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ANALYSIS OF THE VIABILITY OF COMMERCIAL REAL ESTATE INVESTMENT IN ENUGU, ENUGU STATE, NIGERIA (2012-2022)

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ABSTRACT

Over the years, Enugu, the Capital City of Enugu State has witnessed a continuous rise in real estate investment especially in the residential aspect due to the nature of activities which was mainly administrative activities necessitated by the high presence of government offices in the State Capital and the consequent need for accommodation for government staff and officials. However, in recent times, there has been increase in business activities which has led to an increase in commercial real estate investment within the major towns in Enugu, Enugu State. This rise in commercial activities has led to the development and establishment of lock-up shops, plazas, shopping malls, financial institutions, filling stations, and many other investments in commercial real estate. This study is aimed at analyzing the viability of these commercial real estate investments in Enugu, Enugu State. The study objectives are; to identify the commercial real estate developments in Enugu from 2012 to 2022, to identify the development costs and rental values of commercial real estate projects, to determine the rate of returns from commercial real estate investments, to ascertain the risk profile inherent in commercial real estate investment in the study area and to analyze the overall performance of commercial real estate investment in Enugu, Enugu State. Research Hypotheses are formulated to test the postulation that there has been no significant increase in the rental values of commercial real estate developments in Enugu from 2012 to 2022 and, that there is no significant improvement in the viability of commercial real estate investments in the study area from 2012 to 2022. Data were retrieved from the population of the study comprising 52 Estate Surveyors and Valuers practicing in various Real Estate firms within the study area using questionnaires, interview and observation of records. The data collected were analyzed using descriptive statistics, ANOVA, SPSS and regression analysis. The findings suggest that while the commercial real estate market in the study area has experienced significant growth in terms of rental values and rate of returns, the overall viability of these investments has not improved during the period under review. The study therefore recommends further research to explore the specific drivers and constraints influencing the viability of commercial real estate investments in the study area, as well as to investigate the potential strategies and policy interventions that can be implemented to support the growth and development of this crucial sector.

Keywords: Commercial Real Estate, Viability, Enugu, Real Estate Investment

INTRODUCTION

Commercial real estate (CRE) is property used for business-related purposes or to provide workspace rather than living space. Most often, commercial real estate is leased by tenants to conduct income-generating activities. This broad category of real estate can include everything from a single storefront to a massive factory or a warehouse (Investopedia, 2024). Investment may be defined as an economic activity designed to increase, improve or maintain the productive quality of existing stock of capital. It is the present sacrifice for future benefits. An investment always concerns the outlay of some resource today - time, effort, money, or an asset - in hopes of a greater payoff in the future than what was originally put in (Hayes, 2023). This is affirmed by Hargitary and Yu (1993) who defined investment as the commitment of a capital sum for benefits to be received in the future in the form of income flow, capital gain or a combination of both. To invest means to allocate money, energy, time or some other resources in the expectation of some benefits in the future (Adeniran, 2015). In finance, the expected benefits from investment is called returns which may consist of capital gain or investment income. Investment involves the commitment of scarce resources with the sole aim of receiving higher returns, and the value of these returns are influenced by numerous factors. However, unlike investment in securities, real estate or real property is a multi-dimensional product and the number and nature of factors that influence its value are equally of different kinds, and the feature of property or real estate investment differentiates it from investment in securities.

Real estate investment is the practice of purchasing land or landed property as an investment rather than as a primary residence, in order to generate income. It involves the purchase, ownership, management, rental and/or sale of real estate for profit (Obi, 2019). Hayes (2023) went on to define real estate investments as investments in physical, tangible spaces that can be utilized. He maintained that land can be built on it, office buildings can be occupied, warehouses can store inventory, and residential properties can house families. Real property as an investment is made up of interest and rights on land which can be compared with stocks and shares. Real property generally is a profitable investment option and they are considered as much secured because they appreciate in value faster than the inflation rate (Nwanekezie, 1996). However, in stock market, there is no problem of management for the investor, but with most types of real property, some management problems are involved. Apart from this factor, a landowner will incur costs in agreeing to new rental levels and may incur legal and surveyors fee in disputes with tenants over various matters affecting the property. He will require the yield to compensate for this cost and risk. Where, in addition to being costly, management is troublesome, hence the investor will also

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require a higher yield to compensate for this. Transaction in landed property takes fairly lengthy process and the costs of transfer are higher. This makes the liquidity of real property very low compared to other forms of investment such as stock, which can be sold with a mere phone call to a stock-broker. Legislation also impinges on many types of investment but its effects, direct or indirect, on real property are frequently of major significance. All these notwithstanding, real property or real estate despite being generally capital intensive, it has a better capital appreciation compared to others and holds a bright opportunity for investors.

