

# INTERNATIONAL STANDARDS AND THE FUTURE OF REAL ESTATE PRACTICE – THE NEED FOR PROPERTY DATABANK

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# AGENDA

1. Self Introduction
2. Objectives
3. International Standards Relating to Real Estate Practice
4. The Future of Real Estate Practice in Nigeria
5. The Need for Property Data Bank
6. Challenges and Recommendations on Data Bank Development in Nigeria
7. Conclusion

# PROFILE

Bamigbola Consulting  
estate surveyors & valuers



- Fellow, the Nigerian Institution of Estate Surveyors and Valuers
- Member, the Royal Institution of Chartered Surveyors
- RICS Assessor
- Chairman, Mandatory Continuous Professional Development Sub-Committee (MCPD), NIESV, Lagos State Branch
- Former Honorary Secretary of NIESV Lagos State Branch
- Principal Partner, Bamigbola Consulting (Chartered Surveyors/Estate Surveyors and Valuers)
- 18 years of practice in real estate services



# OBJECTIVES

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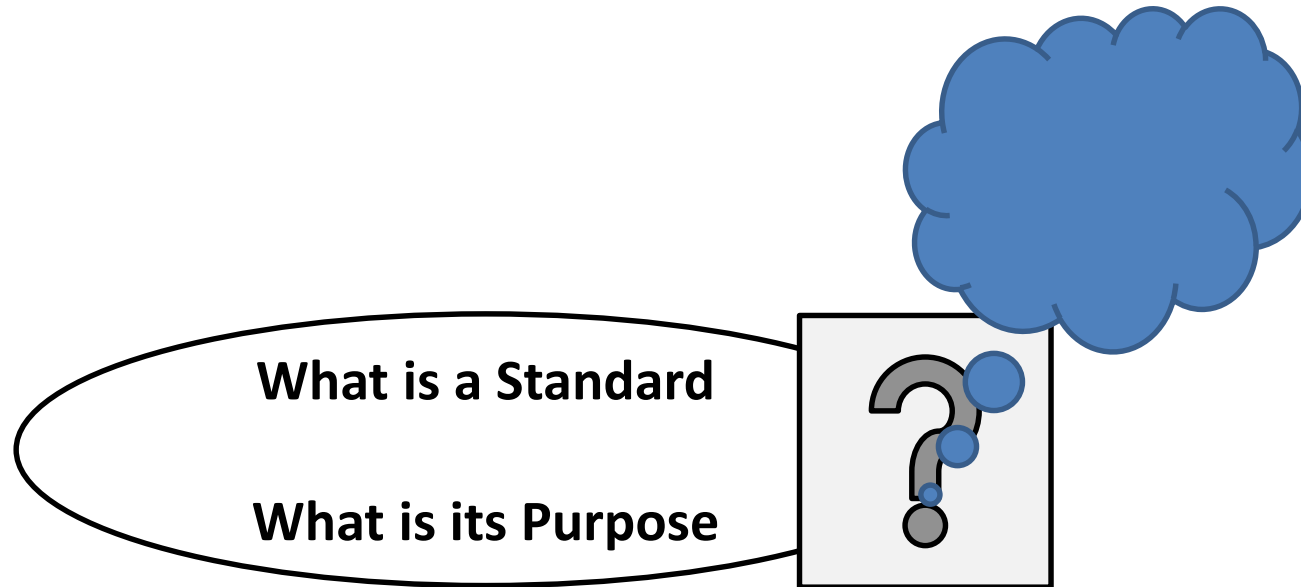


- Bridge the classroom and practice gap on international practice standards by highlighting various international standards for real estate practice
- Encourage students to take advantage of gaps in practice based on international standards
- Promote the need for property databank development



# INTERNATIONAL STANDARDS AND THE FUTURE OF REAL ESTATE PRACTICE

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Standards are developed to ensure that there are general principles upon which businesses, particularly real estate, are done from one country to another.

