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EFFECTS OF BANKING REFORMS AND GOVERNMENT POLICIES ON REAL ESTATE PROJECT FINANCING IN NIGERIA

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ABSTRACT

Real estate development in Nigeria is capital-intensive with a long gestation period and depends heavily on external finance, yet the market for long-term real estate instruments remains shallow and the mortgage finance system underdeveloped relative to national housing needs. This paper examines the effects of banking sector reforms and government policies on real estate project finance in Nigeria, tracing the evolution of banking reform from the deregulation era of the mid-1980s through consolidation and recapitalisation, post-crisis risk-based supervision, and the current wave of reforms pursued by the Central Bank of Nigeria (CBN) since 2023. Adopting a desk-based, qualitative review of regulatory circulars, official policy statements, and empirical literature, the paper analyses the channels through which banking reforms and government policies affect the availability, cost, and structure of real estate finance; evaluates the effects of the current CBN reform agenda on project financing; reviews alternative financing mechanisms such as Real Estate Investment Trusts, Public-Private Partnerships, and mortgage refinancing arrangements; and situates these findings within existing empirical literature. It recommends a more coherent, predictable, and mutually reinforcing set of policies spanning the monetary, fiscal, land administration, and infrastructure domains. The paper concludes that while banking reform has strengthened financial system stability and is expected to widen long-term access to real estate finance, persistent high interest rates, policy inconsistency, weak mortgage market penetration, and land administration challenges continue to constrain real estate development in the short term.

Keywords: *banking reform, government policy, real estate project finance, mortgage finance, Nigeria*

1.0. INTRODUCTION

1.1 Background to the Study

Real estate development is one of the most capital-intensive activities in any economy, requiring the commitment of substantial long-term resources well before a project begins to generate returns. Land must be acquired, designs prepared, approvals obtained, and construction financed and monitored over periods that frequently extend beyond two or three years for medium and large-scale developments. In Nigeria, as in most of Sub-Saharan Africa, commercial banks remain the dominant, and often the only accessible, source of funding for these projects, since the capital market for long-term real estate instruments remains comparatively inefficient and the mortgage finance system underdeveloped relative to the scale of housing need, leaving bank construction financing and mortgage lending as the primary channels through which formal-sector housing delivery is funded (Bah, Faye & Geh, 2018).

The real estate sector occupies a strategic position in the Nigerian economy, contributing significantly to Gross Domestic Product and generating substantial direct and indirect employment across the construction value chain and allied industries such as cement, steel, glass, and professional services (National Bureau of Statistics, n.d.). Despite this, Nigeria continues to grapple with a housing deficit estimated at over 28 million units, a shortfall driven substantially by rapid urbanisation and population growth. The sector's capacity to close this gap remains constrained by data inadequacy and chronic infrastructure gaps that limit strategic planning, increase investment risk, and suppress capital inflow (Orji, 2026). A substantial part of this deficit reflects not a shortage of land or building capacity, but the persistent difficulty of mobilising affordable, long-term finance for developers and homeowners alike.

The structure, cost, and accessibility of real estate project financing are not determined by market forces alone; they are shaped by the regulatory architecture within which banks operate and by broader government policy. Since the 1980s, Nigeria's banking sector has undergone a series of far-reaching reforms, including deregulation, recapitalisation, prudential guidelines, and progressively strengthened supervision by the CBN, designed to correct systemic weaknesses and align Nigerian banks with international standards. At the same time, successive governments have pursued fiscal, monetary, land administration, and housing policies that directly and indirectly affect the availability and cost of capital for real estate development.

Real estate project financing, unlike conventional corporate lending, is distinguished by its reliance on the cash flows generated by a specific project as the primary basis for loan appraisal and repayment, rather than the general balance-sheet strength of the developer, an approach that mirrors the wider discipline of project finance in which repayment is tied strictly to the contractually defined cash flows of the underlying project (Yescombe, 2013). This structural feature makes it particularly sensitive to changes in interest rates, credit appraisal standards, land tenure security, construction input costs, and macroeconomic stability. A change in monetary policy that appears modest in the context of short-term working capital lending can have a considerably larger effect on a real estate project whose viability was modelled on the financing costs prevailing at project inception.

