers⁵⁰. In some cases, regulatory hurdles may discourage banks from financing real estate projects altogether, especially if the regulations are perceived as overly restrictive or burdensome.

2.14 Financing Real Estate Development in Nigeria

Financing is one of the most crucial aspects of real estate development, as large capital investments are required to acquire land, obtain permits and carry out construction. In Nigeria, real estate developers typically rely on a combination of equity, bank loans and private investments to fund their projects. The availability of finance remains a significant

challenge for developers, particularly due to the high interest rates charged by commercial banks. Developers must often resort to private equity or international funding to secure more favorable terms⁵¹.

In recent years, there has been a strong interest in Public-Private Partnerships (PPPs) as a means of funding large-scale real estate projects, especially in urban areas⁵². These partnerships can help mitigate financial risks while enabling access to government resources, such as land or infrastructure support. Real estate investment trusts (REITs) have also gained traction in Nigeria as an alternative financing model, allowing individuals and institutional investors to pool resources for property development.

2.15 Real Estate Financing Regulations in Nigeria

Real estate financing regulations in Nigeria are primarily governed by laws designed to control land acquisition, credit allocation and financial risk management. The Land Use Act of 1978 remains a cornerstone of Nigeria's real estate framework, as it regulates land ownership and allocation across the country. However, this Act presents significant challenges for real estate financing, as banks face difficulties using land as collateral due to bureaucratic bottlenecks and land tenure issues. The process of obtaining a certificate of occupancy under the Land Use Act is often slow and costly, discouraging banks from using real estate assets as collateral for loans⁵³.

In addition to the Land Use Act, the Central Bank of Nigeria (CBN) sets prudential guidelines that influence real estate financing decisions. The CBN's guidelines require commercial banks to maintain certain capital adequacy and liquidity ratios, which constrain

the amount of capital they can allocate to high-risk sectors, including real estate. These prudential measures are designed to minimize the risk of loan defaults, but they can limit the flow of credit to the real estate sector, making it harder for developers to secure financing⁵⁴.

2.15.1 The Role of Regulatory Bodies in Real Estate Financing

Several regulatory bodies play essential roles in overseeing real estate financing in Nigeria. The Central Bank of Nigeria is the primary regulator for banks and financial institutions, setting rules that govern lending practices and ensuring compliance with national financial standards. The Nigerian Mortgage Refinance Company (NMRC) was established to improve mortgage financing accessibility by providing liquidity to mortgage lenders. The NMRC has made notable strides in the mortgage sector by reducing funding costs for lenders, yet the overall impact on the real estate market remains limited due to high-interest rates and limited awareness among potential homebuyers.

Furthermore, the Securities and Exchange Commission (SEC) oversees Real Estate Investment Trusts (REITs) in Nigeria, which provide an alternative investment vehicle for real estate financing. By regulating REITs, the SEC aims to increase transparency and protect investors while promoting real estate investments in a structured format. REITs have gained traction in recent years, offering commercial banks a less risky alternative to direct lending in real estate projects⁵⁵. However, limited investor awareness and high management fees have slowed REITs' expansion in Nigeria, highlighting the need for targeted regulatory reforms to attract more investments.

2.15.2 Key Regulatory Challenges Affecting Real Estate Financing

Despite the framework in place, several regulatory challenges affect real estate financing in Nigeria. The complexity of land registration and ownership rights as governed by the Land Use Act remains one of the most significant challenges. Banks often hesitate to finance real estate projects because of the legal uncertainties and delays in processing land titles, which can hinder collateral realization. The unclear and fragmented land registry system makes it difficult for financial institutions to verify property ownership, adding to the perceived risk of real estate loans⁵⁶.

Additionally, stringent lending policies imposed by the CBN constrain banks' ability to finance long-term real estate projects. CBN's policies on capital adequacy require banks to set aside a certain percentage of their capital against the risk of defaulting loans, which increases with long-term, high-value investments like real estate. As a result, banks often prefer shorter-term investments that are less capital-intensive, limiting the availability of funds for developers and buyers alike⁵⁷.

2.15.3 Regulatory Efforts and Policy Initiatives to Support Real Estate Financing

In recent years, there have been efforts to reform the regulatory environment to make real estate financing more accessible. One of the notable initiatives is the National Housing Fund (NHF), which seeks to provide affordable housing finance to Nigerian citizens. Managed by the Federal Mortgage Bank of Nigeria (FMBN), the NHF collects contributions from employees and disburses loans to facilitate homeownership. However, high-interest rates and

limited funding still constrain the NHF's effectiveness, making it difficult for many Nigerians to benefit from affordable mortgage options⁵⁸.

Moreover, the Central Bank of Nigeria introduced the Real Sector Support Facility (RSSF), a policy designed to provide low-interest funds for long-term investments, including real estate. The RSSF has provided some relief to developers by allowing them access to cheaper financing compared to traditional bank loans. The uptake of the RSSF has been limited due to stringent qualification criteria and the high administrative costs associated with securing these funds⁵⁹.

2.15.4 Emerging Trends in Real Estate Financing Regulations

An emerging trend in the regulatory landscape is the adoption of digital land registries and blockchain technology to improve transparency and efficiency in property transactions. The digitization of land registries could streamline property registration, reducing time and cost while increasing banks' confidence in property-backed loans⁶⁰. Some states in Nigeria, such as Lagos, have begun implementing electronic land registries to address these issues, although nationwide adoption remains slow.

Another trend is the increasing interest in sustainable real estate financing, driven by international calls for green finance. To support sustainable development, regulators have started exploring policies that encourage environmentally responsible real estate investments. The Securities and Exchange Commission (SEC) has introduced guidelines for issuing green bonds, which can be used to fund eco-friendly real estate projects. These developments reflect a growing awareness of sustainable finance within Nigeria's regulatory environment,

potentially expanding financing options for real estate projects that align with environmental standards⁶¹.

2.16 Credit Risk Management in Real Estate Financing

Credit risk management is a critical determinant of commercial banks' willingness to finance real estate development projects. This concept focuses on the evaluation and mitigation of the risk of borrower default and the overall financial stability of a project. Real estate projects require significant capital investment and are often characterized by long gestation periods, making them inherently risky. Credit risk arises when borrowers fail to meet their loan repayment obligations due to market downturns, cost overruns, or poor financial planning. Banks prioritize projects with strong financial backing, established developers and collateralized loans to mitigate these risks⁶².

Effective credit appraisal mechanisms are essential for identifying and managing potential risks associated with real estate financing. Banks employ tools such as credit scores, financial audits and collateral evaluations to determine the creditworthiness of developers. Robust credit appraisal systems significantly enhance banks' confidence in lending to the real estate sector by reducing the probability of non-performing loans.

In Ogun State, the introduction of programs like the Homeowners' Charter has improved property documentation, making it easier for borrowers to use land as collateral. This initiative has increased transparency and reduced the risks associated with unclear property ownership which further encouraging banks to provide financing⁶³.

The adoption of big data analytics has revolutionized credit risk management in recent years. Advanced algorithms and machine learning models are now used to analyze historical data, borrower profiles and market trends. Technologies provide banks with deeper insights into the potential risks and returns of real estate projects, allowing them to make more informed decisions⁶⁴.

Banks mitigate credit risk by diversifying their portfolios, setting conservative loan-to-value ratios and partnering with reputable developers. Government-backed guarantees on real estate projects, such as those under the Ogun State Economic Transformation Project (OGSTEP), further reduce perceived risks, making it more appealing for banks to invest in real estate development⁶⁵.

2.17 Sustainable Real Estate Development and Financing

Sustainable real estate development and financing have become critical focal points in the global property market, especially in emerging economies. The emphasis on sustainability addresses environmental, social and economic challenges by promoting eco-friendly practices and ensuring long-term viability in real estate investments. This section explores the concepts, importance, financing mechanisms and challenges associated with sustainable real estate development.

Sustainable real estate development refers to the process of planning, designing, constructing and managing properties in a manner that minimizes environmental impact, maximizes energy efficiency, and promotes social well-being. It involves using eco-friendly materials,

reducing waste and incorporating energy-saving technologies, such as solar panels and green roofs, into buildings³⁶.

This concept aligns with the United Nations' Sustainable Development Goals (SDGs), particularly Goal 11, which focuses on making cities inclusive, resilient, safe and sustainable. Sustainable real estate not only contributes to environmental preservation but also improves tenants' quality of life with energy-efficient technologies, natural lighting, and better indoor air quality.

2.17.1 Importance of Sustainability in Real Estate

The integration of sustainability in real estate development is driven by several factors:

Environmental Preservation: Sustainable techniques preserve natural resources and lower carbon footprints. For instance, using energy-efficient systems can lower energy consumption and greenhouse gas emissions¹¹.

Economic Benefits: sustainable buildings use less energy and water, they frequently have cheaper running expenses. Additionally, they tend to attract higher property values and rental income, making them more appealing to investors.

Health and Well-being: Green buildings enhance occupant health by improving air quality, providing natural lighting and incorporating green spaces. These factors are increasingly in demand among tenants and buyers.

Regulatory Compliance and Incentives: Many governments encourage sustainable development through regulations, tax incentives and grants. Compliance with environmental

standards, such as Leadership in Energy and Environmental Design (LEED) certification, is becoming a competitive advantage in the real estate market.

2.17.2 Financing Sustainable Real Estate Development

Sustainable real estate projects often require significant upfront investment, which poses a challenge for developers. However, innovative financing mechanisms have emerged to support these projects:

Green Bonds: Green bonds are debt instruments issued to finance projects that have positive environmental impacts. These bonds are increasingly popular in emerging markets, as they offer favorable terms for developers investing in sustainable projects⁴.

Green Loans: Similar to green bonds, green loans provide funding specifically for eco-friendly projects. Financial institutions often offer these loans at lower interest rates to incentivize sustainable practices⁶.

Public-Private Partnerships (PPPs): Governments collaborate with private investors to fund large-scale sustainable real estate projects. These partnerships share risks and resources, enabling the development of environmentally friendly housing and commercial spaces¹¹.

Real Estate Investment Trusts (REITs): Sustainable REITs focus on eco-friendly properties, attracting investors interested in socially responsible investments. These trusts pool resources to finance green developments while offering returns to stakeholders.

Carbon Credit Financing: Developers can earn carbon credits by adopting practices that will reduce greenhouse gas emissions. These credits can be sold to companies aiming to offset their carbon footprint, providing an additional revenue stream.

2.17.3 Challenges in Sustainable Real Estate Financing

Despite its benefits, sustainable real estate development faces several challenges:

High Initial Costs: Sustainable building materials and technologies often require higher upfront investment, which can be a deterrent for developers and investors³⁶.

Limited Awareness: In many emerging markets, developers and financiers lack awareness of the long-term benefits of sustainable practices, leading to resistance in adopting these models¹¹.

Regulatory Barriers: Inconsistent policies and lack of enforcement of environmental standards can hinder the adoption of sustainable practices in real estate⁵⁶.

Financing Gaps: Access to green financing remains limited in some regions, with few financial institutions offering dedicated products for sustainable projects.

Market Perceptions: Many investors perceive sustainable real estate as high-risk due to the longer time required to realize returns, further limiting funding opportunities.

2.18 Impact of Real Estate Financing on Environmental Sustainability

Environmental sustainability has become a critical consideration in real estate financing, driven by the need to balance economic development with ecological preservation. Real

estate projects have significant environmental impacts, from energy consumption during construction to long-term effects on carbon emissions, water usage and waste generation. As a result, stakeholders in the real estate sector, including developers, financial institutions and policymakers, are increasingly adopting green financing mechanisms to promote sustainable development.

2.18.1 Green Financing Mechanisms

Green financing refers to financial products and services designed to finance projects that have positive environmental or climate benefits. In real estate, green financing mechanisms include green bonds, sustainability-linked loans and energy-efficient mortgages. These instruments provide funding for projects that incorporate sustainable building practices, renewable energy and environmentally friendly materials.

Green Bonds: Green bonds are debt instruments specifically issued to fund environmentally sustainable projects. For example, a developer might issue green bonds to fund the construction of energy-efficient buildings or retrofit existing structures to reduce their carbon footprint. In Nigeria, green bonds have been gaining traction, with the government issuing its first sovereign green bond in 2017 to finance sustainable energy and agriculture projects.

Sustainability-Linked Loans: These loans are tied to the borrower's ability to achieve specific Environmental, Social and Governance (ESG) targets. In real estate, developers may secure lower interest rates by meeting sustainability benchmarks, such as reducing energy consumption or achieving green building certifications like Leadership in Energy and

Environmental Design (LEED). Sustainability-linked loans in Nigeria have been instrumental in encouraging developers to adopt greener practices⁶⁶.

Energy-Efficient Mortgages: These mortgages offer favorable terms to homeowners and developers who invest in properties with energy-saving features, such as solar panels, efficient HVAC systems and sustainable insulation. Energy-efficient mortgages could reduce homeownership costs by up to 15% over the lifetime of a loan in Nigeria⁶⁷.

2.18.2 Benefits of Green Financing in Real Estate

Green financing offers numerous benefits, both environmental and economic. These include:

Reduced Carbon Footprint: By promoting energy-efficient construction and operations, green financing helps reduce greenhouse gas emissions. Buildings constructed with sustainable materials and designs consume less energy, contributing to global efforts to combat climatic change.

Improved Resource Efficiency: Green financing encourages the use of renewable energy sources, water-saving technologies and waste recycling systems. These practices optimize resource utilization and reduce environmental degradation.

Enhanced Market Value: Properties that meet sustainability standards often command higher market values and rental yields. This is particularly true in urban centers like Lagos and Abuja, where environmentally conscious buyers and tenants are willing to pay a premium for green-certified buildings.

Risk Mitigation: Sustainable buildings are less vulnerable to regulatory changes, such as stricter environmental laws or carbon taxes, reducing long-term risks for developers and investors⁶⁶.

2.18.3 Challenges in Adopting Green Financing

Despite its benefits, green financing faces several challenges, particularly in developing economies like Nigeria:

High Initial Costs: Sustainable construction often requires significant upfront investment in materials, technology and certifications. Many developers are reluctant to incur these costs without clear incentives or guarantees of financial returns.

Limited Awareness: There is a lack of awareness among developers, financiers and policymakers about the benefits and mechanisms of green financing. This knowledge gap hampers the adoption of sustainable practices.

Regulatory and Institutional Barriers: Nigeria's regulatory framework for green financing is still evolving. The absence of standardized guidelines and incentives can deter stakeholders from pursuing sustainable real estate projects.

Access to Finance: High interest rates and limited availability of green financial products make it challenging for developers to secure funding for sustainable projects.

2.18.4 Strategies to Enhance Green Financing

Incentives for Developers: Policymakers can introduce tax breaks, subsidies and grants for developers who invest in green projects. For instance, providing lower land-use charges for green-certified buildings could encourage more developers to adopt sustainable practices.

Capacity Building: Training programs and awareness campaigns can educate stakeholders about the benefits and processes of green financing. Initiatives led by organizations like the Nigerian Green Building Council could play a vital role in this regard.

Public-Private Partnerships: Collaboration between governments, private sector players and international organizations can mobilize resources for green financing. Public-private partnership can also share risks and reduce the financial burden on individual developers.