Range mostly from valuation practice to ethics



# INTERNATIONAL STANDARDS RELATING TO REAL ESTATE PRACTICE

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- ❖ The world has fast grown into a real global village.
- ❖ It has become necessary to ensure the real estate practitioners and investors from UK to US , Nigeria to Asia have an understanding of basic principles and understanding which they have in their various economies to be able to do business effectively and transparently.



# The International Valuation Standards (IVS)

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- ❖ Developed by the International Valuation Standards Council (IVSC). A non-profit international private organization formed in 1981.
- ❖ Responsible for developing the standards and associated technical guidance for the practice of valuation internationally.
- ❖ This is the global basis for the execution of valuation for all types of properties and assets for various purposes, signed unto by various global professional bodies
- ❖ The final 2017 edition is currently available online for members and the hard copy can be ordered for deliver. The review of draft was concluded in the 3rd quarter of 2016.



# The International Financial Reporting Standards (IFRS)

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- ❖ Introduced in 2012 jointly by the International Accounting Standards (IAS) Board and the International Valuation Standards Council (IVSC)
- ❖ Governance for financial reporting of corporate entities and organizations. Its role is to ensure all assets of corporate organizations are valued based on appropriate globally acceptable standards for financial reporting purposes.
- ❖ Domesticated in Nigeria by the establishment of the Financial Reporting Council of Nigeria (FRCN). Professionals, especially Accountants and Estate Surveyors and Valuers have to be registered with this government regulatory organization in compliance with implementation of this standards in Nigeria, from 2013.





# International Public Sector Accounting Standards (IPSAS)

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- ❖ Global standards developed for the public sector accounting like the IFRS for the private sector
- ❖ The accounting standard is a switch from the cash basis of accounting to the accrual basis, which requires periodic valuation by 'Valuers' of public assets, infrastructures, utilities, public building among others.
- ❖ The standards including the valuation requirement were developed by the International Public Sector Accounting Board (IPSASB) and the IVSC.
- ❖ The International Labour Organization (ILO) is among non-profit organizations which has adopted it as well.



# IPSAS



# International Property Measurement Standards (IPMS)

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- ❖ New, principles-based international standard that sets out how to measure property. It means that for the first time, property will be measured in a consistent way around the world.
- ❖ Office buildings is the first in a series of International Property Measurement Standards (IPMS). It refers to a common methodology for measuring office space, globally –that is, the space within an office property and not the units of measurement used. Before the standards, the way property assets – such as homes, offices or shopping centers; are measured varies dramatically.
- ❖ The International Property Measurement Standards Coalition (IPMSC) is an international group of professional and not-for-profit organizations working together to develop and embed a single property measurement standard.
- ❖ The IPMSC is currently comprised of over 70 organizations including the Royal Institution of Chartered Surveyors (RICS) and the Nigerian Institution of Estate Surveyors and Valuers (NIESV).



**IPMS** INTERNATIONAL  
PROPERTY  
MEASUREMENT  
STANDARDS  
[www.ipmsc.org](http://www.ipmsc.org)



# International Ethics Standards (IES)

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- ❖ Developed in 2014 by a global Coalition of real estate and related professional organizations. Its aim is to establish the role of ethics in real estate practice to meet current needs of the global market.
- ❖ The collation noted that while numerous professional organizations have based their standards on common principles such as integrity, transparency and trustworthiness, there is no established global ethical standard to which all land, property, construction, infrastructure and related professional organizations can subscribe.
- ❖ The International Ethics Standards published in 2016 has listed ethics such as accountability, conflict of interest, trust, lawfulness, integrity, confidentiality, high level of service, reflection and transparency, It has some of the high level principles necessary for real estate professional services.