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1.2 Research Objectives

This paper examines the effects of banking reforms and government policies on real estate project financing in Nigeria. Specifically, it seeks to: (i) trace the historical evolution of Nigeria's banking sector reforms and the structure of the real estate finance environment they have produced; (ii) analyse the specific channels through which banking reforms and government policies affect the availability, cost, and structure of real estate financing, with particular attention to the CBN reform agenda pursued since 2023; (iii) review the alternative financing mechanisms that have emerged in response to the limitations of conventional bank lending; (iv) situate these findings within existing empirical literature; and (v) proffer recommendations for strengthening the real estate financing environment in Nigeria.

1.3 Methodology

The paper adopts a desk-based, qualitative documentary research design. Data were drawn from CBN circulars and official reform communications, publications of relevant regulatory and support institutions, national statistical sources, and peer-reviewed empirical literature on Nigerian banking reform and real estate finance. Materials were selected purposively for direct relevance to banking reform, government policy, and real estate project financing in Nigeria, with particular emphasis on developments between 2023 and 2026. The materials were read and thematically analysed to identify the channels through which reform and policy affect project financing, and the findings were triangulated against the reviewed empirical literature to assess consistency and identify gaps.

1.4 Definition of Key Concepts

Banking Reforms

Banking reforms refer to deliberate policy actions and regulatory measures introduced by monetary authorities to strengthen the banking system, enhance financial stability, improve efficiency, and reduce systemic risk, including recapitalisation, prudential regulation, interest rate policy, risk management standards, and financial inclusion initiatives, whether triggered reactively by crisis or pursued proactively to align the domestic system with international standards.

Government Policy

Government policy encompasses the laws, regulations, fiscal measures, and administrative actions through which the state guides economic activity, including monetary policy, fiscal policy, housing policy, land administration policy, and infrastructure strategy.

Real Estate Project Finance

Real estate project financing is a method of funding development in which repayment is derived primarily from the cash flows generated by the project itself, whether through rental income, sales proceeds, or mortgage take-out, and typically involves feasibility studies, structured risk assessment, developer equity, and staged disbursement tied to construction milestones.

Real Estate Development

Real estate development is the process of acquiring land and designing, constructing, and managing buildings for residential, commercial, or mixed-use purposes, passing through site acquisition, feasibility appraisal, design and approval, construction, and disposal or letting.

Bankability

Bankability describes the extent to which a project meets the risk, return, and security requirements necessary to attract debt or equity finance, typically supported by secured land title, a credible feasibility study, adequate equity, and a realistic repayment strategy.

Mortgage Finance

Mortgage finance refers to long-term lending secured against real property, structured over periods often ranging from ten to thirty years, operating in Nigeria through primary mortgage institutions, commercial banks, and schemes such as the National Housing Fund.

Real Estate Investment Trusts (REITs) and Public-Private Partnerships (PPPs)

A Real Estate Investment Trust (REIT) is a collective investment vehicle pooling investor funds to acquire, develop, or manage income-generating real estate. A Public-Private Partnership (PPP), in this context, is a contractual arrangement between government and a private partner for the joint financing, construction, and sometimes operation of a development project.

2.0. LITERATURE REVIEW

Ogujiuba and Obiechina (2011) traced the evolution of Nigeria's financial sector reforms from the Structural Adjustment Programme deregulation of 1986 through the 2004 recapitalisation exercise and the post-2009 crisis response, and observed that policy inconsistency has repeatedly undermined efforts to build a stable credit culture in the country, a trajectory that closely mirrors the historical account developed in this paper. Anyanwu (2010), writing from within the CBN's Research Department, examined how the fourth phase of banking reforms beginning in 2004 affected the flow of credit to the real sector, a category that includes real estate and construction, and found that the ultimate effect of reform on real-sector lending depended heavily on complementary factors outside the banking system itself.

Nwuba, Egwuatu and Salawu (2013) surveyed commercial banks in Nigeria and found that real estate is the most widely used form of loan collateral in the country, but that its effectiveness as security is undermined by persistent documentation and foreclosure difficulties linked to weaknesses in the land titling system, a finding reinforced by Raphael, Uko and Udosen (2022), who examined the Land Use Act of 1978 and argued that its administrative procedures, particularly the requirement for governor's consent to land transactions, continue to constrain efficient land administration in Nigeria.