Improved Regulation: Establishing clear guidelines and standards for green financing can create a more conducive environment for sustainable real estate development. This includes integrating sustainability criteria into land-use planning and building codes⁶⁷.

2.19 The Influence of Macro-Economic Factors on Real Estate Lending

Macro-economic factors play a crucial role in shaping the dynamics of real estate lending, as they directly impact the willingness and ability of commercial banks to finance development projects. These factors include economic growth, inflation, interest rates, unemployment, fiscal policies and exchange rate stability. Understanding how these variables influence real estate lending provides insights into the financial landscape and helps stakeholders adapt to changing economic conditions.

2.19.1 Economic Growth and Real Estate Lending

Economic growth is a significant driver of real estate development and financing. In periods of robust economic growth, increased employment levels and higher income drive demand for residential and commercial properties, prompting banks to expand their lending portfolios⁹. Conversely, during economic downturns, reduced income and business activity often lead to a decline in real estate demand, causing banks to adopt stricter lending criteria to mitigate risks.

In Nigeria, for example, sustained Gross Domestic Product (GDP) growth between 2010 and 2014 resulted in increased investments in real estate, particularly in urban areas like Lagos and Abuja. However, subsequent economic contractions due to oil price fluctuations and global economic shocks reduced the availability of credit for real estate development⁴.

2.19.2 Inflation and Real Estate Financing

Inflation affects real estate lending by influencing both borrowing costs and property values. High inflation leads to increased interest rates as central banks tighten monetary policy to curb price rises. This, in turn, raises the cost of borrowing, making loans less affordable for developers and buyers¹⁰.

Moreover, inflation can erode the purchasing power of potential property buyers, reducing demand for real estate. On the other hand, inflation often leads to property value appreciation, which can benefit investors and developers but might make real estate less accessible to average consumers. Banks must carefully balance these opposing effects when designing lending policies.

2.19.3 Interest Rates and Loan Accessibility

Interest rates, controlled by central banks, are a key determinant of real estate lending. Low interest rates encourage borrowing by reducing loan repayment costs, thus stimulating real estate development. Conversely, high interest rates make loans more expensive, discouraging developers and buyers from seeking financing⁴¹.

For instance, the Central Bank of Nigeria's (CBN) monetary policies, such as adjustments to the Monetary Policy Rate (MPR), directly influences mortgage and construction loan rates. During periods of monetary tightening, real estate developers face challenges in securing affordable financing, slowing the pace of new projects.

2.19.4 Exchange Rate Stability and Real Estate Financing

In economies with significant foreign investment in real estate, exchange rate stability is a critical factor. Currency volatility increases the risk for international investors, potentially deterring capital inflows into the real estate sector⁴¹. Developers reliant on imported materials for construction are also affected by exchange rate fluctuations, as higher import costs can inflate project budgets and impact loan repayment capacity.

For example, in Nigeria, frequent naira devaluations have raised the cost of building materials, increasing financial pressures on developers and discouraging banks from financing high-risk projects.

2.19.5 Fiscal Policy and Government Interventions

Government fiscal policies, including taxation, subsidies and public spending, significantly influence real estate lending. Tax incentives for developers, such as reduced property taxes or investment credits, can encourage more borrowing and development. Conversely, increased taxation on real estate transactions can dampen market activity and reduce bank lending⁴¹.

Public spending on infrastructure projects, such as roads, water supply and electricity, often enhances the viability of real estate developments. For instance, the Ogun State Government's infrastructure investment in the Sagamu-Abeokuta Interchange has spurred real estate activities in the region by increasing accessibility and land values⁴¹.

2.19.6 Unemployment and Housing Demand

Unemployment levels directly affect housing demand and, by extension, real estate lending. High unemployment reduces disposable income and housing affordability, leading to a decline in real estate transactions. Banks, in turn, become more cautious in extending loans to developers and buyers during periods of economic stagnation¹⁰.

2.20 Real Estate Developer

The real estate developer is the person or an institution that coordinates the development process. The primary participant in every stage of the project, from inception to completion, is the real estate developer. The people who organize the processes that transform concepts on paper into completed projects are real estate developers.

After the developer finds the land, he determines his target tenants and project. Then, after meeting the financial and legal requirements, it completes the process by renting or selling it after the construction is finished for the designated use.

In the real estate market, developers can be classified based on their expertise in a particular subject.

Land Developers: They strive to make the property developable by lifting the prohibition on building on individual parcels. Then, they sell the property parcels with finished infrastructure to end customers or other developers.

Speculator Developers: These types of developers develop real estate for their own benefit. Their goal is to gain value over real estate. Speculators build their properties with low operating and maintenance costs in mind if they plan to keep them for a long period.

Commercial Builders: these are developers that develop the property for sale during or after construction. They sell the property they have built at a low selling price without finding a tenant or at a high price by guaranteeing to find a tenant.

Paid Developers: they deal with the property owner and manage the development for a fee. All phases of the development process have been experienced by the developers in this group.

Developers Renovating and Transforming; this type of developers, on the other hand, carry out development tasks in a way that adds value by updating or altering the function of an existing property⁶⁸.

2.21 Profiles of Commercial Banks and Developers

The profiles of commercial banks and real estate developers are critical in understanding their roles in financing real estate projects. These profiles include the structural, operational and financial characteristics that influence their ability and willingness to engage in real estate development financing.

2.21.1 Commercial Banks' Profiles

Commercial banks, as financial intermediaries, are primarily involved in mobilizing deposits and extending credit to various sectors, including real estate. In Abeokuta, banks are typically categorized into tiered structures based on asset size, customer base and lending capacity³⁹. Local and regional banks often have limited capital reserves compared to their national or multinational counterparts, which restricts their ability to finance large-scale developments.

Many banks in Nigeria, including those in Abeokuta, prioritize low-risk ventures¹². Their lending decisions are influenced by stringent regulatory policies, macroeconomic instability and the inherent risks of real estate investments. Additionally, the Central Bank of Nigeria's financial inclusion policies have encouraged these banks to diversify their loan portfolios, but the high default rates in the real estate sector remain a deterrent³⁹.

Banks also employ specific criteria when assessing real estate projects, including the developer's track record, projected cash flows and collateral value. Most banks prefer financing projects that demonstrate high pre-leased spaces or secure long-term revenue streams⁴⁹. This trend is consistent with findings in other developing economies where financial institutions adopt risk-averse lending practices³⁹.

2.21.2 Developers' Profiles

Real estate developers in Abeokuta play a critical role in shaping urban landscapes. They are primarily responsible for identifying viable projects, securing funding and managing construction activities. However, developers in this region often face significant challenges, including limited access to credit, rising construction costs and regulatory bottlenecks.

Developers' financial profiles are diverse, ranging from well-capitalized firms with access to equity and debt markets to smaller entities reliant on bank loans. About 70% of developers in Abeokuta depend solely on bank financing due to the unavailability of alternative funding sources like private equity or venture capital⁶⁸. This dependence increases their vulnerability to fluctuations in bank lending policies.

Additionally, many developers in the region lack the technical expertise and robust project documentation required to secure financing. Banks often report inadequate feasibility studies and weak financial projections as reasons for rejecting loan applications¹². This underscores the need for capacity building and stronger developer-bank collaborations to enhance access to finance.

2.22 Concept of Willingness

Willingness refers to the inclination or readiness of individuals or organizations to undertake a particular action or decision based on a set of influencing factors, such as perceived benefits, risks and external conditions⁶⁹. In the context of commercial banks' willingness to finance real estate development, this concept involves their readiness to allocate resources

toward projects in a manner aligned with organizational goals, risk tolerance and regulatory frameworks.

Willingness is often conceptualized as a psychological or behavioral response influenced by internal and external factors. It is not merely a passive state but an active choice based on perceived feasibility, benefits and alignment with objectives. Willingness in financial contexts is shaped by the perceived profitability of the investment, market conditions and regulatory support⁷⁰.

From a legal standpoint, willingness is often tied to the fulfillment of contractual obligations and adherence to regulatory frameworks. Willingness in this context is influenced by the clarity of laws, enforceability of contracts and protection of rights. For instance, in real estate, willingness to finance projects may depend on clear land titles, efficient property registration systems and streamlined legal processes⁴⁸. Ambiguities in legal documentation, such as unclear land ownership, can undermine the willingness of stakeholders to engage in financial commitments³⁸.

The socio-economic perspective of willingness relates to how economic conditions and social dynamics influence decision-making. For example, commercial banks' willingness to finance real estate development is often tied to the economic viability of projects and their impact on local communities⁴⁸. Factors such as affordability, housing demand and potential job creation also shape willingness, with banks more inclined to fund projects that address societal needs, such as affordable housing schemes.

Culturally, willingness is shaped by societal values, norms and attitudes toward risk and investment. In many societies, cultural emphasis on property ownership and inheritance drives higher willingness among individuals and institutions to invest in real estate³⁸. On the other hand, cultures that prioritize communal or temporary living arrangements may exhibit lower willingness to engage in property financing or long-term real estate investments.

Politically, willingness reflects the readiness of governments or institutions to support initiatives based on policy priorities and governance structures. Governments show willingness to promote real estate development by implementing supportive policies, offering tax incentives, or establishing public-private partnerships²⁹. Conversely, political instability or policy inconsistencies can reduce willingness among banks and developers to engage in long-term projects, as seen in regions with fluctuating governance standards⁴¹.

In banking, willingness entails readiness to provide financing, influenced by factors like creditworthiness, collateral value, and market demand. Willingness is dynamic, fluctuating with changes in economic conditions and government policies⁶³.

2.23 Willingness of Commercial Banks in Financing Real Estate Development

The willingness of commercial banks to finance real estate development is influenced by their perception of risk, profitability, market trends and regulatory support. The willingness to engage in such financing is shaped by specific local and national factors, including economic conditions, the maturity of the real estate market and the policy environment.

2.23.1 Risk Perception and Management

One of the most significant determinants of willingness is the level of perceived risk associated with real estate investments. Commercial banks view real estate development as high-risk due to factors such as market volatility, uncertain demand and the long-term nature of real estate projects⁴¹. This perception is heightened in emerging markets like Abeokuta, where the legal and institutional frameworks for real estate transactions are often underdeveloped²⁹.

To mitigate risks, banks in Abeokuta adopt conservative lending practices, such as requiring substantial collateral, imposing high-interest rates and prioritizing developers with a proven track record. Additionally, the use of modern credit evaluation tools and risk analysis models has improved the ability of banks to make informed lending decisions¹⁵.

2.23.2 Profitability and Returns

Profitability is another critical factor influencing banks' willingness to finance real estate projects. Real estate development offers potentially high returns due to the appreciation of property values and income from rentals or sales. However, in Abeokuta, the profitability of real estate projects is often affected by cost overruns, delays and market inefficiencies⁶².

Banks are more willing to finance projects that demonstrate strong revenue potential, such as high-demand residential housing or strategically located commercial developments. Pre-leased projects or developments with secured buyers are more likely to receive financing, as they offer predictable income streams and lower risks³².

2.23.3 Market Trends and Opportunities

Market conditions and opportunities play a significant role in shaping the willingness of banks to finance real estate development. In Abeokuta, the growing urban population and increasing demand for affordable housing have created opportunities for real estate investments¹³. Banks have responded to these trends by exploring partnerships with developers to address housing shortages.

However, challenges such as inadequate infrastructure and rising construction costs have tempered this enthusiasm. The willingness of banks is further influenced by the sector's cyclical nature, with lending activity increasing during periods of market growth and declining during downturns¹⁴.

2.23.4 Regulatory and Policy Environment

The regulatory and policy environment in Nigeria has a direct impact on the willingness of banks to finance real estate. Policies aimed at promoting housing and urban development, such as tax incentives and government-backed loan guarantees, have encouraged banks to participate in real estate financing⁹.

Conversely, restrictive policies, such as limits on Loan-To-Value (LTV) ratios and high capital reserve requirements, have constrained banks' ability to extend credit to the sector. Inconsistent policy implementation and regulatory bottlenecks remain significant barriers to increased lending in the real estate market¹².

2.23.5 Developer-Bank Relationships

The quality of the relationship between developers and banks significantly influences financing decisions. Trust and effective communication are critical to fostering these relationships. Banks are more willing to finance developers who provide transparent project documentation, maintain good credit histories and demonstrate strong management capabilities¹⁵.

In Abeokuta, the lack of structured developer-bank collaborations has been identified as a challenge. Developers often cite cumbersome loan approval processes as a barrier, while banks highlight inadequate project documentation and poor financial management as reasons for rejecting loan applications¹⁶.

2.23.6 Social and Environmental Considerations

In recent years, banks have become increasingly aware of the social and environmental implications of their lending activities. Projects that align with sustainable development goals or address housing deficits are more likely to receive support¹³. However, the willingness to finance such projects is contingent on their economic viability and alignment with the bank's strategic objectives.

2.24 Factors Influencing Willingness in Real Estate Development Financing

Risk Perception: Banks assess the risks associated with financing real estate projects, such as borrower defaults, market volatility and legal uncertainties. Risk perception significantly

affects their willingness. Banks are more willing to finance projects with robust risk mitigation measures, such as government guarantees or collateralized loans⁶⁴.

Regulatory Environment: Supportive regulatory frameworks and incentives play a key role in shaping willingness. For instance, Ogun State's efforts to streamline property registration through the Homeowners' Charter have positively impacted banks' readiness to finance projects by reducing legal risks.

Economic and Market Viability: The profitability of real estate projects, determined by factors like demand, location and infrastructure, influences willingness. Banks are more inclined to invest in markets with predictable returns and minimal economic volatility⁶².

Institutional Confidence and Collaboration: Partnerships between banks, developers and government bodies enhance trust and reduce perceived risks. Collaborations through initiatives like Ogun State Economic Transformation Project (OGSTEP) create an enabling environment that boosts banks' willingness to participate in real estate financing⁶⁹.

Developer Credibility: The track record of developers, including past project success and financial stability, plays a critical role in influencing willingness. Established developers are more likely to secure financing⁴⁴.

Technological Integration: Adoption of innovative technologies, such as blockchain for property verification or data analytics for risk assessment, enhances transparency and reduces uncertainty, thereby increasing willingness⁸.

2.25 Real Estate Lending Risks

Real estate lending presents unique risks for commercial banks, including credit risk, market risk and operational risk. Credit risk, the possibility that borrowers will default on loan obligations, is particularly high in the real estate sector due to its cyclical nature and sensitivity to economic fluctuations⁷¹. Market risk arises from changes in property values, which can affect collateral recovery if borrowers default. Furthermore, operational risk, such as inaccuracies in property valuation or legal issues during foreclosure, can expose banks to significant financial losses⁷¹. Risks demands that banks implement a robust risk management framework to assess monitor and control exposures effectively⁷².

2.25.1 Risk Assessment and Credit Evaluation in Real Estate Lending

To minimize exposure, commercial banks typically assess borrowers' creditworthiness and the value of collateral in real estate transactions. Risk assessment models incorporate borrower credit scores, financial stability and project feasibility to determine the probability of loan repayment. According to⁷³, credit evaluation for real estate projects includes detailed appraisals of property values, debt-to-income ratios and market conditions, which help bank to assess the borrower's repayment capacity. Additionally, commercial banks may conduct scenario analyses to gauge the impact of economic downturns on property values, allowing them to adjust loan terms or interest rates accordingly⁷⁴.