**IES** INTERNATIONAL  
ETHICS  
STANDARDS  
[www.ies-coalition.org](http://www.ies-coalition.org)



- ❖ The 2020 Building the Future Report of 2016 by PriceWaterCooper (PWC) states that sub-Saharan Africa is expected to have the second highest growth of the global construction output which will almost double to US\$15 Trillion by 2025, up from US\$8.7 Trillion in 2012. The study also shows that real estate investment (Institutional-grade) trend will grow to about or more than US\$1Trillion by 2020. In summary, **opportunities abound.**
- ❖ According to a January 2015 report by CBO Capital, the Nigerian real estate sector was valued at N6.4 Trillion (US\$39bn) and with an annual growth of 10% projection. Yet, in most segments demand has outpaced delivery in spite of recent private and public sector development projects.

- ❖ Nigeria has a housing deficit estimated to be about 17million housing units as of late 2013, with Lagos having 2.4million and only a 3% growth according to the Nigerian Bureau of Statistics (NBS). In Lagos alone, the Nigeria's largest urban center and one of the fastest-growing cities in the world, around 70% of the population lived in informal housing and slums as of early 2014, according to Lagos State authorities, therefore the demand for housing is also strong and the opportunities are enormous.
- ❖ However, with the weak Naira and the economic recession of 2016, the cost of new development has moved up but there would not be a no shortage of potential buyers, particularly in the lower- and middle-income segments, over the coming years.

# The Future of Real Estate Practice in Nigeria – Challenges Ahead

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- Ease of Doing Business:** The World Bank’s 2014 “Doing Business” report, which studies business regulations around the world, ranked **Nigeria 169th overall out of 190 countries**, up from 170th in 2016, Nigeria’s performance was better on a number of specific metrics especially in the area of access to credit where it moved up by 16 points. **Nigeria is however rated 174th for ease of obtaining construction permits.** This a major challenge for the future of real estate practice, especially when combined to the challenges of land titling.
- Corporate Governance and Fragmentation of Practice:** A key aspect of modern day professional practice is corporate governance which we are not yet embracing in our mostly fragmented firms. Some firms do even have account or admin officers as everything starts and ends with the Principal Partner. There is also no sense of belonging for junior practitioners in the firm without a career part for growth to possible partnership, hence, the junior colleagues set-out to form another smaller one-man firm claiming capacity to do everything without compliance to standards and adequate regulatory monitoring.



# The Future of Real Estate Practice in Nigeria – Challenges Ahead Contd.

3. **Foreign Incursion of Global Firms:** : Global real estate brands are already major players in the Nigerian market as we speak, hold brief in grade “A” properties and retail facilities (Malls) all over the country.

CBRE (Represented by Broll), JLL and Cushman & Wilfred among others have pushed the home-grown real estate professionals to the background based on their financial capacity, manpower and corporate governance structure, ICT competence and processes, adoption of international standards and best practices as well as ethical standards.

This is further helped by multinationals and Foreign Direct Investors who are already used to them as global players in the real estate sector, against our local practitioners who mostly fragmented and cannot compete beyond our shores.

## The Future of Real Estate Practice in Nigeria – Challenges Ahead Contd.

- 4. Technology:** The Nigeria real estate practitioners, and in particular the Estate Surveyors and Valuers, still have challenges with the effective and global deployment of technology in the delivery of its services, hence, we cannot guarantee optimum service delivery or compete with the foreign incursion.

Presently there are various ICT tools or software for different aspects of our profession from Valuation to Feasibility & Viability Appraisal, Facility Management, Project Management and Estate Agency that can be deployed for effectiveness which we are not yet putting to use. Tools like the Argus Software for valuation and Britix24 for FM and Project management use will come in useful for us and we have to quickly embrace them in our offices.

**This is closely linked to the inability of the system to come up with a databank system which is an imperative for the future of the practice.** This is one key area which the upcoming generation of Estate Surveyors and Valuers should take up in collaboration with the older generation.



