

Pre-Letting and Pre-Sale Financing Arrangements: An Assessment of Cost Effectiveness for Real Estate Development in Lagos Metropolis, Nigeria

Funminiye Emmanuel Olayiwola

Department of Estate Management,

Ladoke Akintola University of Technology, Ogbomosho, Nigeria

<https://orcid.org/0009-0008-3406-3591>

doi: <https://doi.org/10.37745/bjesr.2013/vol11n51526>

Published September 30, 2023

Citation: Olayiwola F.E. (2023) Pre-Letting and Pre-Sale Financing Arrangements: An Assessment of Cost Effectiveness for Real Estate Development in Lagos Metropolis, Nigeria, *British Journal of Earth Sciences Research*, 11 (5),15-26

ABSTRACT: *Real estate development is capital intensive and hence requires a huge capital outlay and the onus of capital provision lies solely on the development firm. However, the largeness of projects usually makes equity insufficient, raising the need for firms to look outward for capital supply. With debt finance as the alternative, associated high cost of capital acquisition made it inaccessible to development firms. The recent attention-shift of real estate development firms towards pre-letting and pre-sale financing arrangements suggests the cost effectiveness of the arrangements over mortgage. However, despite the attention-shift, the cost effectiveness of pre-letting and pre-sale financing arrangements has been given little attention by the researcher. Hence, this study assessed cost effectiveness of pre-letting and pre-sale financing arrangements with a view to providing information that will increase the level of adoption, using selected properties in Lagos Metropolis, Nigeria as a case study. The cost effectiveness of the arrangements was assessed using three case studies analysis. One property in each of year 2018 (pre – COVID19), year 2020 (COVID19 period) and year 2021 (post – COVID19). Property details such as the number of units financed by pre-letting and pre-sale arrangements, units' type (1-bedroom, 2-bedroom, 3 bedrooms, among others), number of units targeted for pre-letting and/or pre-sale, number of units eventually pre-let and/or pre-sold, duration of property development, annual rent of the pre-let per unit, price of the pre-sale per unit, among others were acquired from the firm's record. In addition, commercial banks mortgage lending rates was retrieved from Central Bank of Nigeria website for year 2015 to 2021, and was used to capitalise the property rent and/or price.*

KEYWORDS: pre-letting, pre-sale financing arrangements, cost effectiveness, real estate development, Lagos metropolis, Nigeria

INTRODUCTION

Real estate development is capital intensive and hence requires a huge capital outlay and the onus of capital provision lies solely on the development firm. However, the largeness of projects usually makes equity insufficient, raising the need for firms to look outward for capital supply. One of the major external sources of capital to real estate development firm is

Publication of the European Centre for Research Training and Development -UK

mortgage. Though mortgage has high cost of acquisition (Allen & Letdin, 2020), it has contributed significantly to the debt structure of real estate development. Despite the significant contribution of mortgage to debt structure of real estate development, the associated high cost of acquisition has been its major setback which has hinder free access to capital. The poor access to capital has fosters housing deficit; a significant source of worry in the developing economies (Afrane et al., 2014). While Asabere et al. (2016) examined the level of mortgage market in relation to the Gross Domestic Product of selected countries in developed and developing economies and asserted that many countries in developing economies are below par, Afrane et al. (2014) identified the persistent problem of access to capital as major setback to real estate development in the developing economies.

The recent attention-shift of real estate development firms towards pre-letting and pre-sale financing arrangements suggest the cost effectiveness of the arrangements over mortgage. Pre-letting and pre-sale financing are trust-based arrangements which have been identified as effective financing approach that eliminate or reduce cost of capital and increase access to fund for real estate development (Vanneste, 2022). In addition, Chang and Ward (1993) argued that all pre-letting and pre-sale financed property transaction enjoys exemption from transaction tax otherwise known as capital gain tax payable to government on every registered property. Though there is attention-shift towards pre-letting and pre-sale financing arrangements by the real estate development firms, little attention has been given to the cost effectiveness of the arrangements by the researcher.