Beyond individual borrower assessments, banks also consider sector-specific risks, such as the potential for real estate market downturns. Studies indicate that banks often limit their exposure to real estate during periods of high economic uncertainty, favoring safer, more

liquid assets⁷⁵. This cautious approach is crucial for banks, as it prevents overexposure to volatile market segments and protects their balance sheets in times of market distress.

2.25.2 Risk Mitigation Strategies in Real Estate Lending

Commercial banks employ various strategies to mitigate risks associated with real estate lending. Collateralization is a primary risk mitigation tool, with real estate assets serving as collateral for loans. Banks use conservative Loan-To-Value (LTV) ratios to ensure that the collateral value covers a significant portion of the loan amount. Studies by⁷⁶ indicate that banks often set LTV ratios between 60% and 80% for real estate loans to protect against declining property values. Additionally, banks use interest rate adjustments and flexible repayment terms to reduce credit risk. Variable interest rates, for instance, help banks cushion against inflation and economic shifts that may affect borrowers' ability to repay.

Insurance is another common risk mitigation strategy. Many banks require borrowers to secure mortgage insurance or title insurance to protect against unforeseen events, such as property damage or legal disputes over property ownership. These insurance policies reduce the financial risk for banks in case of default or property devaluation, enhancing the overall security of real estate loans⁷⁷.

2.25.3 Regulatory Requirements and Compliance in Risk Management

Regulatory requirements play a crucial role in shaping banks' risk management practices. In Nigeria, the Central Bank of Nigeria (CBN) has issued prudential guidelines that mandate commercial banks to maintain capital adequacy ratios and other risk management measures to safeguard against loan defaults. These guidelines require banks to hold capital reserves

proportional to the riskiness of their loan portfolios, which includes real estate lending. CBN's capital adequacy requirements help banks absorb losses from non-performing loans and support systemic stability within the banking sector⁷⁸.

Further regulatory oversight comes from the Nigerian Mortgage Refinance Company (NMRC), which offers refinancing options to commercial banks, enabling them to offload part of their real estate loan portfolios. The NMRC's support allows banks to expand real estate lending while mitigating the risk of holding illiquid assets. Regulatory compliance adds administrative costs for banks, which may affect their lending capacity and profitability in the long term⁷⁹.

2.25.4 Challenges in Implementing Risk Management Practices

Despite the importance of risk management, commercial banks in Nigeria face challenges in implementing effective risk management practices in real estate lending. A major challenge is the valuation of real estate collateral, which can be subjective and fluctuate based on market conditions. Variations in property appraisal methods can result in discrepancies in property values, affecting the accuracy of risk assessments. Inadequate valuation practices expose banks to collateral risks, as the actual value of a property may be lower than initially estimated⁸⁰.

Additionally, economic volatility and inflation in Nigeria complicate banks' ability to manage long-term risks in real estate lending. The uncertainty of inflation affects the purchasing power of borrowers, increasing the risk of defaults. Furthermore, high inflation rates diminish the value of bank assets, reducing the security that real estate collateral

provides⁸¹. Legal challenges, such as lengthy foreclosure processes and unclear land titles, also pose obstacles to collateral recovery, hindering banks from realizing the full value of real estate collateral in cases of default⁸².

2.25.5 Emerging Trends and Technologies in Real Estate Risk Management

In recent years, technological advancements have introduced new tools for risk management in real estate lending. Digital platforms and data analytics are transforming risk assessment by enabling banks to analyze large datasets on borrower behavior, property trends and economic indicators. With predictive analytics, banks can forecast potential risks and adjust their lending practices accordingly. The adoption of fintech solutions in risk management is helping banks enhance their due diligence processes, leading to more accurate risk assessments and better loan performance⁸³.

Additionally, blockchain technology offers potential improvements in property verification and transparency, particularly in relation to land title authenticity and ownership history. Blockchain can help banks verify property details with greater accuracy and speed, thereby reducing operational risks and preventing fraud. Although blockchain use in Nigerian banks is still limited, the technology represents an emerging opportunity to strengthen risk management practices⁸⁴.

2.26 Regulatory Compliance and Commercial Banks' Involvement in Real Estate

Regulatory compliance plays a critical role in shaping commercial banks' involvement in real estate financing. In Nigeria, the Central Bank of Nigeria (CBN) and other regulatory authorities set policies and standards for banking operations, including lending practices,

interest rate limits, and risk management protocols. Compliance with these regulations is essential for banks to operate legally and avoid penalties, but stringent regulations can sometimes discourage banks from engaging heavily in real estate financing. Regulatory bodies, for example, may impose limits on the percentage of a bank's total assets that can be allocated to real estate lending, a measure aimed at minimizing risk in volatile sectors.

The Central Bank of Nigeria has also implemented several policy initiatives to promote real estate financing, including incentives for mortgage lending and capital market development for real estate investment. Such initiatives aim to make real estate financing more accessible, supporting developers and ultimately contributing to economic growth³⁷. However, regulatory challenges such as high interest rates, complex approval processes and legal obstacles around property rights continue to hinder the growth of real estate financing, particularly for commercial banks.

2.27 Commercial Banks' Risk Management in Real Estate Financing

One of the most critical aspects of real estate financing by commercial banks is risk management. Banks employ a variety of risk mitigation strategies to safeguard against potential defaults and losses associated with real estate projects. Common strategies include requiring substantial collateral from developers, setting stringent credit assessment criteria and carefully analyzing the potential return on investment (ROI) before approving loans. Collateral requirements typically include properties or assets that match or exceed the loan value, serving as security in case of default. This ensures that, even if the project fails, the bank has assets to reclaim a portion of its losses.

Additionally, commercial banks in Nigeria use credit risk assessments as a key component of their decision-making process for real estate loans. This includes evaluating the financial stability of the borrower, market conditions and the feasibility of the project itself. High-risk projects are often subjected to increased interest rates to compensate for the elevated risk or may be denied financing altogether⁴⁶. For real estate developers, these stringent lending criteria may limit access to financing, especially for those unable to meet collateral demands or high credit scores.

Another significant factor in banks' risk management approach is their focus on diversification. By diversifying their loan portfolios across different types of real estate projects, banks reduce their exposure to any single project or sector downturn. This diversification often includes a balance between residential and commercial property loans, as well as varying loan amounts, which helps mitigate overall risk. Banks' ability to manage risk effectively influences their willingness to provide financing for real estate projects, as well as the terms under which such financing is offered.

2.28 Factors Influencing Commercial Banks' Willingness to Finance Real Estate Development

Several factors influence commercial banks' willingness to finance real estate development, particularly in Ogun State, Nigeria. One of the primary factors is economic stability. In times of economic uncertainty, banks tend to be more cautious in their lending practices, leading to stricter lending criteria and reduced willingness to finance real estate projects⁷⁴. Conversely, in a stable economic environment, banks are more likely to engage in real estate financing, driven by the potential for higher returns.

2.28.1 Regulatory Frameworks

The regulatory frameworks play a significant role in shaping banks' lending decisions. In Nigeria, the regulatory environment for real estate financing has been evolving, with various policies aimed at encouraging investment in the sector¹⁵. However, stringent regulations and compliance requirements can sometimes deter banks from financing real estate projects, especially if the perceived risks outweigh the potential benefits.

2.28.2 Risk Assessment

This is another critical factor. Banks conduct thorough risk assessments before committing to real estate financing, considering factors such as project viability, the developer's track record and the overall market conditions⁸⁵. Projects that are deemed too risky may not receive financing, or may only be financed under stringent conditions, such as higher interest rates or the requirement for substantial collateral. Banks generally prefer financing projects with well-established developers and those that show a high probability of successful completion, backed by thorough feasibility studies. Factors such as the borrower's credit history, financial stability and past project performance are critically assessed to determine creditworthiness⁵⁰. Higher-risk borrowers or projects in economically unstable regions, like Ogun State, may find it difficult to obtain bank financing or may face higher interest rates and collateral requirements.

2.28.3 Return on Investment

Projects located in prime urban areas with high demand for commercial or residential properties are more likely to secure financing, as they present a lower risk of default and

higher potential returns. On the other hand, projects in less developed areas, which may struggle to attract tenants or buyers, are often considered riskier by banks, impacting their willingness to offer financing³⁷. This risk assessment is a critical part of the credit evaluation process and directly affects the terms and availability of real estate financing in Nigeria.

2.28.4 Interest Rates

Interest rates have a direct impact on the affordability and accessibility of real estate financing. Higher interest rates increase the cost of borrowing, making it more difficult for developers to secure loans and complete projects within budget. In Nigeria, the high interest-rate environment has limited the ability of many developers to finance projects through commercial banks³⁷. Interest rates are often adjusted based on inflation and monetary policies set by Central Bank of Nigeria, which can create fluctuations in the cost of real estate financing over time. For instance, a rise in interest rates leads to increased loan repayment costs, affecting developers' ability to afford long-term financing for projects. When combined with the effects of inflation on construction materials and labor, these high-interest rates create barriers for developers and, in turn, for banks, which face a higher risk of loan defaults due to increased financial strain on borrowers.

2.28.5 Diversification and Portfolio Management

To manage risk effectively, commercial banks often diversify their loan portfolios across different sectors, including real estate, agriculture, manufacturing and services. This diversification allows banks to spread risk across various economic sectors and avoid overexposure to any single industry. In real estate, diversification can mean funding a mix of

residential, commercial and industrial projects, reducing the bank's risk by balancing more volatile projects with stable ones. For banks, diversification acts as a buffer against potential market downturns in real estate, which may otherwise cause significant financial losses.

Additionally, some banks opt to limit their exposure to the real estate sector in response to regulatory policies that discourage over-concentration in high-risk areas⁵⁰. In Nigeria, real estate development often carries heightened risk due to uncertain property market conditions, making portfolio diversification an important strategy for banks to protect their assets. By balancing their investments across sectors, banks can maintain liquidity and ensure stability, even if real estate projects underperform.

2.28.6 Market Conditions

These are also a determining factor in banks' willingness to finance real estate development. In markets with high demand for real estate, banks are more likely to finance development projects, as the likelihood of selling or leasing the properties is higher³⁷. On the other hand, in markets with low demand or oversupply, banks may be hesitant to finance new projects due to the increased risk of financial losses.

2.29 Strategies to Improve Commercial Banks' Participation in Real Estate Financing

To address the challenges identified, several strategies can be implemented to improve commercial banks' participation in real estate financing. One effective strategy is the development of risk mitigation mechanisms. Banks can reduce their exposure to risk by adopting measures such as insurance, credit guarantees and partnerships with other financial

institutions⁸⁵. These mechanisms can help banks manage the risks associated with real estate financing, making them more willing to finance development projects.

Building the capacity of bank staff to understand the nuances of real estate financing, including market dynamics and project evaluation which can improve decision-making processes. Specialized training programs for credit officers in real estate financing can increase banks' willingness to lend to the sector¹⁴.

Another strategy is the enhancement of regulatory frameworks. Policymakers can create a more conducive environment for real estate financing by streamlining regulatory processes, reducing compliance costs and providing incentives for banks to finance real estate projects³⁷. By making the regulatory environment more supportive, banks may be more inclined to participate in real estate financing.

Capacity building for developers is also crucial. By providing training and resources to developers, banks can help them improve their financial management and project planning skills, reducing the risk of project failure⁸⁵. This, in turn, can increase banks' confidence in financing real estate projects, knowing that developers are better equipped to manage the risks involved.

Providing tax incentives for banks that finance affordable housing or infrastructure-related real estate projects can encourage greater participation in the sector. Targeted tax reliefs could stimulate lending and address housing deficits in cities like Abeokuta¹³.

Investments in infrastructure such as roads, water supply and electricity can enhance the viability of real estate projects, thereby attracting bank financing. The well-serviced areas are more likely to receive financial support from banks due to their higher market potential¹³.

Collaborative arrangements between government agencies and private banks can provide the resources and risk-sharing mechanisms needed for large-scale real estate projects. Public Private Partnerships have been instrumental in overcoming funding gaps and addressing housing deficits¹⁸.

Finally, market stabilization efforts can enhance banks' willingness to finance real estate development. Efforts to stabilize the real estate market, such as promoting balanced supply and demand, improving infrastructure and supporting economic growth, can reduce market volatility and make real estate projects more attractive to banks⁴². By creating a more stable market environment, banks may be more willing to invest in real estate financing.

2.30 Alternative Sources of Real Estate Financing in Nigeria

2.30.1 Real Estate Investment Trusts (REITs)

They are publicly or privately traded investment vehicles that allow individuals and institutions to invest in income-generating real estate without direct property ownership. REITs offer an accessible means for the public to invest in large-scale commercial and residential properties, which would otherwise require substantial capital. Nigerian REITs have shown potential for growth, driven by increasing demand for diversified investment portfolios⁸⁶. However, challenges such as low investor awareness, regulatory hurdles and limited liquidity have constrained REIT expansion in Nigeria. Despite these challenges,

REITs are viewed as a promising financing source, particularly for large-scale projects where conventional bank loans may not suffice.

2.30.2 Private Equity and Venture Capital

It has emerged as viable sources of financing in the Nigerian real estate market, particularly for high-risk projects or those with long gestation periods. Private equity firms invest substantial capital in exchange for ownership stakes, allowing developers to fund construction and operational expenses. Private equity financing is beneficial because it aligns the interests of investors and developers, often resulting in strong performance incentives and management expertise⁸⁷. While venture capital is less common in the real estate sector, there has been growing interest in property technology (proptech) firms that enhance real estate operations through technology⁸⁸. Despite these advantages, private equity's high return expectations and exit requirements can challenge real estate projects, especially in unstable economic conditions⁸⁹.

2.30.3 Crowd Funding

Crowd funding has gained popularity in Nigeria as an alternative real estate financing source, particularly for small to mid-scale projects. By pooling funds from multiple small investors via online platforms, crowdfunding offers developers access to a diverse pool of capital. Crowdfunding also enables retail investors to participate in real estate investments with lower entry costs than traditional investments. Real estate crowdfunding in Nigeria has expanded rapidly, though it remains largely informal and unregulated⁹⁰. These platforms present unique

challenges, such as investor risk and platform reliability and would benefit from regulatory frameworks to protect investors and ensure transparency⁸⁷.

2.30.4 Government-Supported Financing Schemes

The Nigerian government has initiated various programs to improve real estate financing and promote affordable housing. The National Housing Fund (NHF), managed by the Federal Mortgage Bank of Nigeria (FMBN), provides subsidized loans to support homebuyers, although developers also benefit indirectly by accessing a larger market of eligible buyers. The NHF has facilitated access to affordable housing but is constrained by limited funding, high bureaucratic requirements and the slow disbursement process. Other government schemes, like the Family Homes Fund (FHF), also provide affordable housing financing and have begun to address the housing deficit, particularly in underserved areas⁹¹.

The Real Sector Support Facility (RSSF) is another government initiative that provides low-interest loans to developers investing in economically beneficial real estate projects, such as residential and commercial properties. The RSSF has enabled developers to access financing at competitive rates, although the administrative complexity and lengthy application processes limit its widespread adoption⁹². Despite these obstacles, government-backed financing remains a vital support for real estate development, particularly in the affordable housing segment.

