

# Illicit Money Flows, Real Estate Development, And Regulatory Capture: A Comparative Study Of The Gulf Countries And Nigeria

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*Abstract- This paper compares how real estate development is used to launder money in the Gulf countries and Nigeria. Despite their different political systems, both regions face similar housing challenges, achieved through different regulatory approaches in their real estate sectors. The Gulf countries attract investors with zero taxes and infrastructure projects—often involving foreign capital from corrupt officials, bankers, and businesspeople—while Nigeria's lack of strict regulations and transparency regarding fund sources allows real estate to serve as a conduit for local corruption and fraud by so-called "Yahoo boys." By applying theories of rentier states and routine activity, this paper shows how varying financial rules in both regions create similar conditions that enable financial crimes and illicit money flows through luxury real estate. Overall, real estate development in both areas fosters cities where only the wealthy can afford housing, driven by corruption and money laundering. Consequently, both regions will continue to be used for money laundering until governments take action to address international criminal activities in real estate*

*Index Terms- Corruption; Financial Secrecy; Gulf Countries; Money Laundering; Nigeria; Real Estate; Tax Havens; Yahoo Boys*

## I. INTRODUCTION

Global real estate markets, especially luxury properties, have recently faced increased international scrutiny for facilitating money laundering, financial crimes, tax evasion, and the transfer of corrupt proceeds to safe havens. The Gulf States, including the United Arab Emirates, Qatar, and Saudi Arabia, are known for creating favourable investment environments by implementing low- or zero-tax policies, developing infrastructure, and

liberalizing foreign capital flows. Similarly, Nigeria has experienced a surge in private real estate development across various urban centres—Abuja, Lagos, and Port Harcourt—in recent years, following the implementation of the National Housing Policy 2023, which aims to increase access to affordable housing. This policy includes provisions for public-private partnerships and incentives for developers to build low-cost housing units, addressing the housing deficit and promoting sustainable urban development (Ken Research, 2026). However, the policy's drawbacks include a lack of regulations and no mandatory disclosure of funding sources. Therefore, this paper aims to provide a comparative analysis of the Gulf States and Nigeria as regimes conducive to laundering, focusing on real estate development as a method of money laundering. It will demonstrate how these two countries, with their vastly different political economies and regulatory systems, produce similar outcomes in their urban landscapes: luxury housing that remains unaffordable to the average citizen.

To achieve this goal, both routine activity theory (Cohen & Felson, 1979) and rentier state theory (Mahdavy, 1970) are used. The former suggests that financial crime, like other types of crime, happens when three main factors come together in time and space: motivated offenders, suitable targets, and a lack of capable guardians (Cohen & Felson, 1979). Motivated offenders include corrupt politicians, tax evaders, fraudsters, and others, while the absence of capable guardians points to the lack of financial oversight and regulation in real estate transactions, making them appealing targets.

#### *Theoretical background - Routine Activity Theory*

Routine activity theory explains crime and criminal behaviour as a result of three key elements: offenders, targets, and absent guardians. As the authors note, "routine activities consist of daily tasks people engage in during ordinary circumstances. Criminal activities are the result of the convergence of three elements in time and place" (Cohen & Felson, 1979, p. 598). In essence, this theory suggests that criminal acts occur when motivated offenders encounter suitable targets in environments lacking protective measures. Therefore, this framework helps us analyse how the presence of motivated offenders and luxury real estate (as attractive targets) creates opportunities for money laundering.

#### *Rentier State Theory*

Another relevant theory for analysing money laundering through real estate developments in the Gulf States is the rentier state theory (Mahdavy, 1970; Beblawi & Luciani, 1987). According to Mahdavy (1970), a rentier state is defined by specific features of its political economy. These states rely mainly on external revenues from natural resource exports rather than a diversified economy. They have little or no fiscal autonomy, prioritize development over redistribution, and lack a broad tax base.