However, emphasis on the cost effectiveness of the arrangements will increase the rate of pre-letting and pre-sale financing arrangements adoption and hence increase the productivity of real estate development firms. To this end, this paper examines cost effectiveness of pre-letting and pre-sale financing arrangements with a view to providing information that will increase the level of adoption, using selected properties in Lagos Metropolis, Nigeria as a case study.

LITERATURE REVIEW

Mortgage financing is an important source of finance in the real estate sector. Though it is an expensive source of financing (Allen & Letdin, 2020), it remained a significant component of debt structure for real estate development. According to Usman and Lizam (2016), mortgage finance system is one of the most effective and sustainable tools for the implementation of real estate development. Yurkiv et al. (2021) suggested that an effective mortgage market is an important tool in an environment with high unmet demand of quality and affordable housing. Afrane et al. (2014) opined that a well-functioning mortgage market is inseparable from a productive housing market. It enhances housing finance at competitive cost thereby ensuring people access to affordable and decent housing.

Asabere et al. (2016) examined the relationship between mortgage market and economic development in some selected developed and developing countries. The study opined that mortgage market in African countries are relatively small when compared to the percentage of Gross Domestic Product. The authors graphically presented the level of mortgage market in the countries as shown in Figure 1. While the Figure revealed a better performance of mortgage market in the US, Canada and UK at the rate of 64.1, 64.5 and 65.2 percentages respectively, performance of larger proportion of the developing countries market was insignificant.

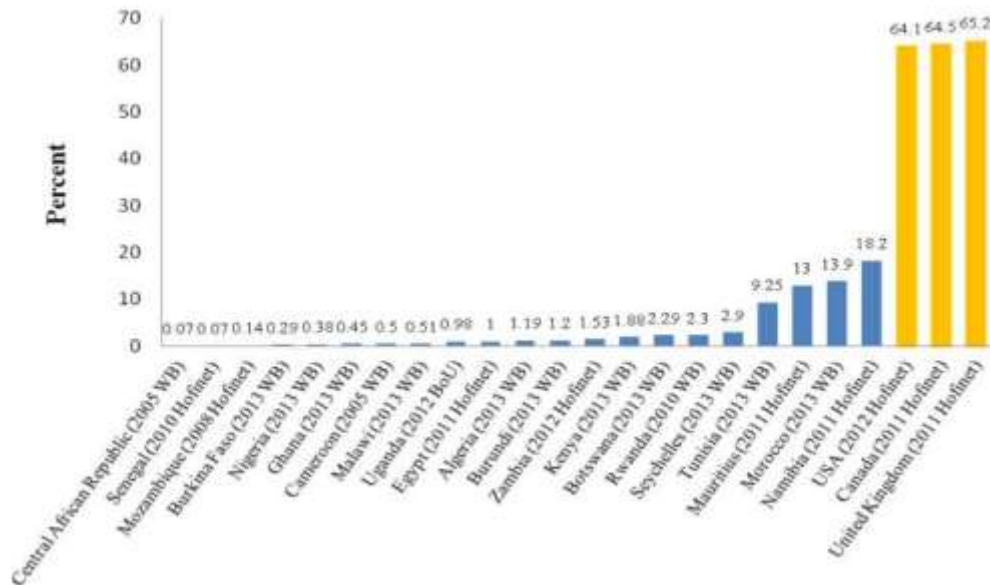


Figure 1. Mortgage market as a percentage of GDP (Asabere et al., 2016)

In developed economies, mortgage financing is a highly organised, available and accessible system that provides finance for both the supply and demand sides of the housing market. Hypostat (2021) highlighted the efficient contributions of European mortgage market in the year 2020 across many European nations. The study suggested that housing development in the European nations was positively impacted by the increase access to mortgage, enabled by the economy, despite the COVID19 pandemic. It was further noted that mortgage accounted for 46.1% of EU GDP.

In Australia, Worthington (2009) discovered that mortgage holding profile varies across the socio-economic, demographic and financial status of the respondents. However, the author found that despite the variance and relatively low level of respondent literacy, the usage of mortgage with spiral effect on residential property market. The positive improvement in residential property market is a result of access to mortgage.