2.30.5 Cooperative Societies and Microfinance Institutions

Cooperative societies and microfinance institutions provide accessible and relatively affordable financing for real estate projects, particularly in underserved markets. Cooperative

societies pool resources from members, allowing them to offer loans to members for real estate purchases or construction. Cooperative societies are instrumental in rural and low-income housing development, where conventional financing is often inaccessible⁸⁶. Microfinance Institutions (MFIs) also play a role by providing small loans to individuals or small-scale developers for housing projects. However, the high interest rates on microfinance loans pose a challenge to borrowers, reducing the affordability of this financing option⁸⁵.

2.30.6 Securitization

Securitization of real estate assets is a more advanced alternative financing option gaining traction in Nigeria. This involves pooling real estate loans or mortgages into securities, which are then sold to investors. Securitization allows developers to raise capital through the sale of asset-backed securities while enabling banks to offload risky loans from their balance sheets, improving liquidity. However, the Nigerian securitization market is still underdeveloped due to regulatory challenges and a limited investor base, which hinders widespread adoption⁹³. Nonetheless, experts believe that with proper regulatory support and market development, securitization can become a viable means of financing for large-scale real estate project.

2.30.7 Islamic Financing

Based on Sharia-compliant principles, has emerged as an alternative financing method for real estate projects in Nigeria. Islamic financial products, such as Sukuk (Islamic bonds), prohibit interest and are structured as asset-backed investments, making them attractive for developers seeking alternative funding sources. Islamic financing has gained traction in Nigeria's real estate market, particularly for projects in Muslim-majority regions⁹⁴. However,

Islamic financing requires specialized knowledge and regulatory frameworks, which can pose barriers to entry for developers unfamiliar with its principles.

2.30.8 Green Bonds and Environmental Social and Governance (ESG) Investments

With global trends favoring sustainable development, green bonds and ESG investments have become popular alternative financing sources in Nigeria. Green bonds provide capital specifically for environmentally friendly projects, including energy-efficient buildings and low-impact infrastructure. ESG-focused financing is growing in Nigeria's real estate sector, driven by increased awareness of sustainable practices and incentives from international investors⁹⁴. However, the lack of local regulatory support and high costs associated with obtaining ESG certifications can limit the adoption of green financing in the Nigerian real estate market.

2.2 Theoretical Framework

Real estate financing by commercial banks can be understood through several theoretical lenses, primarily focusing on risk management, credit allocation and market efficiency.

2.31.1 Credit Risk Theory

The Credit Risk Theory posits that banks' lending decisions are heavily influenced by their assessment of the borrower's ability to repay the loan, which is a critical factor in real estate development financing. The theory suggests that banks evaluate real estate projects by considering the developer's financial strength, project viability and potential risks such as market volatility and economic downturns⁹⁹. However, this theory will be applicable to

objective four to determine the factors influencing willingness of commercial banks in real estate development finance.

2.31.2 Agency Theory

Another relevant theoretical framework is the Agency Theory, which examines the relationship between the principals (banks) and agents (developers). According to this theory, information asymmetry and moral hazard can lead to suboptimal investment decisions by developers, thereby increasing the risks for banks¹⁰⁰. This perspective highlights the importance of thorough due diligence and risk mitigation strategies by banks when financing real estate projects. Agency theory will be applicable to objective three, which is to assess the willingness of commercial banks in financing real estate development.

2.31.3 Supply-Demand Theory

The Supply-Demand Theory of real estate markets also plays a crucial role in understanding the dynamics of real estate financing. This theory suggests that the willingness of banks to finance real estate projects is influenced by market demand for real estate products and the supply of available properties¹⁰¹. In regions with high demand and limited supply, banks may be more willing to finance real estate projects, anticipating higher returns on investment. Supply-Demand theory will be applicable to objective three to know the willingness of commercial banks in financing real estate development.

2.3 Review of Empirical Studies

Empirical studies have explored the profiles of commercial banks and their role in financing real estate. Commercial banks play a vital role in mobilizing financial resources for real estate projects by assessing developers' financial capacity and project feasibility⁹. In Ogun State, local banks typically prioritize low-risk ventures, while larger banks have the capacity to finance large-scale developments⁶. Real estate developers, on the other hand vary in their financial strength and technical capabilities. Many developers relied more on commercial banks as their primary funding source especially in growing urban centers like Abeokuta⁸. However, limited access to equity funding often constrains their ability to execute large projects.

Empirical studies have identified the financing processes adopted by commercial banks to support real estate development. The first process begins with a loan application, followed by rigorous credit assessments and risk evaluations⁴. Banks in Abeokuta require comprehensive project documentation, including feasibility studies and financial projections, to approve real estate loans¹¹. The disbursement of funds typically occurs in tranches tied to project milestones. This phased approach reduces financial mismanagement and ensures accountability⁵. Despite these measures, delays in approvals due to incomplete documentation or land ownership issues often hinder the process in Ogun State.

The willingness of commercial banks to finance real estate projects is influenced by various factors, including economic conditions, risk perceptions and collateral availability. Banks are cautious about real estate financing in Abeokuta due to concerns over market volatility and regulatory uncertainties⁹. Banks are more willing to finance projects with strong financial

backing and clear revenue streams⁶. Developers with proven track records are more likely to secure financing compared to new entrants with limited experience⁸. High interest rates and inflation further impact banks' willingness, as these economic conditions increase default risks. The willingness of banks to finance real estate gave broader economic indicators such as inflation and Gross Domestic Product growth⁸⁹. The study used data from 25 banks over five years, demonstrating that periods of economic stability saw a 30% rise in real estate financing approvals. Conversely, during periods of high inflation, lending reduced by 18%, underscoring the sensitivity of the sector to economic trends.

Several factors influence commercial banks' willingness to finance real estate projects in Abeokuta. The factors include economic stability, regulatory frameworks and risk perception as the key determinants⁴. For instance, high-interest rates and inflation increase borrowing costs, discouraging both banks and developers from engaging in large-scale real estate financing¹¹. Collateral requirements also play a significant role, as banks demand clear property titles and adequate security for loans. However, issues with land registration and ownership under the Land Use Act create barriers for developers in Ogun State⁵. Additionally, developers' financial capacity, technical expertise and market viability influence the likelihood of securing financing⁹.

2.4 Gaps in Literature Reviewed

Most existing studies have concentrated on the capacity of commercial banks to finance real estate (such as their capital base, regulatory compliance, or available loan products), with insufficient emphasis on their willingness more subjective but crucial factor driven by risk perception, market confidence, and institutional strategy. Many empirical studies reviewed

were either conducted at the national level or in metropolitan hubs like Lagos and Abuja. There is a noticeable scarcity of research focusing specifically on Ogun State, despite its proximity to Lagos and its growing real estate potential as part of the Lagos Megacity expansion.

Existing literature rarely bridges the gap between the perspectives of commercial banks and real estate developers. There is disconnection between what banks require and how developers operate is often unexamined, leading to mutual misunderstanding and financing friction. Real estate development is often lumped together with general construction or housing loans in the literature, ignoring the specific financing needs of developers involved in land acquisition, off-plan sales, and long-term infrastructure delivery. Few studies explored the internal factors that shape bank managers' or loan officers' decisions to approve or reject real estate financing applications, such as policy awareness, risk appetite, and experience with default trends in the real estate sector.

2.5 Summary of Literature Reviewed

The literature reviewed in this chapter highlights the complex interplay of factors that influence commercial banks' willingness to finance real estate development. While economic stability, regulatory frameworks and risk assessment are critical determinants, challenges such as high-risk perception, inadequate collateral and market instability pose significant barriers. To overcome these challenges, a combination of risk mitigation strategies, regulatory enhancements, capacity building and market stabilization efforts is essential. These strategies can help to increase the participation of commercial banks in real estate

financing, thereby supporting the growth and development of the real estate sector in Ogun State, Nigeria.

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Chapter Three

Methodology

This chapter outlines the research methods and analysis employed to achieve the objectives of this study, which focuses on assessing the willingness of commercial banks to finance real estate development in Ogun State, Nigeria. The chapter includes a discussion of the research design, population and sample size, data collection methods, data analysis techniques, and the ethical considerations adopted for the research.

3.1 Research Design

Quantitative research methodologies were employed for this study. This design was selected to provide a more comprehensive understanding of the factors influencing commercial banks' willingness to finance real estate projects, combining numerical data from surveys and deeper insights from interviews¹. The quantitative aspect focuses on collecting numerical data from commercial banks to statistically analyse trends, while the qualitative aspect involves interviews with key stakeholders in the real estate and financial sectors to understand their perceptions and experiences².

3.2 Population of the Study

The targeted population for this research includes:

1. **Commercial Banks Operating in Abeokuta:** The banks are key players in financing real estate projects, and their involvement is crucial to understanding the current state of real estate financing in the region³.

2. **Real Estate Developers:** Developers are the primary beneficiaries of financing from commercial banks, and their perspective on the challenges of accessing financing is essential⁴.
3. **Estate Surveyors and Valuers:** these are registered members of Nigerian Institution of Estate Surveyors and Valuer within the study area.

3.3 Sample and Sampling Technique

The study used sampling techniques to select Commercial banks, Estate Surveyor and Valuer, Real estate developers with direct involvement in real estate financing in Ogun State. This non-probability sampling method ensured that only respondents with relevant knowledge and experience are included in the research⁵.

The sampling frame for the study were seventeen (17) commercial banks, thirty (30) real estate developers, forty-five (45) Estate Surveyor and Valuer located in Abeokuta. The commercial banks include:

Access Bank, Ecobank, Fidelity Bank, First Bank, First City Monument Bank, Guarantee Trust Bank, Keystone Bank, Mainstreet Bank, Premium Trust bank, Polaris bank, Stanbic Bank, Sterling Bank, Union Bank, United Bank of Africa, Unity Bank, Wema Bank and Zenith Bank.

The real estate developer included:

Adron Homes & Properties Ltd, Rush Homes & Gardens, A+ Homes and Investment, Ariyibi Balogun and Co, EPIL Developer, Freshforest Nigeria Limited, Latter House Properties Limited, Richfield Multiconcepts Limited, Sparklight Property Development

Company Ltd, Hoolly Peace Homes, Idera Homes Ltd, Green Diamond Homes Ltd, Winford Properties Ltd, First Covenant Homes and Properties Ltd, Raqnarok Property Development Ltd, Goldenland Investment Ltd, Perfectional Real Estate Group, Esso Properties Limited, Edge Homes and Shelters Ltd, Solarcity Housing and Commercial Estate Ltd, PGHomes and Apartment Ltd, Domain Shelter Limited, Strategic Shelter Development Company Ltd, Lakeshore Global Developers Ltd, Sinwans International Construction Ltd, Dili – Homes and Properties Limited, Finebricks Properties and Investment, SMC Estate Ltd, Aiben Investment and Properties Ltd.

Table 3.1: Distribution of Sampling Frame

Respondent	Sampling Frame
Commercial Banks	17
Real Estate Developers	30
Estate Surveyors and Valuer	45
Total	92

Source: Author's Preliminary Survey, 2025.

3.4 Sample Size

The sample size for the study were 17 different commercial banks, operating in Abeokuta, 30 real estate developers, 45 Estate Surveyor and Valuer operated in Abeokuta were selected.

Table 3.2: Distribution of Sample Size

Respondent	Sample Size
Commercial Banks	17
Real Estate Developers	30
Estate Surveyors and Valuer	45
Total	92

Source: Author's Preliminary Survey, 2025.

3.5 Description of Research Instruments

The research instrument for this study was questionnaire. The questionnaire was designed using a Likert scale format to capture the respondents' attitudes toward different aspects of real estate financing. It included questions on the banks' risk assessment processes, regulatory challenges, and the factors that influence their lending decisions³.

3.6 Validity of the Research Instrument

To ensure validity, the research instruments were pre-tested through a pilot study conducted with a small sample of bank officials, Estate Surveyors and Valuer, real estate developers in Ogun State. This pre-test helped to refine the questions and ensure that they were clear and relevant to the research objectives⁵.

3.7 Reliability of the Research Instrument

For reliability, the Cronbach's Alpha coefficient was used to measure the internal consistency of the questionnaire. A reliability coefficient of 0.7 or higher was considered

acceptable for this study⁷. The semi-structured interview guide was also reviewed by experts in the field to ensure that the questions were unbiased and comprehensive.

3.8 Method of Data Collection

3.8.1 Primary Data

The primary data for this study was collected through surveys and structured interviews. A well-structured questionnaire was designed for bank officials, real estate developers, Estate Surveyor and Valuer. The questionnaire consisted of both open-ended and closed-ended questions. The closed-ended questions facilitated the collection of quantitative data, while the open-ended questions allowed respondents to provide detailed explanations about the challenges and strategies for financing real estate projects⁶.

The survey will be administered to commercial banks focused on their willingness to provide financing for real estate projects, the lending criteria used, and their perceptions of the risks involved in such projects.

3.8.2 Secondary Data

In addition to primary data, secondary data will be collected from existing literature, reports, and financial statements. Sources included the annual reports of banks, financial statistics from the Central Bank of Nigeria (CBN), real estate market reports, and policy documents. These secondary sources provided context for understanding the trends and patterns in real estate financing in Ogun State¹.

3.9 Method of Data Analysis

The quantitative data collected from the questionnaires was analyzed using descriptive statistics and inferential statistics. Descriptive statistics such as frequency distributions, percentages, and mean scores were used to summarize the data and identify trends⁸. Inferential statistics, particularly regression analysis, were employed to assess the relationship between the willingness of banks to finance real estate projects and the identified influencing factors⁶. The regression model helped in understanding the key determinants of banks' lending decisions in real estate financing.

3.9.1 Table

A table is a systematic arrangement of data in rows and columns, used to organize information for easy interpretation. It provides a clear visual structure for presenting multiple variables, makes complex data more comprehensible and comparable and useful for summarizing large datasets, especially when showing relationships between different categories. Tables were used to display responses on demographic characteristics, types of loans, willingness variable and factors influencing bank willingness.

3.9.2 Frequency

Frequency refers to the number of times a particular value or response appears in a dataset. Its purpose in data Analysis, helps to identify how common or rare a specific response and form the basis for generating histograms, bar charts, and percentage calculations. Frequency was used to count how many respondents fell into categories like male/female, or preferred specific types of real estate developments⁷.

3.9.3 Percentage

Percentage expresses frequency as a proportion out of 100. It standardizes data, making it easier to compare between groups. It converts raw frequency into relative terms, aiding clearer comparison across categories and helps in identifying majority vs. minority responses especially useful when sample sizes are large or varied⁶.

3.9.4 Mean

Mean is the sum of all values divided by the number of values. It summarizes continuous or scaled data with a single representative value used to analyze responses on Likert scales in order to help in identifying central tendency of the typical response in a dataset. Mean scores were used to rank factors influencing commercial banks' willingness to finance real estate.