Ehimatie, Effiom and Effanga (2017) surveyed accessibility to mortgage finance in Nigeria and identified high equity contribution requirements, short loan terms, and elevated interest rates as the principal barriers to affordable, mortgage-financed housing delivery, a pattern consistent with

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the broader continental picture described by Bah, Faye and Geh (2018), who found that housing finance systems across Africa have generally struggled to keep pace with demand.

Orji (2026) examined the strategic barriers to real estate development in Nigeria and identified pervasive data inadequacy and chronic infrastructure gaps as systemic constraints that limit strategic planning, inflate investment risk, and suppress capital inflow into the sector, underscoring that financing constraints in Nigerian real estate cannot be attributed to banking reforms and government policy alone. Dabara (2022) analysed the performance of the Nigerian Real Estate Investment Trust (N-REIT) between 2013 and 2019 and found that, while N-REIT underperformed government bonds, it carried lower risk than both bonds and equities, positioning REITs as a comparatively stable, though still underdeveloped, component of the Nigerian real estate finance landscape.

Taken together, the reviewed literature establishes that Nigeria's recurring banking reform episodes have been accompanied by persistent policy inconsistency, that land administration weaknesses undermine the use of real estate as collateral, that affordability and short loan terms constrain mortgage-financed housing delivery, and that infrastructure and data gaps compound these financing constraints. What this literature does not systematically address is the specific set of banking reforms pursued by the CBN since 2023, including recapitalisation, foreign exchange liberalisation, and mortgage banking reform, and their combined effect on real estate project financing, a gap this paper addresses.

3.0. BANKING REFORMS, GOVERNMENT POLICY AND REAL ESTATE PROJECT FINANCE IN NIGERIA

3.1 Historical Evolution of Banking Sector Reforms

Nigeria's banking industry has passed through several distinct reform episodes, each leaving a lasting imprint on how banks appraise and price long-term lending, including lending to real estate. Prior to the mid-1980s, the sector operated under a highly regulated regime of administratively fixed interest rates and sectoral credit allocation. The Structural Adjustment Programme of the mid-1980s ushered in financial liberalisation, including interest rate deregulation and the licensing of many new banks, which expanded the pool of potential real estate lenders but also exposed weaknesses in supervision that would later necessitate further reform. In the early 2000s, concerns about undercapitalisation and weak governance prompted the CBN to embark on a consolidation exercise culminating in 2004 and 2005 in a substantially higher minimum capital requirement for commercial banks (Anyanwu, 2010), producing fewer, larger, better-capitalised institutions with greater lending capacity but also more selective and rigorous credit appraisal.

Following the global financial crisis of 2008–2009, several Nigerian banks were found to carry significant non-performing exposures linked partly to speculative real estate and capital market lending, prompting the recapitalisation of affected banks, the establishment of the Asset Management Corporation of Nigeria (AMCON), and the introduction of risk-based supervision and stricter provisioning rules that reshaped how banks subsequently appraised real estate lending. More recently, reform has continued through further recapitalisation directives, expanded regulation of digital banking and payment systems, and macroprudential measures monitoring sectoral credit concentration, including exposure to real estate. This recurring pattern of reform accompanied by persistent policy inconsistency has been well documented in the literature (Ogujiuba & Obiechina, 2011).

3.2 The Real Estate Finance Environment in Nigeria

Real estate development in Nigeria is financed through a combination of sources whose relative importance reflects the constraints and opportunities created by banking reform and government policy. Developer equity, often supplemented by family, business partners, or informal cooperative and thrift societies, remains a significant source of initial capital, particularly for small and medium-scale developers with the greatest difficulty accessing formal bank finance. Commercial bank lending, structured as conventional term loans or, less commonly, dedicated project finance facilities, provides the bulk of formal-sector debt financing for larger developments but remains constrained by the short average term of bank liabilities relative to the long gestation period of real estate projects. Primary mortgage institutions, the Federal Mortgage Bank of Nigeria, and the National Housing Fund provide a further channel targeted at housing delivery and end-user mortgage take-out, although its scale remains modest relative to the national housing deficit, while the Nigeria Mortgage Refinance Company has been established to deepen the secondary mortgage market. Diaspora remittances, informal thrift schemes such as isusu and ajo, and increasingly real estate crowdfunding platforms supplement these formal channels. This layered environment means banking reforms and government policies do not act on a single uniform channel of real estate finance, but differentially on formal bank lending, mortgage finance, and alternative mechanisms.