In transitional economy such as Ukraine and Albania, positive impact of mortgage access on property market has also been reported. In Ukraine, Yurkiv et al. (2021) opined that the mortgage financing played important role in the housing sector's contributions to the GDP. However, the study noted that mortgage lending in Ukraine is being restricted by high cost of the credit sources among others. Similarly, Armanda (2015) established a relationship between mortgage loan and growth rate in Gross Domestic Product of Albania. The author emphasised that the increment in mortgage access fostered housing market improvement in the European country.

However, despite the positive impact of mortgage finance in the developed and transitional economy, a good number of literature has noted its infancy state in the emerging economy.

Publication of the European Centre for Research Training and Development -UK

Asabere et al. (2016) identified the slow emergence of mortgage market in many African countries and attributed the slowness to lack of affordability among others. In Ghana, mortgage market has been noted to be underdeveloped and inefficient (Boamah, 2011), flooded with high cost, thereby making housing unaffordable (Afrane et al., 2014). The study attributed the unaffordability of mortgage to the low-income level of the larger population of the Ghanaians. Inaccessibility of mortgage led to the proposition of utilization of pension fund in order meet the housing needs of the medium and low-income populace. Usman and Lizam (2016) identified high interest rate, inaccessibility of long-term mortgage lending and unaffordability of mortgage to borrowers among other factors militating the usage of mortgage finance in Nigeria.

However, pre-letting and pre-sale financing arrangements have been noted to reduce future housing search cost and legal cost such as transaction cost. Chang and Ward (1993) argued that all pre-letting and pre-sale financed property transaction enjoys exemption from transaction tax otherwise known as capital gain tax payable to government on every registered property until after the completion. This exemption is because the property has not yet been officially registered. This indicates more savings on the part of the lessees or buyers. Pre-letting and pre-sale allows lessees or buyers to customise the development in a manner that suit their individual need. Fisher (2010) noted the pre-letting and pre-sale financing gives room for big lessees or buyers to influence property design to suit personal need. Hua et al. (2001) asserted that the reduction in demand of some spot property type is as a result of change in lessees or buyers' preference of a particular product design such as the size of housing units. With pre-letting and pre-sale financing, the developer can swiftly adjust the product design to suit the lessees or buyers' prescription at a lower adjustment costs which is considered cheaper compare to the cost of void accruable, if it were to be the case of existing or spot property.

In addition, pre-letting and pre-sale financing arrangements have benefitted both the demand side (lessees or buyers) and the supply side (the development firm) of the market. For the demand side of the market, increase in its acceptance tends to stem from the benefits it confers on lessees or buyers. It has been established that pre-letting and pre-sale financing confers the ability to pay in instalment in accordance to development phases, as against the lump-sum required for spot property (Hua et al., 2001). According to Leung et al. (2007), investors are presented with the option of either paying an initial deposit while the balance is paid as a lump sum at project completion or in instalment as the case may demand. By this, pre-letting and pre-sale technique makes property financing to an investor, an easy task. Property investment has always been said to be capital intensive with only few investors having the financial power to participate. However, with pre-letting and pre-sale financing, the required lump-sum can be paid in instalment giving room for average lessees or buyers.

METHODOLOGY

The study adopted semi structured questionnaire served on a senior staff member from each of 137 property development companies (PDCs). The PDCs comprise the registered members of

Publication of the European Centre for Research Training and Development -UK

real estate development association of Nigeria (REDAN) and those that are not member of REDAN but simply referred to as corporate developers (Gbadeyan, 2011). According to REDAN directory and the online register of corporate developers, there was high concentration of these two groups in Lagos metropolis, being the commercial hub of the country. Hence, the study population was taken from Lagos metropolis. The directories showed 87 and 50 members respectively resulting to a total of 137 PDCs in Lagos metropolis. Due to change of address and inaccessibility of some of the firms during pilot survey, sample size of 80 percent (110) was adopted.