Since 1990s, the demand for commercial outlets has risen astronomically in most urban centers in Nigeria. This is as a result of the economic recession which has compelled the unemployed and public servants to explore trading activities in addition to their normal jobs. The real property investors' reaction to this development has been to increase the number of commercial outlets at the expense of residential property developments, and this is due to the fact that the performance or suitability of real estate investment can be evaluated on the basis of a rate of return (rental yield and capital appreciation), payback period, profit margin and risks (Lidonga G., 2015), and commercial real estate investments has proven to perform better than residential real estate investment (Udobi, Onyejiaka and Nwozuzu, 2018). Therefore, in Enugu, the Capital City of Enugu State and many other towns and cities of Nigeria, open spaces within the vicinity of public institutions have been irrationally converted to accommodate shops and other commercial outlets. Furthermore, Enugu, has over the years witnessed a continuous rise in real estate investment especially in the residential aspect due to the nature of activities which was mainly administrative activities necessitated by the high presence of government offices in the State Capital and the consequent need for accommodation for government staff and officials. However, in recent times, there has been increase in business activities which has led to an increase in commercial real estate investment in Enugu, Enugu State. This rise in commercial activities has led to the development and establishment of lock-up shops, plazas, shopping malls, financial institutions, filling stations, and many other investments in commercial real estate sector. Enugu is now predominantly a commercial city which has led to the scenario where almost every property whether residential, commercial or institutional, has an element of commercial use attached to it. The situation is further compounded with the perceived notion among Nigerian property investors that commercial property performs better than residential property investments. The impact of the ongoing changes in the global and local economy on the performance of real estate investment is serving to highlight the need for its careful consideration in the real estate investment decision making process (Oyewole, 2013). In making this consideration, one of the major factors to be considered is the viability of the real estate investment to determine the performance of the commercial real estate investment in terms of its profitability or otherwise. It is on this note that this study strives to analyze the viability of commercial real estate investments in Enugu, Enugu State, Nigeria.

Statement of the Problem

Real estate investments in Enugu State and many other urban areas in Nigeria provides an important platform for residential, commercial and office accommodations, hospitals, road expansion and good market network, and are done mostly by private investors. These groups of investors as well as the institutional investors such as banks, insurance companies, and corporate bodies invest considerable sums of money into real estate annually without investor's knowledge and understanding of the performance of these sectors (Udobi, Kalu and Ugonabo 2013). Enugu town has fondly being referred to as civil service based but there are locations in Enugu that are highly commercial in nature with many investors in the commercial real estate sector. Many of these investors (especially private ones) have little or no knowledge and understanding of the performance of real estate investments in the area, and this is largely due to the dearth of information affecting the real estate sector, unlike investment in shares and securities whose performances are always made known at all times. Furthermore, a real estate investor also faces the challenge of having to choose the kind of real estate to invest in ranging from residential, commercial, industrial, agricultural, and so on. This challenge is evident because of the aforementioned dearth of information, and because real estate investment is heterogeneous in nature, what is obtainable in one area is always different from what is obtainable in another. Therefore, before an investor can conclusively decide on the type of real estate investment to embark on, he needs to ascertain how the real estate investment is expected to perform and how viable it will be in that particular neighbourhood. Hence, this work intends to analyze the viability of commercial real estate investments in Enugu, Enugu State, Nigeria.

Aim of the Study

The aim of this study is to analyze the viability of commercial real estate investments in Enugu, Enugu State with a view to guiding investors on the performance of real estate investment in the area.

Objectives of the Study

The aim will be achieved by addressing the following objectives:

1. To identify the commercial real estate developments in Enugu from 2012 to 2022.
2. To ascertain the development costs and rental values of commercial real estate projects in Enugu from 2012 to 2022.

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3. To determine the rate of returns from commercial real estate investments in Enugu from 2012 to 2022.
4. To ascertain the risk profile inherent in commercial real estate investment in the study area.
5. To analyze the overall performance of commercial real estate investment in Enugu, Enugu State.