3.3 Recent CBN Reforms (2023–2026) and Their Effects on Real Estate Project Financing

Building on this historical trajectory, the reform agenda pursued by the CBN since 2023, beginning with a ten-point programme outlined by the CBN Governor before the Nigerian Senate, illustrates in granular detail how a specific and recent wave of banking reform shapes real estate project finance in practice (Central Bank of Nigeria, n.d.). The table below summarises seven components of this reform wave and their distinct, and at times countervailing, effects.

Reform	Effective Date	Positive Effects	Negative Effects
Bank recapitalisation programme, raising minimum capital to N500 billion (international), N200 billion (national), and N50 billion (regional) banks (Central Bank of Nigeria, 2024a)	28 March 2024; compliance by 31 March 2026	Larger capital bases to finance big-ticket real estate developments; increased capacity for long-term project finance; improved investor confidence	Smaller banks may curtail lending while raising capital; greater selectivity in approving real estate loans; stricter borrowing conditions
Regulatory framework to unlock dormant capital in land and property	Ongoing, part of ten-point agenda	Encourages use of land as collateral; improves access to mortgage and	Requires complementary land administration reform;

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holdings (Central Bank of Nigeria, n.d.)		development finance; enhances market liquidity	implementation depends on cooperation with state governments under the Land Use Act
CBN–IFC agreement on local currency financing for priority sectors, including housing (Central Bank of Nigeria, 2024b)	28 October 2024	Long-term naira financing for developers; reduces foreign exchange risk; improves affordability of project finance	Access may be limited to qualified, well-structured developers; strict eligibility may exclude small and medium-scale developers
Foreign exchange market unification and introduction of the Electronic Foreign Exchange Matching System (Central Bank of Nigeria, 2023a, 2024c)	October 2023; EFEMS, November 2024	Greater transparency in sourcing foreign exchange; improved investor confidence; easier importation of materials	Initial naira depreciation increased construction costs and project budgets
Monetary policy tightening under the Inflation Targeting Framework (Central Bank of Nigeria, 2023b)	Announced November 2023	Helps stabilise inflation and macroeconomic confidence over the long term	Higher lending rates increase borrowing costs and reduce housing demand; developers may postpone projects
Housing finance and mortgage banking reforms from the 28th Mortgage Bankers' Committee meeting (Central Bank of Nigeria, 2026)	May 2026	Stronger Primary Mortgage Banks; increased availability of housing finance; better loan recovery mechanisms	Primary Mortgage Banks face higher compliance costs and more stringent lending standards
Strengthened corporate governance and zero-tolerance policy on poor governance (Central Bank of Nigeria, n.d.)	Ongoing	More prudent lending decisions; reduced non-performing loans; stronger institutions	Stricter loan appraisal processes and longer approval timelines for developers

On balance, these reforms are expected to strengthen the long-term financing environment for real estate projects by improving banking stability, expanding mortgage finance, encouraging private-sector investment, and unlocking capital tied up in land and property. In the short term, however, higher interest rates, exchange rate liberalisation, and stricter lending standards have increased financing costs and made access to credit more challenging for many developers, and the balance of evidence suggests the long-term benefits are likely to outweigh these short-term constraints as the reforms embed themselves more fully into lending practice.

3.4 Effects of Banking Reform on Real Estate Project Financing

Beyond the recent CBN agenda, banking reform has affected real estate project financing through several broader channels. Recapitalisation and enhanced regulatory oversight have strengthened the stability of the banking system, improving investor and developer confidence and reducing the risk of project disruption from bank failure or the sudden withdrawal of credit at the mid-construction stage, a scarcity that Emoh (2017) identifies as the most serious problem affecting Nigeria's property investment market. This stability has, in turn, encouraged better-structured loan products and increased participation by institutional investors such as pension fund administrators and insurance companies.