Cost effectiveness of pre-letting and pre-sale financing arrangements was assessed using three case studies analysis. One property in each of year 2018 (pre – COVID19), year 2020 (COVID19 period) and year 2021 (post – COVID19). Property details such as the number of units financed by pre-letting and pre-sale arrangements, units’ type (1-bedroom, 2-bedroom, 3 bedrooms, among others), number of units targeted for pre-letting and/or pre-sale, number of units eventually pre-let and/or pre-sold, duration of property development, annual rent of the pre-let per unit, price of the pre-sale per unit, among others were acquired from the firm’s record. In addition, commercial banks mortgage lending rates was retrieved from Central Bank of Nigeria website for year 2015 to 2021, and was used to capitalise the property rent and/or price acquired.

This study calculated the average of the mortgage lending rates for all the commercial banks for each fiscal year and adopted same as rate used in capitalisation of property rent and/or price for each year as the case maybe. This is expressed in equation (1) and (2)

$$i = \sum(x^0, x^1, x^2, x^3, \dots, x^n) / N \quad \text{----- (1)}$$

$$A = (1+i)^n \quad \text{----- (2)}$$

Where:

- i is Average Lending Rates;
- x is the Lending Rates of Commercial Banks;
- N is Number of the Commercial Bank;
- n is Duration of Real Estate Development; and
- A is the Amount of ₦1

The average lending rate was applied to the amount realised through the financing arrangements to calculate amount of repayment that would have been expected if the money was acquired on mortgage, as shown in equation (3).

$$EMR = A \times \sum(TAR) \quad \text{----- (3)}$$

Where:

- EMR is the expected mortgage repayment
- TAR is the total amount realised through pre-letting and pre-sale

Total amount realised through pre-letting and pre-sale (TAR) was deducted from expected mortgage repayment (EMR) to calculate amount of interest that was saved due to usage of pre-letting and pre-sale financing arrangements as shown in equation (4).

$$S = EMR - TAR \quad \text{----- (4)}$$

Where:

S is the amount saved on interest

This study calculated amount that would have been realised if the properties were let and sold at the full rental value and cost at completion, by multiplying rent and price of each unit at completion by the total number of units on target. This is expressed in equation (5)

$$ARC = RPC - NUT \quad \text{----- (5)}$$

Where:

ARC is the amount that would have been realised at completion

NUT is the number of property units targeted for pre-letting and pre-sale

Summation of this value was deducted from expected repayment on mortgage (EMR) as shown in equation (6), to determine the number of years it would have taken the firms to settle the debt and start making profit. Assuming that the

$$S = EMR - TAR \quad \text{----- (6)}$$

Basic assumptions for the case study in objective four are:

- a. average lending rate applied to all firms without favouritism;
- b. all units of each property were fully let out immediately after completion; and
- c. each firm would prefer to settle the mortgage (if taken) using all proceed from the properties in the first year of development completion.

FINDINGS AND DISCUSSION OF RESULTS

The effectiveness of pre-letting and pre-sale financing in the surveyed firms was analysed using case study analysis. To clearly determine effectiveness of the arrangements in conferring financial benefits beyond perceptual approach, case study analysis was employed by this study. To achieve this, effectiveness was measured by the ability of the arrangements to reduce cost of capital for real estate development firms. The study compared the cost each firm would have incurred, if the funds expended on the development of the pre-let and/or pre-sold properties were borrowed from financial institutions against the amount that would have been realized if they were let or sold at prevailing rents or prices upon completion of the development. To actualise this, details on the prevailing lending rates for mortgage for the development year was retrieved from the website of Central Bank of Nigeria and some property details such as the year of development, unit composition, number of unit set for pre-letting, actual number of unit pre-let, rent of pre-letting, rent after completion, number of unit set for pre-sale, actual number pre-sold, price of pre-sale and price after completion were analysed to determine if the arrangement is effective in reducing cost of development financing.