3.9.5 Standard Deviation

Standard deviation is a statistical measure that shows the amount of variation or dispersion from the mean of a dataset. It indicates how spreads out responses are from the mean. A low standard deviation means that the data points are close to the mean, suggesting consistency while a high standard deviation implies that responses are widely spread, showing more variability. Standard deviation was used alongside mean values in analyzing respondents' views on factors influencing banks' willingness to finance real estate⁷.

Table 3.3: Method of Data Analysis Objectives by Objectives

S/N Objectives	Data Required	Respondent	Method of Analysis
1. To examine the profiles of Selected Commercial banks and Real Estate Development Firm	Profiles of selected commercial banks Profiles of Real Estate Developer, Estate Surveyor	Commercial Bank, Real Estate Developer, Estate surveyor	Table, Frequencies, Percentages, Mean, Standard Deviation
2. To investigate various real estate developments and financing processes of Commercial banks	Various types of Real Estate development Processes of Commercial banks financing policies	Real Estate Developer, Commercial Bank, Estate Surveyor	Table, Frequencies, Percentages, Mean, Standard Deviation, Ranking
3. To assess the willingness of commercial banks in financing Real estate Development.	Willingness of Commercial banks to finance Real Estate Development	Commercial bank, Real Estate Developer, Estate Surveyor	Mean, Standard Deviation, Ranking.
4. To determine the factors influencing willingness of commercial banks in real estate	Factors influencing willingness of Commercial banks in real estate development financing	Commercial bank, Real Estate Developer, Estate Surveyor	Mean, Standard Deviation, Ranking

Source: Author's Preliminary Survey, 2025.

3.10 Ethical Considerations

In conducting this research, due attention was given to ethical issues to ensure the protection of respondents and the integrity of the study. The following considerations were observed:

Informed Consent: All participants, including commercial bank staff, real estate developers, and estate surveyors/valuer, were fully briefed about the purpose, objectives and procedures of the study. They were assured that participation was voluntary and only those who gave informed consent were included in the study.

Voluntary Participation: Respondents were informed that their participation was entirely voluntary and they reserved the right to withdraw from the study at any point without any form of penalty or adverse consequence.

Confidentiality and Anonymity: The information provided by participants was treated with strict confidentiality. No names or personal identifiers were recorded in the questionnaires or in the analysis. Data was reported in aggregate form to ensure anonymity.

Non-Maleficence: The research involved no physical, psychological, or social harm to participants. Only survey questionnaires were used, and no sensitive personal or financial details were requested beyond the scope of the study.

Data Integrity: Data collected were used strictly for academic purposes. No manipulation, fabrication or misinterpretation of responses was allowed during analysis.

Endnotes

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Chapter Four

Results and Discussion of Findings

This chapter consists of data analysis, presentation of results and discussion of findings. The present study examines Commercial Banks' Willingness in Financing Real Estate Development in Ogun State, Nigeria. For the Analysis, the profiles characteristics of the respondent were done using descriptive statistics such as frequency, tables, percentages, mean and standard deviation.

4.1 Questionnaire Administration and Retrieval

Table 4.1 Distribution of Questionnaire and Retrieval

s/n	Respondent	Total distributed	Total received	Percentage
1.	Commercial Banks	17	15	18.75%
2.	Real Estate Developer	30	26	32.50%
3.	Estate Surveyor and Valuer	45	39	48.75%
Total		92	80	100%

Source: Author's Field Survey, 2025

A total number of 80 questionnaires were filled properly and returned out of 92 questionnaires administered on the respondents. 80 respondents consist of 15 Commercial Banks, 26 Real Estate Developers and 39 Estate Surveyors and Valuer in Abeokuta. The retrieval rate of the respondents is 87%.

4.2 The Profiles of Selected Commercial Banks and Development Organizations in Abeokuta

To examine the profiles of selected commercial banks and development organizations in Abeokuta, Ogun State, is to verify the suitability of the respondents by giving adequate information to achieve the aim and objective of the study. The following background information was requested from them which include; gender, age, educational qualification, professional status, work experience, involvement in real estate development and numbers of real estate developments were analyzed using frequency and percentage. The results are represented in Table 4.2.

Table 4.2: Profiles of Commercial Banks and Development Organizations in Abeokuta
Demographic Characteristics

Gender of respondents	CB	RED	ESV	Frequency	Percentage (%)
Male	9	18	22	49	61.2
Female	6	8	17	31	38.8
Total	15	26	39	80	100
Age					
11-20years	1	2	0	3	3.8
21-30years	3	4	10	17	21.2
31-40years	5	6	12	23	28.8
41-50years	4	10	9	23	28.8
51years & above	2	4	8	14	17.5
Total	15	26	39	80	100
Educational Qualification					
OND	4	6	0	10	12.5
HND	6	8	17	31	38.8
B.SC	4	8	13	25	31.2
M.SC	1	3	7	11	13.8
Ph.D	0	1	2	3	3.8
Total	15	26	39	80	100
Professional Membership					
Associate	9	15	25	49	61.2
Fellow	6	8	14	28	35.0
Honorary Fellow	0	3	0	3	3.8
Total	15	26	39	80	100
Work Experience					
1-5years	2	7	11	20	25.0
6-10years	3	10	18	31	38.8
11-15years	4	5	7	16	20.0
16years & above	6	4	3	13	16.2
Total	15	26	39	80	100
Involvement in Real Estate					
Yes	15	26	39	80	100
No	0	0	0	0	0
Total	15	26	39	80	100
No. of Real Est. Development					
1-10	6	8	11	25	31.3
11-20	4	11	11	26	32.5
21-30	3	4	9	16	20.0
31-40	2	2	6	10	12.5
41 & above	0	1	2	3	3.8
Total	15	26	39	80	100

Source: Author's Field Survey, 2025

Table 4.2 shows that 49 (61.2%) of the respondents are male while 31 (38.8%) are females which shows that the majority of the respondents are male. Table 4.2 shows that 3 (3.8%) of the respondents are within the age group of 11-20 years, 17 (21.2%) of the respondents are within the age group of 21 – 30 years, 23 (28.8%) of the respondents are within the age group of 31 – 40 years, 23 (28.8%) of the respondents are within the age group of 41 – 50 years, 14 (17.5%) of the respondents are within the age group of 51 years and above. This shows that majorities of the respondents are within the age group of 31 – 40 years and 41 – 50 years. This suggests that most respondents are in their prime working age, likely bringing relevant experience and maturity to their responses.

The Findings from the Table further shows that 10 (12.5%) the respondents had OND Certificates, 31 (38.8%) of the respondents had HND certificates, 25 (31.2%) of the respondents had B.SC Certificates, 11 (13.8%) of the respondents had M.Sc. certificates, 3 (3.8%) of the respondents had Ph.D Certificates. This implies that majority of the respondents had HND certificates. The predominance of respondents with HND and B.Sc. qualifications, coupled with years of industry experience, suggests that the respondents understand the technical, financial, and operational aspects of real estate financing.

Furthermore, findings shows that 49 (61.2%) of the respondents are associate membership of their professional institution, 28 (35%) of the respondents are fellow membership of their professional institution, 3 (3.8%) of the respondents are honorary fellow membership of their professional institution. This implies that the majority of the respondents are associated registered members with their professional institution. This shows that a majority are actively involved in professional

practice, reinforcing the credibility of the data collected.

It was showed from the Table that 20 (25%) of the respondents had 1 -5 years working experience, 31 (38.8%) of the respondents have 6 - 10 years working experience, 16 (20%) of the respondents had 11 – 15 years working experience, 13 (16.2%) of the respondents have 16 years and above working experience. This implies that the majority of the respondents had 6 – 10 years working experience. This implies that respondents have technical and professional qualifications, making their inputs reliable for a study focused on real estate financing.

The data showed that 80 (100%) of the respondents had involved in real estate development, while none of the respondent does not involve in real estate development. It was also revealed that 25 (31.3%) of the respondents had involved in the construction of 1-10 real estate developments, 26 (32.5%) of the respondents had involved in the construction of 11-20 real estate developments, 16 (20.0%) of the respondents had involved in the construction of 21-30 real estate developments, 10 (12.5%) of the respondents had involved in the construction of 31-40 real estate developments and 3 (3.8%) of the respondents had involved in the construction of 41 and above real estate developments.

4.3 Various Real Estate Developments Financed by Commercial banks in the Study Area

The data in Table 4.3 discussed about the type of loan granted as finance for real estate development, the duration of the loan and the financing instruments provided by commercial to financed real estate development.

To investigate the various real estate developments financed by commercial banks in Abeokuta, Ogun State, data was obtained and analyzed based on the following scaled responses with the use of the Likert scaled option; not at all likely (1), not very likely (2), undecided (3), likely (4), very likely (5). Table 4.4 along with Table 4.5 presents and discussed the various types of real estate

developments financed by commercial banks from the perspective of each stakeholders which include the staffs of commercial bank, registered real estate developers and Estate Surveyors and valuer.

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Table 4.3: Loan, Scale of Real Estate Projects and Financing Instrument Type

Characteristics	CB	RED	ESV	Frequency	Percentage (%)
Loan Type					
Construction	4	5	10	19	23.8
Mortgage	4	6	15	25	31.2
Small business	5	11	11	27	33.8
Manufacturing	2	4	3	9	11.2
Total	15	26	39	80	100
Loan Duration					
Short term	8	12	16	36	45.0
Medium term	5	10	15	30	37.5
Long term	2	4	8	14	17.5
Total	15	26	39	80	100
Scale of Real Estate Project					
Small Scale	7	10	16	33	41.2
Medium Scale	6	12	17	35	43.8
Large Scale	2	4	6	12	15.0
Total	15	26	39	80	100
Financial Instrument Type					
Loans	8	12	20	40	50.0
Credit lines	3	4	6	13	16.2
Partnership	4	10	13	27	33.8
Total	15	26	39	80	100

Source: Author's Field Survey, 2025

Table 4.3 shows that 19 (23.8%) of the respondents chosen construction loans, 25 (31.2%) of the respondents chosen mortgage loans, 27 (33.8%) chosen small business loans, 9 (11.2%) of the respondents chosen manufacturing loans. This implies that majority of the respondents chosen small business loans, which Commercial banks typically offered small business loans. This shows that banks still rely primarily on traditional loan structures rather than more flexible or innovative financing models.

The results also shows that 36 (45%) of the respondents picked short term loan duration, 30 (37.5%) of the respondents picked medium term loan duration, 14 (17.5%) of the respondents

picked loan term loan duration. The majority of the respondents chose short term loan duration. This implies that Commercial banks grant loan within short period of time. This implies that commercial banks in the area prefer short-term lending, possibly due to risk aversion or liquidity constraints.

The Table shows that 33 (41.2%) of the respondents said that Commercial Banks finance small scale of real estate projects, 35 (43.8%) of the respondents said that banks finance medium scale of real projects, 12 (15%) of the respondents said that banks finance large scale of real estate projects. This implies that majority of the respondents chosen medium scale of real estate projects, which means that Commercial banks finance medium scale of real estate projects. This indicates that commercial banks are cautious about funding large-scale projects, possibly due to higher capital requirements and longer payback periods.

The Findings from the table further shows that 40 (50%) of the respondents said that Commercial Banks provide loans as financial instrument for real estate, 13 (16.2%) of the respondents said that banks provide credit lines as financial instrument for real estate, 27 (33.8%) of the respondents said banks involved in partnership as financial instrument for real estate. This implies that majority of the respondents chosen loans as financial instruments for real estate projects by Commercial banks. The preference for small business loans and short-term durations shows that commercial banks may be reluctant to commit to long-term, capital-intensive real estate development due to perceived risks or regulatory pressures.

Table 4.4: Various Real Estate Development Types Financed by Commercial Banks

Characteristics	CB Mean S.D Rank				RED Mean S.D Rank				ESV Mean S.D Rank			
Real Estate Development Type												
Residential	15	4.00	1.25	1 st	26	3.69	1.26	1 st	39	3.87	1.20	1 st
Commercial	15	3.80	1.01	2 nd	26	3.62	1.39	2 nd	39	3.79	1.20	2 nd
Industrial	15	3.07	1.28	4 th	26	2.81	1.36	5 th	39	2.62	1.39	6 th
Agricultural	15	2.93	1.22	5 th	26	3.04	1.37	4 th	39	3.31	1.47	4 th
Specialized	15	2.87	1.36	6 th	26	2.31	1.29	6 th	39	2.64	1.40	5 th
Mixed use	15	3.53	1.30	3 rd	26	3.46	1.36	3 rd	39	3.56	1.33	3 rd

Source: Author's Field Survey, 2025

From Table in 4.4 above, it was revealed that the main type of real estate development finance by Commercial Banks is Residential real estate development having the highest mean score of 4.00, followed by Commercial real estate development having a mean score of 3.80, followed by Mixed-use real estate development having a mean score of 3.53, followed by Industrial real estate development having a mean score of 3.07, followed by Agricultural real estate development having a mean score of 2.93, followed by Specialized real estate development having a mean score of 2.87. According to Commercial Banks, the main type of real estate development finance by banks is Residential. This was the most financed type, indicating a strong preference by commercial banks to support residential real estate. This aligns with widespread demand for housing due to population growth and urbanization.

Furthermore, findings shows that the main type of real estate development finance by Commercial Banks is Residential real estate development having the highest mean score of 3.69, followed by Commercial real estate development having a mean score of 3.62, followed by Mixed-use real estate development having a mean score of 3.46, followed by Agricultural real estate development having a mean score of 3.04, followed by Industrial real

estate development having a mean score of 2.81, followed by Specialized real estate development having a mean score of 2.31. According to the real estate developer, the main type of real estate development finance by Commercial banks is Residential. This was the most financed type, indicating a strong preference by commercial banks to support residential real estate. This aligns with widespread demand for housing due to population growth and urbanization. The second highest, suggesting that commercial properties like offices and retail spaces are also attractive for bank financing, likely due to higher income potential. The higher mean scores for residential and commercial projects suggest that banks favor investments with quicker and more predictable returns, aligning with their need to minimize risk.

From Table 4.4 above, it was revealed that main type real estate development finance by Commercial Banks is Residential real estate development having the highest mean score of 3.87, followed by Commercial real estate development having a mean score of 3.79, followed by Mixed-use real estate development having a mean score of 3.56, followed by Agricultural real estate development having a mean score of 3.31, followed by Specialized real estate development having a mean score of 2.64, followed by Industrial real estate development having a mean score of 2.62. From Estate Surveyors and Valuer perspective, the main type of real estate development finance by Commercial banks is Residential. This was the most financed type, indicating a strong preference by commercial banks to support residential real estate. This aligns with widespread demand for housing due to population growth and urbanization. The second highest, suggesting that commercial properties like offices and retail spaces are also attractive for bank financing, likely due to higher income potential.

Table 4.5: Various Real Estate Development Types Financed by Commercial banks

Characteristics	No	Mean	S.D	Rank
Real Estate Development Type				
Residential	80	4.00	1.25	1 st
Commercial	80	3.80	1.01	2 nd
Mixed use	80	3.53	1.30	3 rd
Industrial	80	3.07	1.28	4 th
Agricultural	80	2.93	1.22	5 th
Specialized	80	2.87	1.36	6 th

Source: Author's Field Survey, 2025

From Table 4.5 above, it was revealed that main type real estate development finance by Commercial Banks is Residential real estate development having the highest mean score of 4.00, followed by Commercial real estate development having a mean score of 3.80, followed by Mixed-use real estate development having a mean score of 3.53, followed by Industrial real estate development having a mean score of 3.07, followed by Agricultural real estate development having a mean score of 2.93, followed by Specialized real estate development having a mean score of 2.87. This implies with widespread demand for housing due to the population growth and urbanization.