Research Hypotheses

The hypotheses for this study are:

H_{01}: There has been no significant increase in the rental values of commercial real estate developments in Enugu from 2012 to 2022.

H_{02}: There is no significant improvement in the viability of commercial real estate investments in the study area from 2012 to 2022.

Empirical Review

Ade (2015) evaluated the performance of residential real estate investment in Ado Ekiti, Nigeria. The study aimed at providing investors with political investment opportunities of residential property types that will ensure optimum financial returns with specific attention on locations as to guarantee income growth and capital appreciation. The study carried out a performance assessment of residential property investments between 2008 to 2014, analyzing rental and capital values of flats in selected locations, adopting the use of questionnaires complemented by interview questions on respondents. The study found out that, property investments in Basiri, Ajebandele and OkeIla had lower returns, while the properties in GRA, Adebayo and Ajilosun had highest growth in rental and capital values in comparison during the study period. Therefore, the study recommended that investors should direct their efforts towards yielding highest returns to boost investment performance through best management of property portfolio in the areas of secured best returns.

Tomonidie and Ogunleye (2016), carried out a comparative study of the yield derivable from residential property investment in selected Government layouts in Lagos, Nigeria. The study investigated the yields that investors could derive from residential property development in six GRAs to test the hypothesis that "there is no significant relationship between market yield and the addition to housing stock within the period of 2003 and 2012 in the study area. Simple regression analysis was adopted to determine the relationship between yields and the number of residential property supplied to the market within the study period at 0.5 confidence levels. It was discovered that there is statistically significant relationship between yields and addition to housing stock in two locations (Magodo and Ilupeju), while there are no statistically significant relationships between yields and addition to housing stock in four locations (Ikeja, Gbagadav, Ogudu and Adeniyi). This meant that an investor should not totally depend on the prevailing yield in any of the areas studied to make an investment decision property. It was therefore recommended that since yield explains only low percentage of variability in residential property development in the form of annual addition to housing stock, further research should be carried out to discover other factors necessitating residential property investment decision making in the study area.

Aniagolu, Obodo and Ewurum (2019) carried out a study on an assessment of commercial real estate performance as an investment option in Nnewi, Anambra State, Nigeria. The research attempted to assess the performance of commercial real estate development in Nnewi using shops, offices and warehouses, focusing on old Nnewi-Onitsha road, Edo-Ezemewi Road and Nwagbara Road, with a comparison made between the period from 2006 – 2010 and 2011 – 2015. The survey research method was adopted with data collected through questionnaires distributed to Landlords of commercial properties, Estate Surveyors and Valuers, property developers in the study area as well as information from other secondary sources. Data analysis was carried out using Analysis of Variance (ANOVA). The study indicated a significant difference in the performance of shops, offices and warehouses in Nnewi, and recommended among other things that real estate investors in Nnewi and indeed in Nigeria should seek the help of professionals (Estate Surveyors and Valuers) who will carry out market and consumer preferences research/analysis before they venture into commercial real estate development.

Diala, Nissi and Ezema (2019), researched on the comparative analysis of the performance of commercial and residential property investments in Enugu Urban from 2010 – 2017, focusing on return and risk. They understudied 40 units of commercial and residential properties in New Haven and Ogui road, collecting rental and capital data on these properties for the 8 year period from 2 Estate Surveying and Valuation firms in the study area through interviews and observations of their records. Analysis was done using descriptive statistics, Standard Deviation (SD) and Coefficient of Variance (COV) to obtain average returns and risks over the period. It was found that commercial property investment performs better in terms of returns, though with lesser security than residential property investment. The study concluded that before embarking on real estate investment, an investor should assess past performance of similar investments, as this would give an insight to possible future projections. The study

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therefore recommended that prospective investors should engage Estate Surveyors & Valuers to guide them in discerning the type of property to invest in, and in what location and period.

Mbah and Udobi (2019) also embarked on a study to analyze property investment in Awka, Anambra state; comparing the risks and returns on residential and commercial real estate investments in Awka between the period of 2008 and 2017 using mean returns, standard deviation and co-variance pattern standard tools to evaluate the different property investment performance within the study area. Their findings indicated that investment in commercial property performed satisfactorily better than investment in residential property with a mean annual return of 14% when compared to 12.1%. Also, the performance of commercial property investments as it relates income and capital appreciation/growth was higher within the period of measurement. However, the study revealed that residential property investment performed more satisfactorily in terms of risk of 4.1% and 0.34 risk-return as against 10.2% of risk and 0.72 risk-return for commercial property investment within the period under study. The study thus noted that commercial property performed better than residential property investments, and it was recommended that there should be periodic portfolio performance analysis from time to time to help property portfolio managers or investors in deciding how best to select the property investment components that promises a maximum improvement of investment returns and minimizes related risk.