Publication of the European Centre for Research Training and Development -UK

Presented in Table 1 are different prevailing lending rate from year 2015 to year 2021. The data as displayed were retrieved from the website of the Central Bank of Nigeria. They showed the different rates that were obtainable from different financial institution where mortgage can be acquired in Nigeria. Two lending rates were given on the website; prime and maximum. According to the website, while prime is the minimum lending rate charged to some favoured customers, maximum is the highest lending rate for the general public. The researcher took average of the rates for all the financial institutions for the analysis.

Table 1. Commercial Banks' Average Lending Rates

Year	Prime Lending Rate	Maximum Lending Rate	Average Lending Rate by the Commercial Banks (%)
2015	20.00	26.40	23.20
2016	19.69	25.91	22.80
2017	18.02	26.60	21.31
2018	18.93	27.73	23.33
2019	18.54	27.05	22.80
2020	15.48	24.96	20.22
2021	16.97	25.57	21.27

Source: CBN website (www.cbn.gov.ng). Retrieved on January 15, 2022

Case Study One, Property Developed in Year 2018

Following the procedures discussed in methodology for this objective, case study one indicated 50 percent and 55.56 percent success rate on pre-letting and pre-sale target respectively. While the development firm targeted 6 units and 4 units of 2 and 3-bedroom apartments for pre-letting respectively, only 2 units 2-bedrooms and 3 units of 3-bedrooms were pre-let. For pre-sale, the target was 10 units 2-bedrooms and 8 units of 3-bedrooms but only 5units of each was achieved. The development duration was three years (2016 to 2018).

Table 4. Case Study One, Property Developed in Year 2018

Unit Type	No. of Unit on Target	No. of Unit Achieved	Rent/Price per Unit (₦)	Total Amount Realised (TAR) (₦)	Rent/Price of Unit at Completion (₦)	Amount that would have been realised upon completion (₦)	(₦)
Pre-letting							
2 B/R	6	2	1,700,000	3,400,000	2,000,000	12,000,000	
3 B/R	4	3	2,200,000	6,600,000	2,500,000	10,000,000	
Pre-sale							
2 B/R	10	5	43,000,000	215,000,000	45,000,000	450,000,000	
3 B/R	8	5	50,000,000	250,000,000	55,000,000	440,000,000	
Total	28	15	96,900,000	475,000,000	104,500,000	912,000,000	
Assuming the amount realised was borrowed for 3 years (construction period) repayable at prevailing interest rate of 22.80%. (a)						Expected Mortgage Repayment (If the realised amount was on mortgage) EMR =	879,607,067.20
						= $(1+0.2280)^3 \times 475,000,000$	
				Less:	Total Amount Realised from pre-letting and pre-sale $\Sigma(TAR)$ (b) =		475,000,000.00
Savings on Interest (a-b)							404,607,067.20
						Total amount that would have been realised upon completion $\Sigma(ARC)$ (c) =	912,000,000.00
				Less:	Expected Mortgage Repayment (If the realised amount was on mortgage) EMR =		879,607,067.20
Debt Balance after first year of completion (c-a)							32,392,932.80

B/R – Bed Room; No. - Number

As presented on Table 4, an amount total of ₦475 Million (four hundred and seventy-five million naira) was realised through pre-letting and pre-sale arrangements and assumed injected into property development. If the amount was taken on mortgage, the real estate development firm would be expected to pay back a capitalised amount at the prevailing mortgage lending rate. Using the average lending rate of 22.80 percent as shown on Table 2 for year 2016, the firm would be expected to payback a sum of ₦879,607,067.20 (Eight hundred and seven-nine million, six hundred and seven thousand, sixty-seven naira, approximately). Nevertheless, the arrangement allowed a net savings of ₦404,607,067.20 (four hundred and four million, six hundred and seven thousand, sixty-seven naira, approximately). However, if it was mortgage, the firm would be able to pay back the loan immediately after the project completion if the property were fully let, but would not enjoy the loan relief accrued by pre-letting and presale financing arrangements.

Case study two indicates 97.92 percent and 91.30 percent success rate on pre-letting and pre-sale target respectively. While the development firm targeted a total of 48 units and 23 units of the development for pre-letting and pre-sale respectively, only 47 units and 21 units of pre-letting and pre-sale were achieved. The development duration was three years (2018 to 2020).