At the same time, reform has introduced progressively stricter credit appraisal standards through mandatory feasibility studies, higher minimum equity contributions, stronger collateral requirements, and more rigorous documentation, a direct consequence of tightened prudential guidelines following earlier episodes of banking distress. This has reduced non-performing real estate loans and improved project quality, but has also limited access to formal finance for small and medium-scale developers who cannot meet equity and collateral thresholds, lengthened loan approval processes, and concentrated real estate lending among a smaller pool of established developers.

Government monetary policy, transmitted through the Monetary Policy Rate, the Cash Reserve Ratio, and liquidity requirements, directly affects the cost and availability of credit for real estate development; tight monetary policy raises borrowing costs and increases banks' risk-aversion, with real estate lending, given its long term and capital intensity, often among the first categories to be curtailed or repriced upward. High equity contribution requirements, short loan terms, and elevated interest rates remain the principal barriers to accessible mortgage finance in Nigeria (Ehimatie et al., 2017), raising project holding costs, reducing the supply of affordable housing, and prompting banks to offer shorter loan terms to limit their long-term interest rate exposure.

Where mortgage reform is effective, it improves end-users' ability to purchase completed properties through structured arrangements, thereby enhancing project bankability, since a credible mortgage off-take arrangement reduces the sales risk associated with a completed development; nevertheless, affordability remains the key barrier to sustainable mortgage-financed housing delivery in Nigeria (Ehimatie et al., 2017). Finally, capital adequacy ratios and sectoral or single-obligor lending limits, while designed to prevent the concentrated exposure that contributed to earlier banking distress, also constrain even well-capitalised, creditworthy developers' access to a given bank's real estate lending capacity, prompting a search for syndicated financing or alternative sources of capital.

3.5 Effects of Government Policy on Real Estate Project Finance

Government policies on taxes, levies, and development charges affect the overall cost structure of real estate projects from land acquisition and plan approval through to sale or letting. Multiple, overlapping taxation by federal, state, and local authorities increases development costs, reduces developer margins, and raises the risk perception of banks assessing project viability, while also incentivising informality among developers seeking to minimise multiple taxation, further shrinking the pool of formally bankable projects.

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Land administration in Nigeria is governed principally by the Land Use Act of 1978, which vests land ownership in state governors in trust for the people and requires statutory consent for the assignment, mortgage, or transfer of land interests (Raphael et al., 2022). Efficient titling and registration enhance security of tenure and the acceptability of land as loan collateral, while bureaucratic, slow, or opaque processes, including long waits for governor's consent and inconsistent registry records across states, increase transaction risk, delay project timelines, and deter loan approval. Although real estate remains the most widely used form of loan collateral in Nigeria, its effectiveness as security continues to be undermined by persistent documentation and foreclosure difficulties (Nwuba et al., 2013), and variability in land administration practice across states creates uneven financing conditions depending on location.

Government investment in infrastructure such as roads, power, water, and drainage increases the bankability and marketability of real estate projects by reducing the off-site infrastructure burden that would otherwise fall on developers, while housing policies aimed at affordability influence the type, scale, and location of projects banks are willing to finance; persistent underinvestment in some locations, however, continues to raise development costs and depress bankability. Beyond its general effect on interest rates, monetary policy also shapes real estate finance through foreign exchange availability and the cost of imported construction inputs such as cement, reinforcement steel, and finishing materials; periods of foreign exchange scarcity or naira depreciation increase construction costs substantially, often mid-project, creating unanticipated budget overruns and raising the risk of delay or incompletion.

More broadly, frequent and sometimes abrupt policy changes, spanning foreign exchange regulation, interest rate adjustments, and land use or taxation policy, generate uncertainty that extends well beyond the direct cost of any single change. Banks facing an unpredictable policy environment tend to shorten loan terms, increase risk premiums, and adopt more conservative loan-to-value ratios, rationing credit rather than adjusting price alone, while prospective mortgage borrowers and institutional investors become more cautious about committing to long-term real estate exposure. The result is the delay or cancellation of large-scale projects pending greater policy clarity, higher financing costs as banks price in policy-uncertainty premiums, and reduced willingness among long-term institutional investors to commit capital to real estate-linked instruments.