DATA PRESENTATION AND ANALYSIS

Sample Size and Return Rate

The sample size is 58 but 52 respondents did justice to the questions and that implies a response rate of approximately 90%.

Preliminary Information/Bio–data of the Respondents

Table 1: Distribution of gender of the respondents

Gender	Frequency	Percent
Male	44	84.6
Female	8	15.4
Total	**52**	**100.0**

Table 1 shows that 84.6 percent of the respondents are male while 15.4 percent are female. This indicates that there were more male respondents than their female counterparts.

Table 2: Distribution of age group of the respondents

Age group	Frequency	Percent
15-35 years	8	15.4
36-60 years	36	69.2

Above 60 years	8	15.4
Total	**52**	**100.0**

Table 2 shows that 15.4 percent of the respondents are aged 15 to 35 years and above 60 years each while 69.2 percent are aged 36 to 60 years. It shows that the modal age group is 36–60 years.

Table 3: Distribution of marital of the respondents

Marital status	**Frequency**	**Percent**
Single	12	23.1
Married	40	76.9
Total	**52**	**100.0**

Source: Researcher's Field Survey, 2024

Table 3 has the marital status of the respondents, showing that 23.1 percent of the respondents are single while 76.9 percent are married; indicating more married than single respondents.

Table 4: Distribution of academic qualification of the respondents

Qualification	**Frequency**	**Percent**
OND/HND	4	7.7
Master's degree	32	61.5
PhD	16	30.8
Total	**52**	**100.0**

The academic qualifications of the respondents are contained in table 4, showing that 7.7 percent of the respondents hold OND/HND, 61.5 percent hold master's degree while 30.8 percent hold PhD degree. The modal qualification is master's degree.

Table 5: How long have you been practicing

Duration	**Frequency**	**Percent**
1-5 years	8	15.4
6-10 years	20	38.5
11-15 years	16	30.8
Above 15 years	8	15.4
Total	**52**	**100.0**

The duration the respondents have been in practice as estate surveyors and valuers are presented in table 5. It can be seen that 15.4 percent have been in practice for 1 to 5 years and above 15 years each, 38.5 percent have practiced for 6 to 10 years while 30.8 percent

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have practiced for 11 to 15 years. This implies that majority of the respondents have been in practice for at least 6 years.

Presentation of Research Objectives and Research Questions

The research objectives and research questions are presented and explained in this section. The research questions are the question forms of the objectives; when the research objectives are presented in question forms, they will become research question.

In all the 5–point likert scales; strongly disagree (SD=1), disagree (D=2), not sure (NS=3), agree (A=4) and strongly agree (SA=5), a mean cutoff point was calculated as follows:

$$\bar{x} = \frac{1+2+3+4+5}{5} = \frac{15}{5} = 3.0$$

From the cutoff point, any issue whose mean response is 3.0 is regarded as agree while those with mean responses less than 3.0 are regarded as disagree.

Objective One: To identify the commercial real estate developments in Enugu from 2012 to 2022.

Table 6: Commercial real estate developments

S/N	Item	1	2	3	4	5	Mean	Remark
1	Write a business plan	8	20	4	16	4	2.77	Disagree
2	Conduct a feasibility study	8	16	0	16	12	3.15	Agree
3	Find investors	4	12	12	24	0	3.08	Agree
4	Put together a team of industry experts	8	8	4	24	8	3.31	Agree
5	Design the property	8	0	8	28	8	3.54	Agree
6	Break ground	12	4	8	24	4	3.08	Agree
7	Manage the project	8	4	0	28	12	3.62	Agree
8	Market the property if necessary	4	4	4	28	12	3.77	Agree
9	Hand the property over to its new owner or lessee	8	12	4	24	4	3.08	Agree

From table 6, it can be observed that according to the respondents, the commercial real estate developments in Enugu from 2012 to 2022 are conduct a feasibility study, find investors, put together a team of industry experts, design the property, break ground, manage the project, market the property if necessary and hand the property over to its new owner or lessee.