Table 6. Case Study Two, Property Developed in Year 2020

Unit Type	No. of Unit on Target	No. of Unit Achieved	Rent/Price per Unit (₦)	Total Amount Realised (TAR) (₦)	Rent/Price of Unit at Completion (₦)	Amount that would have been realised upon completion (₦)	(₦)	
Pre-letting								
2 B/R	5	5	1,500,000	7,500,000	1,800,000	9,000,000		
3 B/R	5	5	2,000,000	10,000,000	2,500,000	12,500,000		
4 B/R	5	5	2,500,000	12,500,000	2,800,000	14,000,000		
MF	10	9	1,100,000	9,900,000	1,200,000	12,000,000		
SO	20	20	1,000,000	20,000,000	1,100,000	22,000,000		
DX	3	3	4,000,000	12,000,000	4,500,000	13,500,000		
Pre-sale								
2 B/R	5	5	20,000,000	100,000,000	22,000,000	110,000,000		
3 B/R	5	4	21,800,000	87,200,000	23,500,000	117,500,000		
4 B/R	5	4	24,000,000	96,000,000	27,000,000	135,000,000		
MF	5	5	18,000,000	90,000,000	19,500,000	97,500,000		
DX	3	3	60,000,000	180,000,000	65,000,000	195,000,000		
Total	71	68	155,900,000	625,100,000	170,900,000	738,000,000		
Assuming the amount realised was borrowed for 3 years (construction period) repayable at prevailing interest rate of 23.33%. (a)						Expected Mortgage Repayment (If the realised amount was on mortgage) EMR =		1,172,615,669.77
								$= (1+0.2333)^3 \times 625,100,000$
				Less: Total Amount Realised from pre-letting and pre-sale Σ (TAR) (b) =				625,100,000.00
Savings on Interest (a-b)								547,515,669.77
						Total amount that would have been realised upon completion Σ (ARC) (c) =		738,000,000.00
				Less: Expected Mortgage Repayment (If the realised amount was on mortgage) EMR =				1,172,615,669.77
Debt Balance after first year of completion (c-a)								(434,615,669.77)

B/R – Bed Room; No. – Number; MF – Mini Flat; SO – Studio; DX – Duplex

As presented on Table 6, an amount total ₦625.1 Million (six hundred and twenty-five million, one hundred thousand naira) was realised through the arrangements and assumed injected into property development. If the amount was taken on mortgage, the real estate development firm would be expected to pay a capitalised amount at the prevailing mortgage lending rate. Using the average lending rate of 23.33 percent as shown on Table 2 for year 2018, the firm would be expected to payback a sum of ₦1,172,615,669.77 (One billion, one hundred and seventy-two million, six hundred and fifteen thousand, six hundred and seventy naira, approximately). Nevertheless, the arrangement allowed a net savings of ₦547,515,669.77 (five hundred and forty-seven million, five hundred and fifteen thousand, six hundred and sixty-nine naira, approximately). If the total proceeds from the project were to be used in repayment of loan, it would take the firm 2 years to be able to recover from debt servicing, if the money provided

Publication of the European Centre for Research Training and Development -UK

by the arrangements were acquired on mortgage. Case study three indicates 53.85 percent and 65.00 percent success rate on pre-letting and pre-sale target respectively. While the development firm targeted a total of 13 units and 20 units of the development for pre-letting and pre-sale respectively, only 7 units and 13 units of pre-letting and pre-sale were achieved. The development duration was two years (2020 to 2021).

As presented on Table 7, a total of ₦246.75 Million (two hundred and forty-six million, seven hundred and fifty thousand naira) was an amount realised through the arrangements and assumed injected into property development. If the amount was taken on mortgage, the real estate development firm would be expected to pay a capitalised amount at the prevailing mortgage lending rate. Using the average lending rate of 20.22 percent as shown on Table 2 for year 2020, the firm would be expected to payback a sum of ₦356,624,034.27 (Three hundred and fifty-six million, six hundred and twenty-four thousand, thirty-four naira). However, the arrangement allowed a net savings of ₦109,874,034.27 (one hundred and nine million, eight hundred and seventy-four thousand, thirty-four naira approximately). If the total proceeds from the project were to be used in repayment of loan, it would take the firm 2 years to be able to recover from debt servicing, if the money provided by the arrangements were acquired on mortgage.