4.4 Various Real Estate Finance Criteria Required by Commercial banks

To assess the various real estate finance criteria required by commercial banks in Abeokuta, Ogun State, data was obtained and analyzed based on the following scaled responses with use of the Likert scaled option; not a priority at all (1), low priority (2), moderate priority (3), high priority (4), extremely high priority (5). Table 4.6 along with Table 4.7 presents and discussed the various real estate finance criteria by commercial banks from the perspective of each stakeholders which include the staffs of commercial banks, registered real estate developers and Estate Surveyors and valuer.

Table 4.6: Various Criteria Required by Commercial Banks to Financed Real Estate Development

Characteristics Criteria	CB Mean S.D Rank			RED Mean S.D Rank			ESV Mean S.D Rank		
Loan Application	15	3.73	1.10 3 rd	26	4.08	0.93 2 nd	39	3.85	1.23 3 rd
Collateral	15	4.33	0.90 1 st	26	4.19	1.06 1 st	39	3.95	1.10 2 nd
Land Documentation	15	3.27	1.39 5 th	26	3.88	1.11 3 rd	39	4.31	0.86 1 st
Credit Assessment	15	3.67	1.23 4 th	26	2.04	0.92 6 th	39	2.67	1.40 5 th
Project Evaluation	15	4.07	0.88 2 nd	26	2.15	2.15 5 th	39	2.44	1.23 6 th
Loan Disbursement	15	2.93	1.39 6 th	26	3.54	1.30 4 th	39	3.18	1.43 4 th

Source: Author's Field Survey, 2025

From Table 4.6 above, it was revealed that the major real estate finance criteria required by Commercial Banks is Collateral having the highest mean score of 4.33, followed by Project Evaluation having a mean score of 4.07, followed by Loan Application having a mean score of 3.73, followed by Credit Assessment having a mean score of 3.67, followed by Land Documentation having a mean score of 3.27, followed by Loan Disbursement having a mean score of 2.93. From Commercial banks perspective, the main real estate finance criteria

required by banks is Collateral. This implies that commercial banks use collateral to reduce the risks involved in financing real estate as results of past experience of series of loan defaulted from real estate developers.

It was revealed that the major real estate finance criteria required by Commercial Banks is collateral having the highest mean score of 4.19, followed by Loan Application having a mean score of 4.08, followed by Land Documentation having a mean score of 3.88, followed by Loan Disbursement having a mean score of 3.54, followed by Project Evaluation having a mean score of 2.15, followed by Credit Assessment having a mean score of 2.04. From Real Estate Developers perspective, the main criteria required by Commercial banks to finance real estate are Collateral. This implies that commercial banks use collateral to reduce the risks involved in financing real estate as results of past experience of series of loan defaulted from real estate developers.

From the above Table 4.6, it was revealed that the major real estate finance criteria required by Commercial Banks is Land Documentation having the highest mean score of 4.31, followed by Collateral having a mean score of 3.95, followed by Loan Application having a mean score of 3.85, followed by Loan Disbursement having a mean score of 3.18, followed by Credit Assessment having a mean score of 2.67, followed by Project Evaluation having a mean score of 2.44. From the perspective of Estate Surveyors and Valuer, the main real estate finance criteria required by Commercial banks is Land Documentation. This implies that commercial banks will assess the document of land which may serve as collateral.

Table 4.7: Various Real Estate Finance Criteria Required by Commercial Banks

Characteristics	CB	Mean	S.D	Rank
Real Estate Finance processes				
Collateral	80	4.10	1.05	1 st
Land Documentation	80	3.98	1.11	2 nd
Loan Application	80	3.90	1.11	3 rd
Loan Disbursement	80	3.25	1.38	4 th
Credit Assessment	80	2.65	1.34	5 th
Project Evaluation	80	2.65	1.34	5 th

Source: Author's Field Survey, 2025

From Table 4.7 above, it was revealed that the major real estate finance process required by Commercial Banks is Collateral having the highest mean score of 4.10, followed by Land documentation having a mean score of 3.98, followed by Loan Application having a mean score of 3.90, followed by Loan Disbursement having a mean score of 3.25, followed by Project evaluation and Credit assessment with the same mean score of 2.65. From three perspectives, the main real estate finance process required by Commercial banks is Collateral and Land Documentation.

4.5 Factors Influencing the Willingness of Commercial Banks in Financing Real Estate Development

To determine factors influencing willingness of commercial banks in financing real estate development in Abeokuta, Ogun State, data was obtained and analyzed on the following with of Likert scaled option; not influenced (1), slightly influenced (2), somewhat influenced (3), very influenced (4) and extremely influenced (5). Table 4.8 – 4.11 presents and discusses the various factors influencing willingness of commercial banks in financing real estate

development while Table 4.12 – 4.25 presents and discuss the regression analysis of the factors influencing the willingness of commercial banks in financing real estate development

Table 4.8: Variables that prompted Commercial Banks Willingness to Financed Real Estate Development

Characteristics	CB	Mean	S.D	Rank	RED	Mean	S.D	Rank	ESV	Mean	S.D	Rank
Willingness Variables												
Market condition	15	4.50	0.64	1 st	26	3.96	1.00	3 rd	39	3.72	1.39	1 st
Profitability and Return	15	4.20	0.94	3 rd	26	4.31	0.79	1 st	39	3.62	1.43	3 rd
Legal Documentation	15	4.20	1.15	3 rd	26	3.77	1.27	5 th	39	3.51	1.43	4 th
Affordability	15	1.60	0.91	10 th	26	3.46	1.39	8 th	39	3.10	1.29	8 th
Housing Demand	15	3.53	1.30	7 th	26	4.04	1.11	2 nd	39	3.23	1.49	6 th
Societal Norms	15	2.33	1.33	9 th	26	2.31	1.26	10 th	39	2.74	1.42	10 th
Tax Policy	15	4.27	0.88	2 nd	26	3.62	1.20	6 th	39	3.67	1.32	2 nd
Risks	15	3.67	1.23	6 th	26	3.54	1.42	7 th	39	3.28	1.36	5 th
Developer Bank Relationship	15	3.27	1.22	8 th	26	3.88	1.24	8 th	39	2.90	1.41	9 th
Developer Credibility	15	3.80	1.15	5 th	26	3.08	1.55	9 th	39	3.23	1.35	6 th

Source: Author's Field Survey, 2025

From Table 4.8 above, it was revealed that the major willingness variable that influence Commercial Banks to finance real estate development is Market condition having the highest mean score of 4.50, followed by Tax Policy having a mean score of 4.27, followed by Profitability and Legal Documentation with same mean score of 4.20, followed by Developer Credibility having a mean score of 3.80, followed by Risks having a mean score of 3.67, followed by Housing Demand having a mean score of 3.53 followed by Developer Bank Relationship having a mean score of 3.27, followed by Societal Norms having a mean score of 2.33, followed by Affordability having a mean score of 1.60. From the perspective of

Commercial Banks, the main willingness variable that prompts banks to finance real estate development is Market condition.

It was revealed that the major willingness variable that influence Commercial banks to finance real estate development is Profitability and Return having the highest mean score of 4.31, followed by Housing Demand having a mean score of 4.04, followed by Market condition having a mean score of 3.96, followed by Developer Bank relationship having a mean score of 3.88, followed by Legal Documentation having a mean score of 3.77, followed by Tax Policy having a mean score of 3.62, followed by Risks having a mean score of 3.54, followed by Affordability having a mean score of 3.46, followed by Developer Credibility having a mean score of 3.08, followed by Societal Norms having a mean score of 2.31. From the perspective of Real Estate Developers, the main willingness variable that prompts Commercial Banks to finance real estate development is Profitability and Return.

From the above Table 4.8, it was revealed that the major willingness variable that influence Commercial Banks to finance real estate development is Market condition having the highest mean score of 3.72, followed by Tax Policy having mean score of 3.67, followed by Profitability and Return having a mean score of 3.62, followed by Legal Documentation having a mean score of 3.51, followed by Risks having a mean score of 3.28, followed by Housing Demand and Developer Credibility with the same mean score of 3.23, followed by Affordability having a mean score of 3.10, followed by Developer Bank relationship having a mean score of 2.90, followed by Societal Norms having a mean score of 2.74. From the Perspective of Estate Surveyors and Valuer, the major willingness variable that prompts Commercial Banks to finance real estate development is Market condition.

Table 4.9: Variables that can prompt Commercial Banks Willingness to Financed Real Estate Development

Characteristics	No.	Mean	S.D	Rank
Willingness Variables				
Profitability and Return	80	3.95	1.20	1 st
Market condition	80	3.93	1.18	2 nd
Tax Policy	80	3.76	1.22	3 rd
Legal Documentation	80	3.72	1.34	4 th
Housing Demand	80	3.55	1.37	5 th
Risks	80	3.43	1.34	6 th
Developer Bank Relationship	80	3.28	1.37	7 th
Developer Credibility	80	3.28	1.38	7 th
Affordability	80	2.93	1.41	9 th
Societal Norms	80	2.52	1.34	10 th

Source: Author's Field Survey, 2025

Findings From Table 4.9 shows that the major willingness variable that influence Commercial Banks to finance real estate development is Profitability and return having the highest mean score of 3.95, followed by Market condition having mean score of 3.93, followed by Tax policy having a mean score of 3.76, followed by Legal Documentation having a mean score of 3.72, followed by Housing demand having a mean score of 3.55, followed by Risks having a mean score of 3.43, followed by Developer Bank relationship and Developer Credibility with the same mean score of 3.28, followed by Affordability having a mean score of 2.93, followed by Societal Norms having a mean score of 2.52. For the three perceptive, the major willingness variable that prompts Commercial Banks to finance real estate development is Profitability and Return, Market condition and Tax policy. According to all the stakeholders, Market Condition, Profitability and Return, Tax policy, Legal documentation are the willingness variables prompted Commercial Banks to financed

real estate development. This indicates that banks place strong emphasis on the economic viability and market environment of proposed real estate projects. The results imply that commercial banks are more inclined to finance real estate projects when market conditions are favorable and when projects promise high returns. High scores for Tax Policy and Legal Documentation reflect the importance of a clear, supportive regulatory environment in enabling bank participation in real estate finance. This suggests a highly profit-oriented approach rather than a social development focus.

Table 4.10: Factors Influencing Willingness of Commercial Banks in Financing Real Estate Development

Characteristics Factors	CB	Mean	S.D	Rank	RED	Mean	S.D	Rank	RED	Mean	S.D	Rank
Market Stability	15	2.93	1.22	9 th	26	3.31	0.97	10 th	39	3.46	1.10	7 th
Risk of Project Failure	15	3.53	1.06	5 th	26	4.19	0.90	3 rd	39	3.74	1.27	1 st
Economic Policy	15	4.07	1.22	1 st	26	3.77	1.07	7 th	39	3.08	1.16	10 th
Developer's Reputation	15	2.73	1.03	10 th	26	3.58	1.30	8 th	39	3.21	1.34	9 th
Collateral Availability	15	4.00	1.13	3 rd	26	4.00	0.93	4 th	39	3.64	1.09	3 rd
Inadequate Collateral	15	3.73	0.70	4 th	26	2.04	1.11	12 th	39	2.64	1.31	12 th
Inflation	15	3.33	0.90	7 th	26	3.81	1.20	6 th	39	3.38	1.25	8 th
Location	15	4.07	0.88	1 st	26	4.31	0.93	2 nd	39	3.62	1.21	4 th
Interest Rate	15	3.53	1.19	5 th	26	3.88	0.95	5 th	39	3.54	1.00	5 th
Return on Investment	15	3.27	0.96	8 th	26	4.38	0.75	1 st	39	3.67	1.42	2 nd
Tax Incentive	15	1.60	0.74	12 th	26	2.23	1.14	11 th	39	2.72	1.28	11 th
Diversification and Portfolio Management	15	2.20	1.47	11 th	26	3.42	1.14	9 th	39	3.49	1.32	6 th

Source: Author's Field Survey, 2025

Table 4.10 shows that the major factors influencing willingness of Commercial Banks to finance real estate development are Economic Policy and Location having the same highest

means score of 4.07, followed by Collateral Availability having a mean score of 4.00, followed by Inadequate Collateral having a mean score of 3.73, followed by Risk of Project failure and Interest rate having the same mean score of 3.53, followed by Inflation having a mean score of 3.33, followed by Return on Investment having a mean score of 3.27, followed by Market Stability having a mean score of 2.93, followed by Developer's Reputation having a mean score of 2.73, followed by Diversification and Portfolio management having a mean score of 2.20, followed by Tax Incentive having a mean score of 1.60. From the perspective of Commercial Banks, the major factors that influenced the willingness of banks to finance real estate development are Economic Policy and Location.

The findings from the Table 4.9 further shows that the major factor influencing willingness of Commercial Banks to finance real estate development is Return on Investment having the highest mean score of 4.38, followed by Location having a mean score of 4.31, followed by Risk of Project failure having a mean score of 4.19, followed by Collateral Availability having a mean score of 4.00, followed by Interest rate having a mean score of 3.88, followed by Inflation having a mean score of 3.81, followed by Economy Policy having a mean score of 3.77, followed by Developer's Reputation having a mean score of 3.58, followed by Diversification and Portfolio Management having a mean score of 3.42, followed by Market Stability having a mean score of 3.31, followed by Tax Incentive having a mean score of 2.23, followed by Inadequate Collateral having a mean score of 2.04. From the perspective of Real Estate Developers, the major factor that influenced the willingness of Commercial Banks to finance real estate development is Return on Investment.

From Table 4.16 above, it was revealed that the major factor influencing the willingness of Commercial Banks in financing real estate development is Risk of Project failure having the

highest mean score of mean score of 3.74, followed by Return on Investment having a mean score of 3.67, followed by Collateral Availability having a mean score of 3.64, followed by Location having a mean score of 3.62, followed by Interest rate having a mean score of 3.54, followed by Diversification and Portfolio Management having a mean score of 3.49, followed by Market Stability having a mean score of 3.46, followed by Inflation having a mean score of 3.38, followed by Developer's Reputation having a mean score of 3.21, followed by Economy Policy having a mean score of 3.08, followed by Tax Incentive having a mean score of 2.72, followed by Inadequate Collateral having a mean score of 2.64. From the perspective of Estate Surveyors and Valuer, the major factor that influenced the willingness of Commercial Banks to finance real estate development is Risk of Project failure.