Objective Two: To identify the development costs and rental values of commercial real estate projects in Enugu from 2012 to 2022.

Table 7: Development costs and rental values of commercial real estate from 2012 to 2022

S/N	<1	1-5	6-10	11-20	21-30	31-40	41-50	51-60	61-70	>70	Mean	Remark
2012	12	8	12	8	0	0	12	0	0	0	3.46	11–20M
2013	12	12	0	12	8	0	4	4	0	0	3.54	11–20M
2014	12	4	4	12	12	0	4	4	0	0	3.85	11–20M
2015	8	4	12	4	8	8	4	4	0	0	4.15	21–30M
2016	8	4	4	8	8	4	4	12	0	0	4.77	21–30M
2017	8	4	8	4	4	8	0	16	0	0	4.85	21–30M
2018	8	4	0	8	4	8	4	16	0	0	5.23	31–40M
2019	8	4	0	4	8	4	8	4	12	0	5.62	31–40M
2020	8	0	4	4	8	4	0	12	12	0	5.85	31–40M
2021	8	0	4	0	8	8	0	12	4	8	6.15	41–50M
2022	4	4	4	0	0	8	4	4	12	12	6.92	41–50M

Values are measured in millions of naira

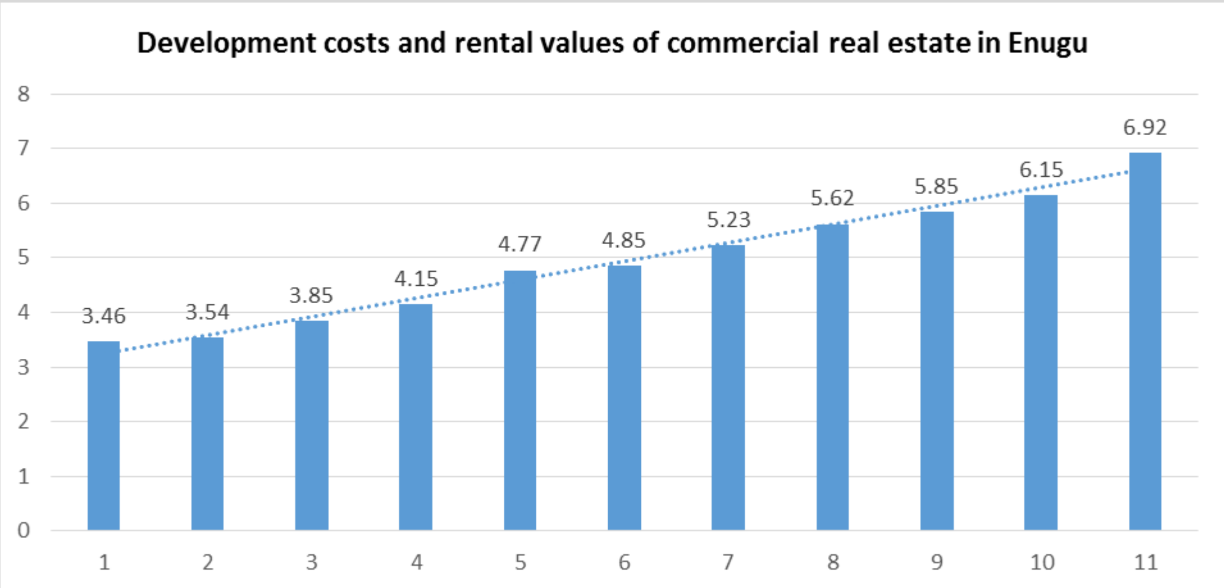

Figure 1: Development costs and rental values of commercial real estate in Enugu

Table 7 and figure 1 indicate an upward and steady increase in the costs and rental values of commercial real estate from 2012 to 2022. It can be seen that between 2012 and 2014, the values ranged from 11 million naira to 20 million naira, while from 2015 to 2017, it increased to the range of 21 million naira to 30 million naira. The values increased from 31 million naira to 40 million naira between 2018 and 2020 and by 2021 and 2022, the values were in the range of 41 to 50 million naira. The movement is best demonstrated using the chat.

Objective Three: To determine the rates of return from commercial real estate investments in Enugu from 2012 to 2022.

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The likert scales used in this objective are as follows between 1 to 20% (0.00–1.00), between 21 to 40% (1.01–2.00), between 41 to 60% (2.01–3.00), between 61 to 80% (3.01–4.00) and between 81 to 100% (4.01–5.00).