Table 7. Case Study Three, Property Developed in Year 2021

Unit Type	No. of Unit on Target	No. of Unit Achieved	Rent/Price per Unit (₦)	Total Amount Realised (TAR) (₦)	Rent/Price of Unit at Completion (₦)	Amount that would have been realised upon completion (₦)	(₦)
Pre-letting							
1 B/R	5	3	850,000	2,550,000	1,000,000	5,000,000	
2 B/R	3	2	1,300,000	2,600,000	1,700,000	5,100,000	
3 B/R	5	2	1,800,000	3,600,000	2,100,000	10,500,000	
Pre-sale							
1 B/R	10	6	12,000,000	72,000,000	14,500,000	145,000,000	
2 B/R	5	4	22,000,000	88,000,000	24,000,000	120,000,000	
3 B/R	5	3	26,000,000	78,000,000	30,000,000	150,000,000	
Total	25	20	63,950,000	246,750,000	73,300,000	435,600,000	
Assuming the amount realised was borrowed for 3 years (construction period) repayable at prevailing interest rate of 20.22%. (a)						Expected Mortgage Repayment (If the realised amount was on mortgage) EMR =	356,624,034.27
= $(1+0.2022)^2 \times 246,750,000$				Less: Total Amount Realised from pre-letting and pre-sale $\Sigma(\text{TAR})$ (b) =			246,750,000.00
Savings on Interest (a-b)							109,874,034.27
						Total amount that would have been realised upon completion $\Sigma(\text{ARC})$ (c) =	435,600,000.00
				Less: Expected Mortgage Repayment (If the realised amount was on mortgage) EMR =			356,624,034.27
Debt Balance after first year of completion (c-a)							78,975,965.73

B/R – Bed Room; No. - Number

Publication of the European Centre for Research Training and Development -UK

From the above case studies, it can be concluded that pre-letting and pre-sale financing arrangement are effective in eliminating or reducing cost of capital. This affirmed the work of Chan et al. (2008) which concluded that pre-letting and pre-sale financed arrangements are cost-saving effective and thus result in larger development size. Combining findings from mean rating and case studies analysis, it is evidenced that pre-letting and pre-sale financing arrangements are effectiveness in upfront interest-free capital generation and are able to eliminate cost of capital. However, it is worthy of note that pre-letting and pre-sale financing arrangements would only reduce cost of capital, if mortgage is acquired to supplement the amount raised through the arrangements for the real estate development.

CONCLUSION

This study examined the effectiveness of pre-letting and pre-sale financing arrangements with a view to determining their influence on cost of capital to the development firms. The findings from the study revealed that both pre-letting and pre-sale financing arrangement are effective in securing upfront capital for real estate development exercise. Similarly, the study showed that the arrangements aid acquisition of interest-free fund by the firms, hence reducing firms' worry on capital sourcing. In addition, the arrangements help in substituting interest rates for buyers' trust, reduce cost of capital acquisition to firms, guarantee buyer's security at the project completion and help share financial risk with buyers.

The significance of this study is the information it provides on the cost reduction effectiveness of pre-letting and pre-sale financing arrangements. This gives development firms, access to interest free money. The findings from this study through the case study analysis revealed the arrangements potential to effectively reduce cost of capital which is one of the most challenging reasons for alternative source of finance. The information provided will encourage the real estate development firms' adoption of the arrangements as better alternative sources of financing that is not only capable of reducing firm indebtedness, but also increase firm's productivity.