Rentier states generally have weak institutions, poor accountability mechanisms, and limited political competition (Mahdavy, 1970; Beblawi & Luciani, 1987). Furthermore, governments tend to distribute external rents to citizens and elites as part of political arrangements to secure loyalty and prevent social and political unrest. According to this theory, Gulf States qualify as rentier states. In practice, they rely on oil exports and thus display all the traits mentioned. As Beblawi and Luciani (1987) observe, a rentier regime leads to a lack of incentives for governments to enforce strict anti-money laundering measures.

#### *Political Settlements Framework*

The political settlements approach (Khan, 2010) is valuable for analysing how institutional and regulatory outcomes develop within specific political contexts. This framework suggests that institutions, laws, and political-economic results are influenced by power structures among elites, their interests, and strategies. Therefore, we can apply this approach to

understand how political settlements in Gulf States and Nigeria impact anti-money laundering (AML) reforms in the real estate sector. For example, in the Gulf States, the government provides real estate benefits to business elites who support its development agenda.

## II. ANALYSIS

#### *Regulatory Environments and Financial Oversight*

The Gulf States have created specialized regulatory systems that attract foreign investment, but they do not adhere to basic AML/CFT (Anti-Money Laundering/Countering the Financing of Terrorism) rules, fostering environments conducive to money laundering. According to Deloitte (2023), most emirates in the United Arab Emirates have no personal or corporate income tax, no capital gains tax, and no withholding taxes on dividends or interest. The country's free zones also allow 100% foreign ownership and enable the repatriation of capital and profits. However, the UAE was listed on the "grey list" of the Financial Action Task Force (FATF) from March 2022 to February 2024 due to strategic weaknesses in reporting beneficial ownership on property transactions.

In turn, Nigeria lacks specific policies to attract investment because it lacks AML regulations for real estate developers. The Money Laundering (Prohibition) Act 2011 (as amended) and the Economic and Financial Crimes Commission (Establishment) Act require financial institutions to verify the sources of client funds, but this rule does not apply to real estate developers (Nwabuzor, 2021). Although the Corporate Affairs Commission requires all legal entities in Nigeria to disclose the names of their beneficiaries, there is no systematic verification of this information, which allows property to be purchased through shell companies.

#### *Mechanisms of Money Laundering*

It should be noted that Gulf States attract significant investment through intentionally designed policies that create opportunities for financial crime. For example, in the UAE, money laundering occurs through the purchase of luxury real estate assets via shell companies registered in offshore countries, overvaluing properties, transferring additional money

to sellers, and laundering proceeds by integrating them into real estate development projects and collaborating with politically connected local partners (Gjersøy, 2021). Consequently, the Dubai real estate market has drawn numerous corrupt politicians from Africa, Asia, and Eastern Europe who have bought substantial properties in these cities (Transparency International, 2021). Importantly, as the Financial Action Task Force notes, the absence of income tax in such states removes routine financial oversight that would otherwise uncover discrepancies in declared income.

Regarding Nigeria, it is also known as a prime destination for money laundering, and similar methods are used in this process. Specifically, the Nigerian real estate market attracts many "Yahoo boys," international cybercriminals, who purchase property with proceeds from cryptocurrency after currency exchange (Adebanwi & Obadare, 2020). Additionally, corrupt officials use their proxies to buy luxury real estate in various cities across the country. Furthermore, launderers inflate contract amounts in public procurement and then sell the properties to developers for significant profits, often facilitated by bribery in planning procedures and zoning changes.

### III. HOUSING AFFORDABILITY AND EXCLUSIONARY URBANISM

The Gulf States are known for developing luxurious, expensive residential neighbourhoods. These include Palm Jumeirah, Dubai Marina, and Saadiyat Island. However, the prices of luxury properties are very high (average apartment prices exceed \$500,000), making them inaccessible to the local population, as they do not have the income needed to afford even small apartments at these prices. Additionally, expatriates, who make up the majority of the population in Gulf States, cannot purchase property as citizens because they lack residency rights (Kerr, 2020). For an average citizen earning about \$600 a month, an apartment in cities like Dubai costs \$550,000.