Table 8: Rate of returns from commercial real estate investments

S/N	Item	1	2	3	4	5	Mean	Remark
1	Rate of return	28	20	4	0	0	1.54	Btw 21 & 40%

Source: Researcher's Field Survey, 2024

We can observe from table 8 that the average rate of returns from commercial real estate investments in Enugu from 2012 to 2022 is between 21 to 40 percent.

Objective Four: To ascertain the risk profile inherent in commercial real estate investment in the study area.

Table 9: Risk profile inherent in commercial real estate investment in the study area

S/N	Item	1	2	3	4	5	Mean	Remark
1	The Risk of Inflation	12	4	4	20	12	3.31	Agree
2	The Risk of Changing Interest Rates	8	0	12	20	12	3.54	Agree
3	The Risk of Tenant Default	0	4	8	24	16	4.00	Agree
4	The Risk of Liquidity	8	8	8	24	4	3.15	Agree
5	The Risk of Potential Legislation	4	4	16	16	12	3.54	Agree

Source: Researcher's Field Survey, 2024

It can be seen from table 9 that the risk profile inherent in commercial real estate investment in the study area are the risk of inflation, the risk of changing interest rates, the risk of tenant default, the risk of liquidity and the risk of potential legislation, indicating that all the issues raised are the risk profile inherent in commercial real estate investment in the study area.

Objective Five: To analyze the overall performance of commercial real estate investment in Enugu, Enugu State.

The likert scales of this objectives are as follows very poor (VP=1), poor (P=2), neutral (N=3), good (G=4) and very good (VG=5). As earlier stated, mean cutoff point was calculated as shown above. Mean of less than 3.0 (60.0%) indicates poor performance while 3.0 (60.0%) and above indicates good performance.

Table 10: Overall performance of commercial real estate investment

S/N	Item	1	2	3	4	5	Mean	Percent	Remark
1	Revenue Growth	0	4	36	12	0	3.15	63.0	Good
2	Expense Ratio	0	16	28	8	0	2.85	57.0	Poor
3	Delinquency	4	12	32	4	0	2.69	53.8	Poor
4	Occupancy Rate	4	0	32	16	0	3.15	63.0	Good
5	Turnover Time	0	16	16	20	0	3.08	61.6	Good

6	Leasing Conversions	0	20	20	12	0	2.85	57.0	Poor
7	Renewal Rate	0	12	28	12	0	3.00	60.0	Good
8	Profit and Loss	0	4	36	12	0	3.15	63.0	Good
	Overall	**1**	**10.5**	**28.5**	**12**	**0**	**2.99**	**59.8**	**Poor**

Source: Researcher's Field Survey, 2024

From table 10, it can be observed that the overall performance of commercial real estate investment in Enugu is poor, at an average of 59.8 percent.

Presentation of Hypotheses

Hypothesis One: There has been no significant increase in the rental values of commercial real estate developments in Enugu from 2012 to 2022

Table 11a: Model Summary for regression analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.991[a]	.983	.981	.15587

a. Predictors: (Constant), Year

From table 11a, we observe that the correlation between the property value and the years is 0.991, about 99.1 percent. This is a strong positive correlation. It implies that the rental values of commercial real estate developments increased in Enugu per year, from 2012 to 2022.

Table 11b: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.540	1	12.540	516.140	**.000[b]**
	Residual	.219	9	.024		
	Total	12.758	10			

a. Dependent Variable: Property value
b. Predictors: (Constant), Year

This table is used to validate the regression and correlation analyses. We can that the p–value is 0.000, which is less than 0.05. This implies that the regression and correlation are significant. That is, there is a significant increase in the rental values of commercial real estate developments.

Table 11c: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.919	.101		28.957	.000
	Year	.338	.015	.991	22.719	.000

a. Dependent Variable: Property value

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Table 11c contains the coefficients of the regression model for the relationship between the property value and the years under study. It can be seen that relationship can be presented as $y = 2.919 + 0.338x$. It implies that on the average, the property values increased by 0.338 units per year within the period under study.

Discussion of Findings

The findings from this study provide valuable insights into the viability of commercial real estate investments in Enugu, Enugu State from 2012 to 2022. The analysis reveals several important trends and considerations that are crucial for understanding the performance and outlook of this sector in the study area.