Table 4.11: Factors Influencing Willingness of Commercial Banks in Financing Real Estate Development

Characteristics	No.	Mean	S.D	Rank
Factors				
Location	80	3.92	1.09	1 st
Risk of Project Failure	80	3.85	1.13	2 nd
Collateral Availability	80	3.82	1.05	3 rd
Return on Investment	80	3.82	1.21	3 rd
Interest Rate	80	3.65	1.02	5 th
Inflation	80	3.51	1.17	6 th
Economic Policy	80	3.48	1.20	7 th
Market Stability	80	3.31	1.08	8 th
Developer's Reputation	80	3.23	1.29	9 th
Diversification and Portfolio Management	80	3.22	1.36	10 th
Inadequate Collateral	80	2.65	1.28	11 th
Tax Incentive	80	2.35	1.21	12 th

Source: Author's Field Survey, 2025

From Table 4.11 above, results shows that the major factor influencing the willingness of Commercial Banks in financing real estate development is Location having the highest mean score of mean score of 3.92, followed by Risk of Project failure having a mean score of 3.85, followed by Collateral Availability and Return on Investment having the same mean score of 3.82, followed by Interest rate having a mean score of 3.65, followed by Inflation having a mean score of 3.51, followed by Economic Policy having a mean score of 3.48, followed by Market stability having a mean score of 3.31, followed by Developer's reputation having a mean score of 3.23, followed by Diversification and Portfolio Management having a mean score of 3.22, followed by Inadequate collateral having a mean score of 2.65, followed by Tax Incentive having a mean score of 2.35. From the perspectives of all the three

Stakeholders, the major factors that influenced the willingness of Commercial Banks to finance real estate development is location, Risk of Project failure, Collateral availability and Return on Investment. This implies that real estate projects located in prime urban areas with high potential return of minimal risks are more likely to be finance by commercial bank.

4.6 Discussion of Findings

The study examines the assessment of Commercial Banks' Willingness in Financing Real Estate Development in Ogun State, Nigeria. A total number of 80 questionnaires were properly filled and returned out of 92 questionnaires. Having representation across Commercial banks, Real estate developers, Estate surveyors and valuer ensures triangulation of views. The demographic balance supports a multi-stakeholder perspective, which is critical in evaluating the interplay between financing and real estate development¹.

The finding for the first research questions is based on the profiles characteristics of the respondents which showed that the majority of respondents were male. The age categories of the respondents are within 31 – 40 years and 41 – 50 years. This implies that the respondents are within the active working age. In term of educational qualification, the majority of the respondents have HND certificate, which means that the respondents had practical industry experience. This suggests that most respondents are in their prime working age, likely bringing relevant experience and maturity to their responses. The predominance of respondents with HND and B.Sc. qualifications, coupled with years of industry experience, suggests that the respondents understand the technical, financial, and operational aspects of real estate financing².

Findings of the study for second research questions showed that majority of the Commercial Banks granted small business loans for short term duration. This implies that Commercial banks can only offer loans to customers within a short period of payback due to their financial policy governed by the Central bank. Commercial Banks provide loans as the major financial instrument for real estate. This implies that commercial banks in the area prefer short-term lending, possibly due to risk aversion or liquidity constraints³.

The major type of real estate development financed by Commercial banks is residential real estate development. Basically, Commercial banks finance real estate development through loans for the real estate developers within the short period of time in which loan must be pay back. This implies that Commercial banks provide loans for various residential real estate developments such as block of flats, Bungalows, Duplexes and so on. Based on the real estate finance processes by the Commercial banks, the main real estate finance criteria required by bank is the Collateral and Land Documentation. This implies that there must be provision of Collateral and Land Documentation before Commercial Banks can finance real estate development. The Collateral serves as the guarantee for a loan, while the land Documentation shows the legal proof of ownership on a land. The higher mean scores for residential and commercial projects suggest that banks favor investments with quicker and more predictable returns, aligning with their need to minimize risk⁴.

The results of the third research question showed that the major willingness variable that prompts Commercial banks in financing real estate development Profitability and Return, Market condition with their mean score of 3.95 and 3.93 respectively. This implies that Commercial banks will be willing to finance real estate development that have higher profit

and return on investment, where the market condition is highly favorable. The results imply that commercial banks are more inclined to finance real estate projects when market conditions are favorable and when projects promise high returns. This suggests a highly profit-oriented approach rather than a social development focus⁵.

The findings of the fourth research question showed that the main factors Influencing willingness of Commercial Banks in financing real estate development in Abeokuta are Location, Risk of Project failure, Return on Investment and Collateral Availability with their mean score of 3.92, 3.85, 3.82 respectively. Regression analysis was used to analyze the data in order to check the significance influence of the factors on Bank willingness of Commercial banks in financing real estate development. The results was revealed that factors such as Location, Return on Investment, Collateral Availability, Risk of Project failure, Market Stability, Interest Rate had significance influence on the Commercial Banks willingness in financing real estate development. However, return on investment, collateral availability and Interest Rate is in line with the literature reviewed on the factors that influenced commercial banks willingness to finance real estate development⁶. This suggests that real estate projects located in prime urban areas with high potential return of minimal risk are more likely to be finance by commercial banks. This implies a perceptual importance, but not necessarily a practical one in bank decision-making models.

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Chapter Five

Conclusion

This Chapter consists of summary, conclusion, recommendation and contribution to knowledge. The present study examines the assessment of Commercial Banks in Financing Real Estate Development in Ogun State, Nigeria.

5.1 Summary of Findings

The study findings showed that greater parts of the respondents were male within the age group of 31 – 40 years and 41 – 50 years, who are in active working age and had practical industry experience. This implies that the respondents are within the active working age. In term of educational qualification, the majority of the respondents have HND certificate, which means that the respondents had practical industry experience. This suggests that most respondents are in their prime working age, likely bringing relevant experience and maturity to their responses. The predominance of respondents with HND and B.Sc. qualifications, coupled with years of industry experience, suggests that the respondents understand the technical, financial, and operational aspects of real estate financing.

Findings of the study for second and third research questions showed that majority of the Commercial Banks granted small business loans for short term duration. This implies that Commercial banks can only offer loans to customers within a short period of payback due to their financial policy governed by the Central bank. Commercial Banks provide loans as the major financial instrument for real estate. The major type of real estate development financed by Commercial banks is residential real estate development. This was the most financed type, indicating a strong preference by commercial banks to support residential real estate. This

aligns with widespread demand for housing due to population growth and urbanization. The main criteria of financing real estate by Commercial banks are Collateral and Land Documentation.

The results of the fourth research question showed that the major willingness variable that prompts Commercial banks in financing real estate development Profitability and Return, market condition with their mean score of 3.95 and 3.93 respectively. This implies that Commercial banks will be willing to finance real estate development that have higher profit and return on investment, where the market condition is highly favorable. The results imply that commercial banks are more inclined to finance real estate projects when market conditions are favorable and when projects promise high returns. This suggests a highly profit-oriented approach rather than a social development focus. It also showed that the main factors Influencing the willingness of Commercial Banks in financing real estate development in Abeokuta are Location, Risk of Project failure, Return on Investment and Collateral Availability with their mean score of 3.92, 3.85, 3.82 respectively. The results suggests that real estate projects located in prime urban areas with higher potential return of minimal risk are more likely to be finance by commercial banks. This implies a perceptual importance, but not necessarily a practical one in bank decision-making models.

5.2 Conclusion

The findings reveal that Commercial Banks provide loans as the major financial instrument for real estate. The major type of real estate development financed by Commercial banks is residential real estate development. The main priority of real estate finance processes by the Commercial banks is the Collateral and Land Documentation. Commercial banks will be

willing to finance real estate development that have higher profit and return on investment, where the market condition is highly favorable. The study highlights that economic viability, market stability, and tax policy are the primary motivators behind bank financing decisions in real estate. Social considerations like affordability and societal norms are of less concern, which raises questions about the broader developmental impact of commercial bank financing strategies.

In conclusion, Location, Return on Investment, Collateral Availability, Risk of Project failure and interest rate are factors influencing the willingness of Commercial Banks in financing real estate development in Abeokuta. This suggests that real estate projects located in prime urban areas with high potential return of minimal risk are more likely to be finance by commercial banks. This implies a perceptual importance, but not necessarily a practical one in bank decision-making models.

5.3 Recommendations

Based on the findings, the following recommendations are made for this study:

1. Commercial banks should design medium and long term financing scheme that better suit real estate project timelines in order to reduce repayment pressure on developers and encourage more viable developments.
2. Government and regulatory agencies should work to stabilize the real estate market by improving land documentation processes, strengthening property rights and reduce bureaucratic bottleneck that delay project execution.
3. Government can introduce tax relief, subsidies and other fiscal incentives for banks that actively participate in real estate financing.

4. Central bank should consider providing special intervention funds with lower interest rates dedicated to real estate development to make commercial bank financing more attractive.

5.4 Contribution to Knowledge

Knowledge of real estate development finance can contribute as a guide for policymakers to design targeted financial and regulatory interventions that could encourage more active participation of banks in real estate financing, thereby addressing housing and infrastructure deficits. By identifying factors influencing the willingness of Commercial Banks in finance real estate development can provide insights into the framework for better collaboration between real estate developers and financial institution. This can lead to more bankable projects structures and improved access to funding.

5.5 Area of Further Studies

Further studies can consider investigating the roles of non-bank financial institutions such as mortgage banks, microfinance institutions, pension funds and Real Estate Investment Trust (REITs) in funding real estate projects.

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Appendix I
Department of Estate Management,
Faculty of Environmental Design and Management,
Lead City University, Ibadan.
Questionnaire for the Commercial banks in Abeokuta

Dear Sir/Madam,

Questionnaire on the Assessment of Commercial Banks' Willingness in Financing Real Estate Development in Ogun State, Nigeria.

The question below is drawn out to carry out an independent research on the above stated topic in partial fulfillment for the Award of Master of Science Degree in Estate Management and Valuation. Your professional experience is required to effectively capture the objectives of the study. You are therefore implored to provide answers to the questions with honesty. Your response will be treated with utmost confidence and use only for academic purpose. Any inconveniences this might cause you are regretted.

Thank you,

Yours faithfully,

Shehu Tijani HASSAN

SECTION A

Instruction: Please tick (✓) and fill the blank spaces where applicable

Organizational Profile.

- (1) Name of your bank
- (2) Position/Designation
- (3) Gender: Male ☐ or Female ☐
- (4) Age: (a) 11 – 20 years ☐ (b) 21 – 30 years ☐ (c) 31 – 40 years ☐ (d) 41 – 50 years ☐ (e) 51 years & above
- (5) What is the level of your Educational Qualification? (a) OND ☐ (b) HND ☐ (c) B.Sc. ☐ (d) Masters ☐ (e) Ph.D. ☐

- (6) What is your level of membership cadre with your professional institution? (a) Associate [] (b) Fellow [] (c) Honorary Fellow []
- (7) How long have you been working with your organization? (a) 1- 5 years [] (b) 6 – 10 years [] (c) 11 – 15 years [] (d) 16 years and above []
- (8) How long has your bank been operating in Abeokuta? (a) 1-5 years [] (b) 6-10 years [] (c) 11-15 years [] (d) 16 years & above []
- (9) How many branches of your bank are located in Abeokuta? (a) 1 [] (b) 2 [] (c) 3 [] (d) More than 3 []
- (10) Has your organization ever been involved in real estate development? (a) Yes [] (b) No []
- (11) If yes, how many real estate developments has your organization involved?
(a) 1-10 [] (b) 11-20 [] (c) 21-30 [] (d) 31-40 [] (e) 41 & above []

SECTION B

Financing Policies and Processes

- (12) What types of loans does your bank typically offer? (a) Construction loans [] (b) Mortgage loans [] (c) Small business loans [] (d) Manufacturing loans []
- (13) What is the duration of loan provided by your bank? (a) Short term [] (b) Medium term [] (c) Long term []
- (14) How frequently does your bank finance real estate projects in Abeokuta? (a) Frequently [] (b) Occasionally [] (c) Rarely []
- (15) What scale of real estate projects does your bank finance? (a) Small-scale [] (b) Medium-scale [] (c) Large-scale []
- (16) What financing instruments does your bank use for real estate projects? (a) Loans [] (b) Credit lines [] (c) Partnerships []
- (17) Which types of real estate development does your bank likely to finance?

Instruction: Please tick (√) where appropriate (1) Not at All Likely (2) Not Very Likely (3) Undecided (4) Likely (5) Very Likely

Real Estate Development Types	Not at All Likely (1)	Not Very Likely (2)	Undecided (3)	Likely (4)	Very Likely (5)
Residential					
Commercial					

Industrial					
Agricultural					
Specialized					
Mixed-Use					

(18) What are the major processes required by bank for financing real estate development?

Instruction: Please tick (√) where appropriate (1) Not a Priority at All (2) Low Priority (3) Moderate Priority (4) High Priority (5) Extremely High Priority

Real Estate Finance Processes	Not a Priority at All (1)	Low Priority (2)	Moderate Priority (3)	High Priority (4)	Extremely High Priority (5)
Loan Application					
Collateral					
Land Documentation					
Credit Assessment					
Project Evaluation					
Loan Disbursement					

SECTION C

Willingness to Finance Real Estate Development

(19) On a scale of 1-5, how willing is your bank to finance real estate development in Abeokuta? (a) 1 (Not willing) [] (b) 2 [] (c) 3 (Neutral) [] (d) 4 (Willing) [] (e) 5 (Very willing) []

(20) What are the variables that prompted willingness to finance real estate development by your bank?

Instruction: Please tick (√) where appropriate (1) Strongly Disagree (2) Disagree (3) Undecided (4) Agree (5) Strongly Agree

Willingness Variables	Strongly Disagree (1)	Disagree (2)	Undecided (3)	Agree (4)	Strongly Agree (5)

Market Condition					
Profitability and Return					
Legal Documentation					
Affordability					
Housing Demand					
Societal Norms					
Tax Policy					
Risks					
Developer-Bank Relationship					
Developer Credibility					

SECTION D

Factors Influencing Willingness of Commercial banks in Financing Real Estate Development

(21) What are the factors influencing your bank's willingness to finance real estate projects in Abeokuta?

Instruction: Please tick (✓) where appropriate (1) Not Influenced (2) Slight Influenced (3) Somewhat Influenced (4) Very Influenced (5) Extremely Influenced

S/N	Factor	Not Influenced	Slightly Influenced	Somewhat Influenced	Very Influenced	Extremely Influenced
1.	Market Stability					

2.	Risk of Project Failure					
3.	Economic Policies					
4.	Developer's Reputation					
5.	Collateral Availability					
6.	Inadequate Collateral					
7.	Inflation					
8.	Location					
9.	Interest Rate					
10.	Return on Investment					
11.	Tax incentive					
12.	Diversification and Portfolio Management					

Appendix II
Department of Estate Management,
Faculty of Environmental Design and Management,
Lead City University, Ibadan.

Questionnaire for the Real Estate Developers & Estate Surveyor and Valuer in
Abeokuta

Dear Sir/Madam,

Questionnaire on the Assessment of Commercial Banks' Willingness in Financing Real Estate Development in Ogun State, Nigeria.

The question below is drawn out to carry out an independent research on the above stated topic in partial fulfillment for the Award of Master of Science Degree in Estate Management and Valuation. Your professional experience is required to effectively capture the objectives of the study. You are therefore implored to provide answers to the questions with honesty. Your response will be treated with utmost confidence and use only for academic purpose. Any inconveniences this might cause you are regretted.

