Effect of Substance Trafficking and Abuse on Real Estate Investment in Nigeria: A Review

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Substance trafficking and abuse pose escalating threats to public health, urban safety, and economic development, with growing evidence suggesting their adverse implications for real estate investment. While global studies have explored aspects of this relationship - such as the stigmatization of drug-affected properties and the laundering of illicit funds into real estate - limited attention has been paid to these dynamics within the Nigerian context. This scoping literature review addresses this critical gap by synthesizing global and Nigerian scholarship on the intersection of substance-related activities and property markets. Drawing on Arksey and O'Malley's (2005) methodological framework, relevant literature was systematically identified through academic databases (Scopus, JSTOR, AJOL) and grey literature sources, applying clear inclusion and exclusion criteria. Thematic analysis revealed three major areas of concern: the investment risks posed by drug activity, the impact of treatment centres on property values, and the role of illicit finance in real estate transactions. While some international studies demonstrate measurable declines in property values in drug-affected areas, Nigerian studies remain sparse, anecdotal, or policy-focused, underscoring the need for empirical inquiry. This review contributes to the body of knowledge by mapping current debates, identifying conceptual and geographic gaps, and proposing a research agenda for Nigeria. Findings emphasize the urgent need for interdisciplinary approaches and regulatory reforms to mitigate the effects of drug-related activities on real estate markets in developing countries.
Keywords: Substance trafficking, Real estate investment, Drug abuse, Urban development, Nigeria

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Introduction

Substance trafficking and abuse represent significant public health and security challenges worldwide, with profound socio-economic consequences. These illicit activities not only undermine national economies and governance structures but also affect urban development, investment patterns, and property markets. Despite the growing recognition of drug-related activities as urban blight factors, there remains a notable lack of scholarly exploration into how substance trafficking and abuse specifically impact real estate investment - particularly in developing countries like Nigeria, where weak regulatory frameworks, socio-political instability, and a booming informal property sector coexist (UNODC, 2023).

In Nigeria, substance trafficking is intricately linked to broader issues of organized crime and urban violence, especially in key commercial centres such as Lagos, Port Harcourt, and Kano (Alemika, 2013; NDLEA, 2022). These areas often experience devaluation of properties, reduced investor confidence, and heightened risk perceptions due to the prevalence of drug-related crime. Yet, few studies provide empirical or theoretical frameworks to understand how these dynamics alter real estate markets. While anecdotal evidence suggests that areas notorious for drug trafficking suffer from stigmatization and depressed property values (Nelen, 2008; Harrison, 2023), rigorous scholarly treatment of this phenomenon is lacking in the Nigerian context.

Internationally, research has begun to establish links between drug abuse epidemics and the housing market. For example, D'Lima and Thibodeau (2023) explored the U.S. opioid crisis and its depressing effect on home prices. Similarly, Dealy *et al.* (2017) demonstrated that the presence of methamphetamine labs leads to long-term stigmatization of affected properties. Dugato *et al.* (2015) further found that organized crime groups launder proceeds through real estate, distorting market values and driving speculative bubbles. However, these studies focus on developed economies with structured real estate systems, thereby limiting their applicability to informal or hybrid markets like those in Nigeria.

There is also an emerging body of work examining community resistance to substance abuse treatment centres due to perceived impacts on property values (La Roche *et al.*, 2014; Paul, 2019). However, these studies often overlook the more covert, systemic implications of drug trafficking and consumption patterns on investment behaviours and urban planning. In Nigeria, data scarcity, underreporting, and the clandestine nature of drug trade activities have further impeded comprehensive analysis in this domain (UNODC, 2021).

This scoping review therefore seeks to address this critical gap by synthesizing literature on the intersection of substance trafficking, abuse, and real estate investment with a specific focus on Nigeria. This was done by mapping existing scholarly and grey literature on the relationship between substances trafficking/abuse and real estate investment globally and in Nigeria, while identifying key themes, patterns, and knowledge gaps within the literature. Secondly, examining the Nigerian real estate context and evaluate how substance-related activities influence investment dynamics. Finally, t**o** propose a research agenda and policy recommendations for addressing these challenges through interdisciplinary investigation.