3.6 Alternative Real Estate Financing Mechanisms

In response to the constraints of conventional bank lending, several alternative financing mechanisms have emerged or been promoted with regulatory support to diversify the sources of capital available to the sector. Real Estate Investment Trusts, regulated by the Securities and Exchange Commission and listed on the Nigerian Exchange, allow investors to gain exposure to income-generating real estate without directly financing or managing individual projects; although the Nigerian REIT market remains comparatively small, empirical analysis of the N-REIT between 2013 and 2019 found that, while it underperformed government bonds, it carried lower risk than both bonds and equities (Dabara, 2022). Public-Private Partnerships, particularly at the state government level, have delivered mass housing and infrastructure-linked schemes, allowing government to contribute land, infrastructure, or regulatory facilitation while private developers contribute construction finance and technical expertise, reducing the overall financing burden and improving bankability when well structured.

The National Housing Fund, administered with the Federal Mortgage Bank of Nigeria, and the more recently established mortgage refinancing arrangements provide primary mortgage institutions with longer-term funding than they could otherwise raise from short-term deposits, enabling longer mortgage terms and improving the sales off-take environment for developers. Cooperative housing societies, staff housing schemes, and informal thrift arrangements such as isusu and ajo continue to mobilise savings for real estate development among individuals who may not readily qualify for formal bank finance, while diaspora remittances continue to fund a meaningful share of residential construction and real estate crowdfunding platforms have begun to emerge as a supplementary channel, although the regulatory framework governing these platforms remains at an early stage of development.

3.7 Role of Key Regulatory and Support Institutions

Several institutions shape the interaction between banking reform, government policy, and real estate project finance in Nigeria. The CBN sets and enforces prudential guidelines, monetary policy, and macroprudential rules that directly affect bank lending to real estate. The Nigeria Deposit Insurance Corporation contributes to depositor confidence and financial stability, indirectly supporting banks' willingness to extend long-term credit. The Federal Mortgage Bank of Nigeria and the Nigeria Mortgage Refinance Company focus specifically on deepening mortgage finance and improving the availability of long-term funding to primary mortgage lenders, while the Securities and Exchange Commission regulates REITs and other collective investment schemes relevant to real estate. Professional and industry bodies, including the Real Estate Developers Association of Nigeria and relevant surveying and valuation institutions, also contribute to standard-setting and policy advocacy.

4.0. CHALLENGES, IMPLICATIONS AND DISCUSSION

4.1 Challenges of Banking Reform and Government Policy in Real Estate Financing

According to Obienyi (2026), Nigeria's aggressive borrowing surged in 2026, with the CBN reporting that total credit to the Federal Government hit N40.38 trillion in May, a 75.6 per cent year-on-year increase, domestic borrowing alone exceeded N8 trillion in the first few months of the year, and external debt acquisition was on track to hit US$10 billion for 2026. Persistently high interest rates, driven by tight monetary policy aimed at controlling inflation, remain one of the most significant constraints on real estate project finance, particularly for affordable housing schemes with inherently thin margins. Nigeria has, over the years, articulated several national housing policies and programmes whose implementation has frequently fallen short of stated objectives due to funding constraints, weak institutional coordination, and lack of continuity across administrations. The proportion of the population able to access formal mortgage finance remains low relative to comparable emerging markets, reflecting both the high cost of mortgage credit and the informal employment status of a large share of the workforce, which complicates conventional income verification. Despite reform efforts in some states, land administration generally remains characterised by lengthy title perfection processes, inconsistent record-keeping, and overlapping or disputed claims, increasing the transaction cost and risk of using land as collateral, while continued reliance on imported building materials exposes projects to exchange rate risk that is difficult to fully hedge at the point of initial appraisal, contributing to cost overruns and, in some cases, project delay or abandonment.