Thank you,

Yours faithfully,

Shehu Tijani HASSAN

SECTION A

Instruction: Please tick (✓) and fill the blank spaces where applicable

Please indicate: Real Estate Developer [] or Estate Surveyor and Valuer []

Organizational Profile

(1) Name of your Organizational.....

(2) Position in the Organization:.....

(3) Gender: Male [] or Female []

(4) Age: (a) 11 – 20 years [] (b) 21 – 30 years [] (c) 31 – 40 years [] (d) 41 – 50 years [] (e) 51 years & above

- (5) What is the level of your Educational Qualification? (a) OND ☐ (b) HND ☐
 (c) B.Sc. ☐ (d) Masters ☐ (e) Ph.D. ☐
- (6) What is your level of membership cadre in your professional institution? (a) Associate ☐ (b) Fellow ☐ (c) Honorary Fellow ☐
- (7) How long have you been working with your organization? (a) 1- 5 years ☐ (b) 6 – 10 years ☐ (c) 11 – 15 years ☐ (d) 16 years and above ☐
- (8) How long has your organization been involved in real estate development in Abeokuta? (a) 1-5 years ☐ (b) 6-10 years ☐ (c) 11-15 years ☐ (d) 16 years & above ☐
- (9) What types of real estate projects does your organization develop? (a) Residential ☐ (b) Commercial ☐ (c) Industrial ☐ (d) Mixed-use ☐
- (10) Has your organization ever been involved in real estate development? (a) Yes ☐ (b) No ☐
- (11) If yes, how many real estate developments has your organization involved? (a) 1-10 ☐ (b) 11-20 ☐ (c) 21-30 ☐ (d) 31-40 ☐ (e) 41 & above ☐

SECTION B

Financing Policies and Experience

- (12) Has your organization ever secured financing from commercial banks for real estate projects in Abeokuta? (a) Yes ☐ (b) No ☐
- (13) If yes, what type of financing instrument was obtained? (a) Loans ☐ (b) Credit lines ☐ (c) Partnership ☐
- (14) What types of loans does bank typically offer? (a) Construction loans ☐ (b) Mortgage loans ☐ (c) Small business loans ☐ (d) Manufacturing loans ☐
- (15) What is the duration of loan provided by bank? (a) Short term ☐ (b) Medium term ☐ (c) Long term ☐
- (16) Which types of real estate development does bank likely to finance?

Instruction: Please tick (✓) where appropriate (1) Not at All Likely (2) Not Very Likely (3) Undecided (4) Likely (5) Very Likely

Real Estate Development Types	Not at All Likely (1)	Not Very Likely (2)	Undecided (3)	Likely (4)	Very Likely (5)
Residential					
Commercial					
Industrial					

Agricultural					
Specialized					
Mixed-Use					

(17) What is size of real estate projects that bank finance? (a) Small-scale [] (b) Medium-scale [] (c) Large-scale []

(18) How would you rate the ease of accessing financing from commercial banks? (a) Very easy [] (b) Somewhat easy [] (c) Difficult [] (d) Very difficult []

(19) What are the major processes required by bank for financing real estate development?

Instruction: Please tick (✓) where appropriate (1) Not a Priority at All (2) Low Priority (3) Moderate Priority (4) High Priority (5) Extremely High Priority

Real Estate Finance Processes	Not a Priority at All (1)	Low Priority (2)	Moderate Priority (3)	High Priority (4)	Extremely High Priority (5)
Loan Application					
Collateral					
Land Documentation					
Credit Assessment					
Project Evaluation					
Loan Disbursement					

SECTION C

Willingness of Commercial Banks

(20) On a scale of 1-5, how willing is your bank to finance real estate development in Abeokuta? (a) 1 (Not willing) [] (b) 2 [] (c) 3 (Neutral) [] (d) 4 (Willing) [] (e) 5 (Very willing) []

(21) What types of projects are banks most willing to finance, based on your experience? (a) Residential [] (b) Commercial [] (c) Industrial [] (d) Mixed-use []

(22) Do you think commercial banks' policies align with the needs of real estate developers? (a) Yes [] (b) No []

(23) What are the variables that can prompt commercial banks to be willing to finance real estate development?

Instruction: Please tick (✓) where appropriate (1) Strongly Disagree (2) Disagree (3) Undecided (4) Agree (5) Strongly Agree

Willingness Variables	Strongly Disagree (1)	Disagree (2)	Undecided (3)	Agree (4)	Strongly Agree (5)
Market Condition					
Profitability and Return					
Legal Documentation					
Affordability					
Housing Demand					
Societal Norms					
Tax Policy					
Risks					
Developer-Bank Relationship					
Developer Credibility					

SECTION D

Factors Influencing Willingness of Commercial banks in Financing Real Estate Development

(24) What are the factors influencing commercial banks willingness to finance real estate projects in Abeokuta?

Instruction: Please tick (✓) where appropriate (1) Not Influenced (2) Slight Influenced (3) Somewhat Influenced (4) Very Influenced (5) Extremely Influenced

S/N	Factor	Not Influenced (1)	Slightly Influenced (2)	Somewhat Influenced (3)	Very Influenced (4)	Extremely Influenced (5)
1.	Market Stability					
2.	Risk of Project Failure					
3.	Economic Policies					
4.	Developer's Reputation					
5.	Collateral Availability					
6.	Inadequate Collateral					
7.	Inflation					
8.	Location					
9.	Interest Rate					
10.	Return on Investment					
11.	Tax incentive					
12.	Diversification and Portfolio Management					

Bio-data

A. Personal Data:

1. **Name:** Shehu Tijani HASSAN
2. **Date of Birth:** 13th October, 1991
3. **Nationality/State of Origin:** Nigerian/Ogun State
4. **Marital Status:** Married
5. **Phone Number:** 07062467518
6. **E-Mail Address:** hassanshehu24@gmail.com
7. **Place of Birth:** Aiyepe-Ijebu
8. **Name and Address of Next of Kin:** Mrs Mutiat A. Hassan, No 1, Ajagbe Street, Iperu Remo.

B. Educational Background

1. Educational Institutions Attended with Dates:

- i. Lead City University, Ibadan, Oyo State 2023 till date
- ii. Federal University of Technology, Minna, Niger State. 2011-2016
- iii. Community Grammar School, Aiyepe-Ijebu. 2003-2008
- iv. Ansar-ud-deen Nur. & Pry. School, Aiyepe-Ijebu 1997-2003

2. Academic Qualification Obtained with Dates

- i. M.Sc. Estate Management and Valuation In-view
- ii. B.Tech. Estate Management and Valuation 2016
- iii. Senior Secondary School Certificate 2008
- iv. First School Leaving Certificate 2003

C. Working Experience with Dates

- i. Gateway (ICT) Polytechnic, Saapade, Ogun State 2024- till date
Lecturer III: Department of Estate Management and Valuation
- ii. Jide Olawepo & Co. Estate Firm, Ijebu-ode 2018-2020
Post Held: Estate Surveyor
- iii. Makeke Senior Secondary School, Makeke, Edo State 2017-2018
- iv. Jide Taiwo & Co. Estate Firm, Ijebu-ode 2015
Post Held: Assistant Estate Surveyor/Internship

D. Award and Fellowship

E. Membership of Academic/Professional Bodies

Nigerian Institution of Estate Surveyors and Valuers (NIESV) 2019
Graduate Member

F. Publications:

Dissertation/Thesis:

- Assessment of the Factors Affecting the involvement of Commercial Banks in Real Estate Development in Ogun State. B.Sc. (Estate Management) Final Dissertation. 2016
- Assessment of Commercial Banks' Willingness in Real Estate Development Financing in Ogun State, Nigeria. M.Sc. (Estate Management) Thesis. In-view

Conference Presentation

- **Hassan S.T.** Ikugbe C.E, Kareem F.A & Banjo, A.V, (2024). Investigating the Role of Community Engagement in Improving Waste Management Practices in Ogun State. A paper presented at the 1st International Conference on Engineering and Environmental Technology held At the Prince Dapo Abiodun Leadership Auditorium, Gateway (ICT) Polytechnic Saapade Ogun State, Nigeria on 23rd – 26th September, 2024
- Ikugbe, C.E, **Hassan S.T.** & Banjo, A.V, (2024). Economic Resilience in an Era of Inflation, Food Scarcity, and Insecurity: Leveraging Technology for Solutions. A paper presented at the 1st International Hybrid Conference held At the Anderson Ezeibe Solidarity Complex,(ASUP Secretariat), Federal Polytechnic, Nekede, Owerri, Imo State, Nigeria on 18th – 21st June, 2024
- Ikugbe, C.E, & **Hassan S.T.** (2024). The Impact of Industrial Innovation, Urban Resilience and Sustainable Development. A paper presented at the 1st International Conference held by Academic Staff Union of Polytechnics, The Federal Polytechnic Bida Chapter, Niger State, Nigeria on 3rd – 7th June, 2024
- Banjo, A.V, **Hassan S.T.** & Ikugbe C.E, (2024). Assessing the Impact of Urban Sprawl on Environmental Pollution in Nigeria: A Case Study of Ikeja, Lagos state and Osogbo, Osun State. A paper presented at the 4th Multi-disciplinary International Conference held At Gregory University, Uturu Abia State, Nigeria on 27th – 29th May, 2024
- Banjo, A.V, Ikugbe C.E, & **Hassan S.T.** (2024). Innovative Building Materials and Inclusive Participation in Achieving Sustainable Development. A paper presented at the 2nd ASUP International Multi-disciplinary Conference held At Federal Polytechnic Ekowe, Bayelsa State, Nigeria on 25th – 26th April 2024

- Ikugbe C.E, **Hassan S.T**, Banjo A.V & Adepegba I.E. (2023). Assessing the Effectiveness of Environmental Planning in Promoting sustainable urban landscape: A case study of Abeokuta. A paper presented at the International Conference held At Lead City University, Ibadan, Oyo State, Nigeria on 16th– 19th October 2023
- Ikugbe C.E, **Hassan S.T** & Banjo, A.V (2023). Exploring Innovative Strategies For Sustainable Housing Development And Economic Growth In Abeokuta, Ogun State. A paper presented at National Conference held At The Federal Polytechnic, Ilaro, Ogun State, Nigeria On The 28th – 30th August 2023.
- Ikugbe C.E, **Hassan S.T**, Banjo A.V & Adelola O.O. (2023). An Emerging Environmental Sustainability through Green and Blue Infrastructure Development. A paper presented at the 1st International conference on Science and Technolgy held by the School of Science and Technology, Gateway (ICT) Polytechnic, Saapade, Ogun State, Nigeria on 30thMay- 1st June, 2023.
- Ikugbe C.E, **Hassan S.T**. (2023). Estate Management Education in Training, An Antidote to Youth Employment in Economic Recovery. A paper presented at the 4th International Conference held by the Academic Staff Union of Polytechnic, Osun State Polytechnic Chapter, Iree, Osun State, Nigeria on 8th – 12th May, 2023.
- Ikugbe C.E, Lawal A.W, Mamora T. & **Hassan S.T**. (2021). Religious Value as an Instrument for Sustainable Environment Management. A paper presented at the National Conference for Science Technology & Management at Gateway (ICT) Polytechnic, Saapade, Ogun State, Nigeria on 13th -15th July, 2021.

Journal

- Ikugbe Cyril E, **Hassan Shehu T**. (2025) Sustainable Estate Financing and Investment for 21st Century: A Case Study of Selected Nigeria State, **International Journal of African Sustainable Development Research** Pg 1-28. Vol 7, issue: 2, February 2025, ISSN: 3027-2041.
- Ikugbe Cyril E, **Hassan Shehu T**. & Anih E.M. (2025) An Appraisal of the Impact of Science and Technology on Sustainable Urban Development, **International Journal of African Innovation & Multidisciplinary Research** Pg 1-20. Vol 7, issue: 2, January 2025, ISSN: 3026-9334.
- Ikugbe Cyril E, **Hassan Shehu T**. & Banjo Adeolu V. (2024) Conceptual and Theoretical Framework of Addressing Housing Deficit in Nigeria, **International**

Journal of Environmental Research and Earth Science Pg 181-198. Vol 4, issue: 4, June 2024, ISSN: 3027-2027.

- Ikugbe Cyril E, & **Hassan Shehu T. (2024)** Reengineering Agricultural Land System for Food Security in a Depressed Economy, **Journal of Agricultural & Environmental Science Research** Pg 151-166. Vol 4, issue: 1, May 2024, ISSN: 3027-0642.
- Ikugbe Cyril E, & **Hassan Shehu T. (2024)** The Effects of Internet of Things on Urban Digital Transformation for Sustainable Smart Cities, **International Journal of African Innovation & Multidisciplinary Research** Pg 135-152. Vol 4, issue: 2, April 2024, ISSN: 3026-9334.
- Ikugbe Cyril E, Banjo Adeolu V.& **Hassan Shehu T. (2023)** Facility Management Strategies And Socio-Economic Development: A Study Of Polytechnics In Ogun State, **Nigeria Society for Contemporary Research Journals** Pg 50-59. Vol; 7, issue: 1, September 2023, ISSN: 2992-2429.
- Ikugbe C.E, **Hassan S.T**, & Banjo A.V, & Adelola O.O. **(2022)**. Urban Management in the Era of fourth Industrial Revolution. Ilaro, **Journal of Environmental Research and Development**. Pg 153-159 Vol 6, Issue: 1, October 2022, ISSN: 2736-0814.
- **Hassan S.T**, Ikugbe C.E, & Shoyemi S.A, & Adepegba I.E. **(2022)**. Land Administration and Management for Economic Development. Rectem **International Multidisciplinary Journal**. Pg 203-209 Vol 1, issue: 1, August 2022, ISSN: 2992-3379.
- Ikugbe C.E, **Hassan S.T**, & Shoyemi S.A, & Adepegba I.E. **(2021)**. Green Infrastructure Development Planning System as a Tool for Promoting Sustainable Development. Ilaro **Journal of Environmental Research and Development**. Pg 71-79 Vol 5, Issue: 1, October 2021, ISSN: 2736-0814.

G. Major Conferences Attended with Dates

- Annual Conference by Nigerian Institution of Estate Surveyors and Valuer. Theme: Invest, Thrive: Optimizing Real Estate Asset Finance and Taxation held at Conference Hotel, Abuja on 5th – 10th May, 2025
- Mandatory Continuous Professional Development (MCPD) Seminar by Nigerian Institution of Estate Surveyors and Valuer, Ogun State Branch, Theme: “Money Laundry and Real Estate Investment” held at pensioners event centre, Abeokuta on 4th October, 2022

H. Referees

Mr. Kareem Fatai
Principal Lecturer,
Department of Science Laboratory Technology,
Gateway Polytechnic, Saapade.
08035268959

Mr. Olaseni Kasumu
ACDC Chairman of Aiyeye
07083432599

ESV. Tunde Adenuga
Jidetaiwo & Co Estate Firm,
Ijebu Ode
08059548634

Signature

Date

The University Compliance Certification

This is to certify that this Thesis was written by Shehu Tijani HASSAN with Matriculation number LCU/PG/005714 in the Department of Estate Management, Faculty of

Environmental Design and Management, Lead City University, Ibadan Oyo State in full compliance with the approved University format and style.

Signature

Date

Lead City University Ibadan DO NOT COPY