One of the key aspects explored in this research was the commercial real estate developments that have taken place in Enugu over the 11–year period. The study identified a range of activities undertaken by real estate stakeholders, including conducting feasibility studies, securing investors, assembling expert teams, designing properties, breaking ground, managing projects, marketing completed developments, and handing over properties to owners or lessees, see Table 6. These findings align with the typical stages involved in commercial real estate development as outlined in extant literature (Hartzell & Baum, 2021; Reed, 2021). The comprehensive mapping of these development activities provides a clear picture of the lifecycle of commercial real estate projects in the study area, which is crucial for understanding the investment landscape. The findings also suggests that real estate stakeholders in Enugu are actively engaging in the full spectrum of development activities, from initial planning to final handover. This indicates a mature and sophisticated real estate sector that is capable of delivering complex commercial projects.

A central focus of the study was examining the development costs and rental values of commercial real estate projects in Enugu. The results revealed a steady and significant increase in both metrics over the 11-year period, Table 7, Figure 1. In 2012-2014, the values ranged from ₦11 million to ₦20 million, increasing to ₦21 million to ₦30 million from 2015-2017, then ₦31 million to ₦40 million from 2018-2020, and finally ₦41 million to ₦50 million in 2021-2022. This upward trend can be attributed to factors such as inflation, population growth, urbanization, and increased demand for commercial real estate in the area (Nwokoro & Onukwube, 2011; Otegbulu, 2017). The substantial rise in development costs and rental values over the years suggests that the commercial real estate market in Enugu has experienced significant growth and appreciation, which could present both opportunities and challenges for investors.

Regarding the rate of returns from commercial real estate investments in the study area, the findings showed that the average rate of returns was in the range 21% to 40%, Table 8. This is consistent with previous studies that have reported commercial real estate as a viable investment option with attractive returns, typically in the range of 15% to 25% (Elile *et al.*, 2019; Bello *et al.*, 2020). The relatively high returns observed in Enugu can be attributed to the growing demand for commercial properties and the limited supply in the area, which has enabled investors to command higher rental rates and realize substantial profits. These findings suggest that commercial real estate investments in the study area have the potential to generate attractive financial returns for investors, provided that they are able to navigate the various risks and challenges associated with this asset class.

Concerning the risk profile inherent in commercial real estate investments in Enugu, the study identified several key risk factors, including the risk of inflation, changing interest rates, tenant default, liquidity, and potential legislation, Table 9. These findings align with the existing literature on real estate investment risks, which commonly highlight factors such as market volatility, economic conditions, tenant solvency, and regulatory changes as key risk considerations (Lausberg *et al.*, 2020; Anastasopoulos & Varelas, 2023). The identification of these risk factors is crucial for investors and developers, as it enables them to develop appropriate risk management strategies and mitigation measures to enhance the viability and sustainability of their commercial real estate investments in the study area.

When it comes to the overall performance of commercial real estate investments in Enugu, the results indicated a mixed picture. While specific performance measures such as revenue growth, occupancy rate, and profit and loss were rated as good, others like expense ratio, delinquency, and leasing conversions were rated as poor, resulting in an overall poor performance with an average score of 59.8% (Table 10). This suggests that the viability of commercial real estate investments in the study area has not significantly improved during the period under review. The mixed performance may be attributed to a range of factors, including high development costs, intense competition, and unfavourable economic conditions that have hindered the profitability and sustainability of commercial real estate investments in the area (Anule & Umeh, 2016; Umeh & Adilieme, 2020).

The hypothesis tested in the study examined whether there has been a significant increase in the rental values of commercial real estate developments in Enugu from 2012 to 2022. The regression analysis, Tables 11a to 11c revealed a strong positive correlation between property values and the years, indicating a significant increase in rental values over the period. This finding is consistent with the trends observed in the development costs and

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rental values, and aligns with the expected growth in commercial real estate prices driven by factors such as population growth, urbanization, and economic development (Dabara & Oyewole, 2015; Ayotamuno & Enu-Obari, 2017). The statistical analysis provides empirical evidence to support the notion that commercial real estate rental values in Enugu have experienced a significant upward trajectory during the study period.

Conclusion

Commercial real estate investment is no doubt a better option in terms for profitability and capital appreciation (depending on location) though certain factors such as those observed in this study could hinder the potential viability of such investment. Chief among such factors is economic instability. Others are naira devaluation, hyperinflation which affects the costs of building materials and hence makes a mess of business plans and bill of quantities.

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