- One of the major challenges of real estate practice in Nigeria is the absence of a real-time tested and verifiable property data bank system. This is quite different in the developed economies where data are available, collected and usable for the practitioners and investors who could use them for valuation and other real estate information purposes.
- A property data bank system is an ideal tool for investment growth measurement in any economy, especially in the real estate sector. Land, upon which real estate is built, is the largest resource in an economy after human resources.
- The data bank analyses investment data and provides information on investment and growth direction to guide both the public and private sector operators on decisions for future or further investment.

# The Need for Property Data Bank

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- The Nigerian economy is very ripe for the development of a property data bank system that will bring about a revolution real estate development in the country and the Estate Surveyors and Valuers are in the best position to take the lead in this kind of project, as Land Economists because the data bank is an economic tool. This is the global standard in advanced economies and, at least, one of Africa's leading economy, South Africa.



## Requirement(s) for the Use of Market Data under the International Valuation Standard

- According to the provisions of the International Valuation Standard (2013) for Financial Reporting valuation, in line with the International Financial Reporting Standards (IFRS), IVS 103 Reporting, specified that “Examples of disclosures required under Fair Value measurements include methods and significant assumptions used in the measurement, and or whether, the measurement was determined by reference observable prices or recent market transactions.”
- In furtherance of this requirement in Nigeria, the Estate Surveyors and Valuers Registration Board of Nigeria (ESVARBON) published a Valuation Reporting Template in 2014, following calls from Estate Surveyors and Valuers to fully embrace international standards in valuation reporting, beginning with the Heads of Practice Forum of the Lagos State Branch of the Nigerian Institution of Estate Surveyors and Valuers (NIESV) in 2014.



## Requirement(s) for the Use of Market Data under the International Valuation Standard

- However, while there is no database available for the Nigerian property market as professionals and investors rely mostly on individual market surveys to keep up with required standards, it is clearly worlds apart from what is obtainable in countries like South Africa, United Kingdom and United States of America, where both private and institutional property data base systems exist for subscription and use.
- However, there is good news! We have started some processes in Nigeria, individually, to birth the Nigeria property index, which hopefully should come up steam this year.

Gone are the days of just moving around with 'To Let' board, running around for Estate Agency, which unfortunately, has become an all-comers field.



# Challenges and Recommendations on Data Bank Development in Nigeria

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- Issue of secrecy in transaction which leads to lack of full disclosure and the problem of transparency.
- Lack of regulatory framework to register lease or letting transactions denies the system in benefiting from the vast pool of information available in this segment of the property market. Where available, like in other climes, it would have been a good source of information for annual returns on investment for various classes of properties.



# Challenges and Recommendations on Data Bank Development in Nigeria

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- Lack of standardization in most buildings and property types makes comparison or similarity of properties for a data base system a bit difficult. This is mostly prevalent in the lower or middle end properties which constitute the majority of properties in the Nigeria.
- Lastly, private individuals or groups and institutions in the real estate sector can develop infrastructure and systems for this collectively or separately to ensure a database is delivered to drive the investment potentials in the sector..



# What the new generation can do!

1. **Training** – Get all the training you can get here in school; do research too
2. **Define yourself** – Do you really want to practice the profession, in which type of organization; what specialty/aspects?
3. **Think globally** - “Bite off more than you can chew, then chew it.”- Ella Williams
4. **Be ready for tutelage after school** – Learning is never ending; Update yourself constantly on standards
5. **Innovate** – Introduce new ideals into your organization; Develop systems
6. **Build systems** – Corporate governance structure based on international best practice standard
7. **Embrace Technology** – ICT takes you global



# Conclusion

- ❖ **The need for a database system cannot be overemphasized in this present era of globalization.** Investors all over the world make informed decisions at the click of a button based on verifiable data in any sector of the economy in any country.

With a current contribution of about 6% to the GDP based on the last rebasing of the economy, the real estate sector in Nigeria can be more investor friendly by providing this transparent tool for investment and opening up the sector for huge investment it requires, especially with the need for the country to generate income from sources other than oil and gas. This will further support the implementation of standards in real estate practice in Nigeria.





THANK YOU!! 😊

Questions???

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