Research Methodology

This scoping review adopted a systematic approach to identify and synthesize existing literature on the impact of substance trafficking and abuse on real estate investment, with a specific focus on Nigeria. The review followed the five-stage framework proposed by Arksey and O'Malley (2005), which includes: identifying the research question, identifying relevant studies, study selection, charting the data, and collating, summarizing, and reporting the results.

Literature search process

A comprehensive search was conducted using academic databases and search engines including Google Scholar**,** Scopus**,** PubMed**,** Web of Science**,** JSTOR**,** and African Journals Online (AJOL) to capture both global and region-specific studies. Grey literature was also considered through searches in institutional repositories and government websites.

Search phrases

Search strings were developed using Boolean operators and included combinations of the following keywords: "Substance trafficking" or "drug trafficking", "Substance abuse" or "drug abuse", "Real estate investment" or "property market" or "housing sector", "Nigeria" or "West Africa".

Inclusion and exclusion criteria

Inclusion criteria

Peer-reviewed articles, reports, theses, and policy documents, studies published in English between 2000 and 2024, research focusing on substance-related issues and real estate impacts in Nigeria or comparable contexts.

Exclusion criteria

Studies unrelated to real estate or substance issues, non-English publications, publications lacking empirical or conceptual relevance.

Synthesis method

A narrative synthesis approach was employed to collate and interpret the findings. Thematic analysis was used to identify recurring patterns, conceptual gaps, and research directions. The selected literature was charted in a data matrix capturing author, year, study location, methodology, key findings, and relevance to the intersection of substance issues and real estate.

Results and Discussion

The emerging themes from literature conversations about the impact of substance trafficking and abuse on real estate investment can be broadly categorized into three areas: (1) the relationship between substance trafficking and abuse and real estate investment risks, (2) the effect of substance-abuse treatment centres on nearby property values, and (3) the impact of substance trafficking and abuse on real estate finance. These aspects are elaborated upon in the following subsections.

Substance trafficking and abuse and real estate investment risks

There is an evolving literature conversation on the relationship between substance trafficking and abuse and their associated risks on real estate investment. Some of the studies have highlighted the challenges and implications of substance trafficking and abuse on real estate investment. For example, CRES (2025) highlighted the challenges that real estate agents face when dealing with properties where drug activity has occurred. The study emphasizes the importance of disclosure and safety precautions, noting that properties with a history of drug activity can pose significant risks, including costly remediation for health hazards. Thorough due diligence is crucial for investors and buyers to mitigate these risks. Similarly, Nelen's (2008) study of the Dutch property market revealed its vulnerability to crime due to its closed nature and inadequate regulations. The study implies that real estate investment in such markets carries significant risks and recommends increased transparency and oversight to mitigate these risks.

In another study, Rodgers (2021) explored the trajectories of individuals who leveraged economic capital from drug dealing to invest in different ventures. The findings suggest that investors with backgrounds in illicit activities may bring problematic practices into their investments, potentially leading to instability and negative consequences. In agreement to this, Jason (2022) raised concerns about transnational organized crime networks are exploiting Europe's real estate sector to launder money from drug trafficking. This has significant implications for real estate investment, including increased risk of money laundering and reputational damage. To mitigate these risks, investors and regulators must prioritize transparency, due diligence, and robust anti-money laundering measures. Elsewhere in Italy, Dugato (2015) analysed the investments of mafia groups in the real estate sector, finding that they make rational investment decisions weighing risks and rewards. The implications for real estate investment are that areas with high crime rates or mafia presence may be vulnerable to illicit investments, potentially affecting property values and market stability. Investors should be aware of these risks and consider the potential consequences of organized crime's involvement in local real estate markets.

These studies collectively highlight the importance of considering the risks associated with substance trafficking and abuse in real estate investment, including property devaluation, crime, and reputational damage.

Substance-abuse treatment centres and property values

Research has investigated the impact of substance abuse treatment centres on property values, yielding mixed results. Custodio *et al*. (2021) found a long-term negative relationship between opioid prescriptions and residential property values, with a 1.36% decrease in home values over five years associated with a one standard deviation increase in opioid prescriptions. Conversely, laws limiting opioid supply led to increases in home prices. This suggests that real estate investors should consider the potential negative effects of opioid abuse on property values. In a related study, Horn *et al*. (2019) examined the impact of substance use disorder treatment centres (SUDTCs) on residential property values in Seattle, Washington. Contrary to common assumptions, their robust spatial differences-in-differences model revealed no significant effect of SUDTCs on property values. This implies that SUDTCs may not be a significant deterrent to property values, and investors should consider nuanced factors when evaluating neighbourhoods with treatment centres.