Similarly, Nigeria is known for its high apartment and housing prices overall. According to the National Bureau of Statistics' housing and rental price index

(2022), the minimum wage in Nigeria was ₦30,000 (about \$65), which wasn't enough to buy any property. Even the salary of an average Nigerian civil servant (₦45,000 per month) was insufficient to rent a one-bedroom apartment in any Nigerian city, with rental costs starting at ₦300,000 to ₦1,000,000 annually. All these figures have been drastically impacted by 2025, with an increase of up to 86% and the minimum wage rising from ₦30,000 to ₦70,000, yet suffering a net devaluation of 76%, reducing the equivalent minimum wage from \$65 to \$50 (The AfricanInvestor, 2026). In contrast, luxury real estate projects (marketed as smart cities) in Nigeria offer apartments starting at ₦75 million, with some properties reaching ₦230 million (roughly \$65,000 to \$260,000) (The AfricanInvestor, 2026). As a result, real estate developers have little incentive to build affordable apartments because it is more profitable for them to develop luxury buildings accessible only to the wealthy.

#### Comparative Synthesis

As a result, Table 1 illustrates the main features of the two studied cases:

Dimension	Gulf States	Nigeria
Primary laundering mechanism	Shell companies, overvaluation, offshore structures	Proxies land, banking, cryptocurrency conversion
Regulatory stance	Deliberate Policy choice (state-enabled)	Institutional incapacity + corruption
Tax regime	Zero/low tax (structural feature)	Low Enforcement Capacity (practical gap)
Primary offenders	International Corrupt Politicians, global tax evaders	Domestic Officials Yahoo boys' business elites
Housing outcome	Expatriate Exclusion Citizen subsidy dependence	Elite asset Concentration Mass unaffordability

#### IV. DISCUSSION

Both cases demonstrate that real estate money laundering persists in either context despite differences in state capacity and political economy. This supports the routine activity theory prediction that crime opportunities arise when offenders, targets, and a lack of guardians converge, regardless of overall governance conditions. However, the reasons for weak guardianship differ: in Gulf States, it is a deliberate strategy to attract investors, while in Nigeria, ineffective enforcement is linked to corruption, which leads to ineffective policies against real estate money laundering.

The above suggests that approaches to solving the problem may differ significantly, as in the first case international pressure—specifically FATF grey listing—led to measures such as establishing a beneficial ownership register in the UAE and conducting proper due diligence in real estate transactions (Central Bank of UAE, 2023). While these steps cannot completely stop money laundering, they demonstrate how reactive states are to international financial governance tools. In the second case, changes are unlikely to occur quickly due to the complexity of the reforms required.

Affordability issues in both settings do not happen by accident. In fact, if luxury real estate serves only to launder money, developers have no incentive to build affordable homes. The land's value increases due to money laundering, preventing both companies from constructing affordable homes and individuals from buying them. This suggests that the measures addressing real estate money laundering are also housing policy actions.

#### V. CONCLUSION

In conclusion, this paper provides a comparative analysis of the Gulf States and Nigeria, countries that are friendly to money laundering, with a focus on the luxury real estate markets. The analysis reveals that the Gulf States actively pursue policies to attract foreign investment and intentionally create opportunities for laundering, while Nigeria lacks enough regulatory capacity. Nevertheless, both

regions yield similar results: luxury real estate beyond the means of the average person.

Based on the findings of this study, policy suggestions could include: first, mandatory source-of-funds reporting for real estate transactions above certain thresholds in both countries; second, public registers of beneficial ownership accessible to civil society organizations and investigative journalists; third, international conventions requiring the exchange of information regarding luxury property ownership across borders; fourth, progressive taxation policies that discourage speculative investment by funding affordable housing initiatives; and finally, providing technical assistance to Nigerian law enforcement agencies to develop AML expertise in real estate management.

Further research could examine how professional intermediaries, such as lawyers, real estate agents, and notaries, participate in laundering through these transactions in both settings. It could also assess whether recent changes in the UAE have been effective in reducing such flows.

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