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4.2 Implications for Housing Delivery and Economic Development

The cumulative effect of banking reform and government policy on real estate project finance carries significant implications for national housing delivery and broader economic development. Where financing is scarce, expensive, or difficult to access, the pace of housing delivery slows, the national housing deficit persists, and the potential contribution of the real estate and construction sector to employment and GDP growth is correspondingly constrained. Conversely, a well-regulated banking system operating within a coherent and predictable policy environment has the potential to substantially improve the flow of finance into real estate development, supporting not only housing delivery but also the wider construction, manufacturing, and professional services sectors that depend on a healthy real estate finance environment.

4.3 Discussion

The findings above are broadly consistent with the literature reviewed in Section 2.0: policy inconsistency, land administration weaknesses, and mortgage affordability constraints identified in earlier studies (Ogujiuba & Obiechina, 2011; Nwuba et al., 2013; Ehimatie et al., 2017) continue to shape outcomes in the current reform period. Where this paper extends the existing literature is in showing that the CBN's 2023–2026 reform agenda has not resolved these longstanding constraints so much as recast them: recapitalisation and stricter prudential supervision have improved system-wide stability at the cost of tighter, more selective credit for real estate, while foreign exchange liberalisation and monetary tightening have improved macroeconomic transparency while raising short-term financing costs. This confirms that banking reform alone cannot substitute for complementary land administration and fiscal reform, a conclusion consistent with Orji (2026) and Raphael et al. (2022).

5.0. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Banking reforms and government policies play a critical role in shaping real estate project financing in Nigeria. The historical evolution of banking sector reform, from the deregulation era through consolidation, post-crisis risk-based supervision, and ongoing recapitalisation, has produced a more stable and better-capitalised banking system. Government policies, ranging from fiscal measures and land administration to infrastructure provision and housing finance initiatives, exert significant, and at times inconsistent, influence on the bankability and affordability of real estate projects. While reforms have strengthened financial stability, improved risk management, and promoted alternative financing mechanisms such as REITs, PPPs, and mortgage refinancing, high interest rates, policy inconsistency, weak mortgage market penetration, and land administration challenges continue to set back real estate development in Nigeria.

The current wave of CBN reforms since 2023, spanning bank recapitalisation, foreign exchange liberalisation, de-risking instruments for housing, the CBN–IFC local currency financing partnership, and mortgage banking reform, reinforces this overall picture. These measures are expected to strengthen the long-term financing environment for real estate projects by improving banking stability, expanding mortgage finance, encouraging private-sector investment, and unlocking dormant capital in land and property, even though several of them, notably higher interest rates and exchange rate liberalisation, have increased financing costs and tightened access to credit in the short term. On balance, the long-term benefits of this reform wave are likely to outweigh its short-term constraints as the financial system matures and the reforms become more fully embedded in lending practice.

5.2 Recommendations

For banking reforms and government policies to have a more robust and coherent effect on real estate project financing, the following recommendations are relevant:

- Government should pursue consistent and predictable monetary and fiscal policies to reduce uncertainty in real estate project planning and financing.
- Interest rates on real estate and housing financing should be moderated, where feasible, through targeted intervention funds, guarantee schemes, and expanded mortgage refinancing facilities.
- Land administration systems should be simplified, harmonised across states, and progressively digitalised to reduce title perfection timelines and improve the acceptability of land as loan collateral.
- Banks should be encouraged, through appropriate regulatory incentives, to develop flexible, sector-specific project finance products tailored to the risk and cash-flow profile of real estate development, rather than relying solely on generic corporate lending templates.
- Government should sustain and expand investment in infrastructure that improves the bankability and marketability of real estate developments, particularly in designated housing growth corridors.
- Greater institutional and regulatory support should be extended to alternative financing mechanisms, including REITs, PPPs, and cooperative housing schemes, to diversify the sources of real estate finance available to developers and homebuyers.
- Efforts to enhance local production of building materials should be intensified to reduce the exposure of real estate project costs to exchange rate volatility.
- Mortgage market reforms should prioritise expanding access for individuals in informal employment, who constitute a significant share of the Nigerian workforce, through innovative income verification and risk assessment approaches.
- The CBN and state governments should accelerate the complementary land administration reforms needed to give practical effect to the regulatory framework for unlocking dormant capital in land and property, so that the benefits of recapitalisation, de-risking instruments, and local currency financing lines are not undermined by continued difficulty in perfecting and registering land as collateral.

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