Other studies have focused on the impact of specific issues related to substance abuse on property values. Dealy (2017) found that discovering a meth lab leads to a 6.5% decrease in nearby home prices, while decontamination efforts can partially mitigate this effect. ElseLa Roche et al. (2014) found that having a treatment centre in a neighbourhood is associated with an 8% reduction in nearby home prices, with centres treating opiate addiction having an even greater impact. However, Paul (2019) found that substance-abuse treatment centres do not negatively affect property values when adjusted for factors like benefits to surrounding businesses. This suggests that opposition to such centres may be unfounded, and investors and homeowners can feel more confident about properties in these areas.

These studies collectively highlight the complexity of the relationship between substance abuse treatment centres and property values. Real estate investors should carefully consider the potential impact of these centres on property values and marketability.

Substance trafficking and abuse and real estate finance

Research has extensively examined the relationship between substance trafficking and abuse and real estate finance. Several studies highlight the complexities and challenges associated with this intersection. For instance, Guttery and Poe (2018) investigated the potential of Real Estate Investment Trusts (REITs) as a financing option for the cannabis industry. They found that REITs can spread investment risk and offer favourable loan terms, but face risks due to federal law prohibitions and limited capital for growth. This suggests that REITs can provide an alternative financing option for cannabis businesses, allowing investors to participate in the industry's growth while mitigating some risks.

Harrison (2023) was concerned with money laundering in the US real estate market, particularly in condominiums. The findings highlight the ease of creating shell corporations to facilitate illicit activities, leading to devastating consequences such as poor construction and gentrification. To prevent money laundering and its negative consequences, new state and federal reforms targeting each stage of real estate development are necessary.

These studies collectively underscore the importance of considering the risks and challenges associated with substance trafficking and abuse in real estate finance, including money laundering, illicit investments, and market instability.

Direction for Research on Substance Trafficking and Abuse and real estate in Nigeria

The relationship between substance trafficking, abuse, and real estate investment is a complex and multifaceted issue that warrants in-depth research. In Nigeria, where substance abuse and trafficking pose significant challenges, understanding their impact on the real estate sector is crucial for promoting safe and sustainable investment. In line with this concerned, a number of potential research directions are possible: to begin with, it necessary to investigate the impact of substance abuse on property values and neighbourhood dynamics in Nigerian cities, including how the presence of substance abuse and trafficking affects property prices, rental yields, and overall desirability. Next, there is need to analyse the role of regulation and oversight in mitigating the risks associated with substance trafficking and abuse in real estate investment, including existing laws and policies, anti-money laundering measures, and due diligence practices.

Furthermore, research should investigate the experiences of real estate investors and property owners who have dealt with substance trafficking and abuse first-hand, to inform the development of effective strategies for mitigating these risks. In addition, researchers could also focus on exploring the nuanced relationships between substance abuse treatment centres, opioid abuse, and property values in different contexts, including the impact of various types of treatment centres and substance abuse issues on property values. Other aspect that is deserving attention is the role of regulatory environments in shaping the relationships between substance trafficking, abuse, and real estate investment, including the effectiveness of mitigation strategies. It is also necessary to explore how real estate investors and homeowners perceive and respond to substance abuse-related issues in different neighbourhoods, and how these perceptions influence property values and investment decisions.

Other areas of research are on how substance abuse and trafficking affect property values, rental yields, and investment decisions in Nigerian cities, including the impact of substance abuse hotspots, treatment centres, and rehabilitation facilities. Finally, it needful to explore the role of organized crime and money laundering in Nigeria's real estate sector, including how substance trafficking networks exploit the country's property market, and identify strategies for preventing and mitigating these risks.

Conclusion

This study contributed to the growing body of literature by bridging the gap between substance trafficking and abuse and their often-overlooked impacts on real estate investment, particularly in the Nigerian context. By synthesizing global and local evidence, it highlights the socio-economic and spatial consequences of drug-related activities on property markets and lays the groundwork for future empirical research and informed policy interventions in emerging economies.

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