REFERENCE

- Afrane, S. K., Kenneth, D. O., Francis, A. D., & Bondinuba, K. (2014). Towards Innovative Housing Financing in Ghana : An Evidence- Based From South Africa ' s Pension Housing Financing System. *Public Policy and Administration Research*, 4(4), 97–111. <https://doi.org/10.13140/RG.2.1.1023.4728>
- Allen, L., & Letdin, M. (2020). The Cost of Debt for REITs: The Mortgage Puzzle. *Journal of Real Estate Research*, 42(2), 239–260. <https://doi.org/10.1080/08965803.2020.1822130>
- Armanda, T. (2015). *The Performance of Mortgage Loans in Albania in Recent Years , Elements of the Process of Mortgage Lending in the Banking System and its Risks*. 389–401.
- Asabere, P. K., McGowan Jr, C. B., & Lee, S. M. (2016). A study into the links between mortgage financing and economic development in Africa. *International Journal of Housing Markets and Analysis*, 9(1), 2–19. <https://doi.org/10.1108/jpmd.2008.35501aaa.004>
- Chan, S. H., Fang, F., & Yang, J. (2008). Presales, financing constraints, and developers'

- production decisions. *Journal of Real Estate Research*, 30(3), 345–375.
- Chang, C. O., & Ward, C. W. R. (1993). Forward pricing and the housing market: The pre-sales housing system in Taiwan. *Journal of Property Research*, 10(3), 217–227. <https://doi.org/10.1080/09599919308724094>
- Choi, J., Rasmussen, H., & Davison, M. (2012). Fair value and risk profile for presale contracts of condominiums. *Journal of Real Estate Finance and Economics*, 44(4), 472–504. <https://doi.org/10.1007/s11146-010-9248-1>
- Edelstein, R. H., & Liu, P. (2016). The Economics of Commercial Real Estate Preleasing. *Journal of Real Estate Finance and Economics*, 53(2), 200–217. <https://doi.org/10.1007/s11146-015-9515-2>
- Fisher, P. (2010). The role of pre-letting in office property development in the UK. *Planning Practice and Research*, 25(1), 117–139. <https://doi.org/10.1080/02697451003625448>
- Gbadeyan, R. A. (2011). Private Sector ' s Contributions to the Development of the Nigerian Housing Market Private Sector ' s Contributions to the Development of the Nigerian Housing Market. *Current Research Journal of Social Sciences*, 3(2), 104–113.
- Hua, C., Chang, C. O., & Hsieh, C. (2001). The Price-Volume Relationships between the Existing and the Pre-Sales Housing Markets in Taiwan. *International Real Estate Review*, 4(1), 80–94.
- Kieu, T. A., & Mogaji, E. (2018). Marketing Communication Strategies of Off-Plan Homes. *ANZMAC 2018 Conference Proceedings, September*, 419–422. <https://doi.org/10.31124/advance.8172878>
- Leung, B. Y. P., Hui, E. C. M., & Seabrooke, B. (2007). Asymmetric information in the Hong Kong forward property market. *International Journal of Strategic Property Management*, 11(2), 91–106. <https://doi.org/10.1080/1648715X.2007.9637563>
- Usman, H., & Lizam, M. (2016). Determinants of intention of using mortgage in financing home ownership in Bauchi, Nigeria. *International Journal of Housing Markets and Analysis*, 9(3), 320–339. <https://doi.org/10.1108/IJHMA-07-2015-0033>
- Vanneste, R. (2022). *The Price Evolution of Off-plan Properties in Dubai : An Analysis of Risk Factors Contributing to Abnormal Returns The Price Evolution of Off-plan Properties in Dubai An Analysis of Risk Factors Contributing to Abnormal Returns Robin Vanneste Lucerne Univ. June*, 0–88.
- Worthington, A. C. (2009). The usage and understanding of Australian household mortgages. *International Journal of Housing Markets and Analysis*, 2(4), 347–362. <https://doi.org/10.1108/17538270910992791>
- Yurkiv, N., Dubrovin, O., & Davydenko, S. (2021). State Support of Mortgage Lending as a Condition for Ensuring Stable Development of the National Economy. *Економіка І Регіон Науковий Вісник*, 6(1(80)), 92–99. [https://doi.org/10.26906/eir.2021.1\(80\).2243](https://doi.org/10.26906/eir.2021.1(80).2243)