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Festus Adebayo

Abuja International Housing Show

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Issues, Challenges, and Prospects in the Housing Sector: Operator's Perspective

*Barrister Festus Adebayo**

I. Introduction

It is hard to argue that housing is not a fundamental human need. Decent, affordable housing should be a basic right for everybody in this country. The reason is simple: without stable shelter, everything else falls apart (Desmond, 2016). As widely accepted, housing is one of the fundamental human needs in addition to food and clothing. It is equally a significant indicator of a person's standard of living, and sometimes also an indication of place or status in the society. Ebie (2009) described it as the first and most important of all rights. According to him, because of the importance attached to provision of housing and coupled with the fact that housing, in all its ramifications, is more than mere shelter since it embraces all social services and utilities that go to make a community or neighbourhood a liveable environment, it is now a right.

Even section 16(1)(d) of 1999 constitution under the Fundamental Objectives of State Policy obliges the Nigerian State "to provide suitable and adequate shelter for all citizens." Even though this provision is not actionable, it reinforces the call for a public sector driven mass housing provision in Nigeria. Housing being a right, entails that all strata of society, including the less privileged, the old, the disadvantaged and displaced should own or have access to decent, safe and sanitary accommodation at affordable prices or rental with secure tenure.

However, the reverse is the case because despite the policies, institutions and regulations which various Nigerian Governments have put in place since independence; there is still a huge housing shortage for the poor majority. Multiple statistics put Nigeria's housing deficit at 17 million. According to a World Bank report (2016), bridging the 17 million national housing deficits will gulp at least ₦59.50 trillion.

The question on the lips of many is, how did we get here? Nigeria's housing problem is derived from a historical lack of focus on housing development. Over

* Barrister Festus Adebayo is the MD/CEO of the Abuja International Housing Show. The usual disclaimer applies.

the years, the country has not been able to develop a viable and sustained housing finance system, because of lack of expertise, up to date and knowledgeable industry leaders, especially in the policy making arm, lack of funding for relevant institutional agencies/departments, as well as, political and selfish gains.

The Nigeria National Housing Policy defines 'Housing' as the process of providing functional shelter in a proper setting in a neighbourhood, supported by sustainable maintenance of the built environment for the day-to-day living and activities of individuals and families within the communities. Quite fundamental to the attainment of affordable housing goals in any nation, are; stable housing policy, presence of political will and proper implementation of sustainable housing policies.

II. Existing Housing Situation in Nigeria

Nigeria, like other developing countries, is saddled with uncontrollable growth of the urban population caused by lack of provision of infrastructural facilities and poor economic conditions in the rural areas. The proportion of the Nigerian population living in urban centres has increased phenomenally, from 7.0 per cent in the 1930s, 10.0 per cent in 1950, 20.0 per cent in 1970, 27.0 per cent in 1980 to 35.0 per cent in 1990 (Okupe, 2002). Over 40.0 per cent of Nigerians now live in urban centres of varying sizes. The incidence of this population in urban centres has created severe housing problems, resulting in overcrowding in inadequate dwellings, and in a situation in which 60.0 per cent of Nigerians can be said to be "houseless persons" (Federal Government of Nigeria, 2004).

Besides the incidence of overcrowding in the existing housing stock, rural-urban drift has occasioned the sprouting of make shift dwellings or squatter settlements in cities that are devoid of minimum structural and normative quality. Majority of the houses are constructed with all sorts of refuse/second-hand materials in illegally occupied self -allocated land, they are badly maintained and lack the basic necessities of life like sanitary facilities, light, air and privacy. As evidenced by past researches in housing studies, most urban centres in the country are characterised by high density buildings, acute sanitary problems, pollution of air, surface water, noise and solid C According to Olotuah (2002), an estimated 2.3 million urban dwelling units are substandard, only 33.0 per cent of urban houses can be considered to be physically good, and 44.0 per cent and 1.90 per cent require minor and major repairs, respectively, to bring them to normative and structural quality.

The foregoing paints a gory picture and deplorable condition of housing in Nigeria, and this is a cause of worry for major stakeholders.

II.1 Issues and Challenges affecting Affordable Housing in Nigeria

In more specific terms, we shall now highlight some of the key issues and challenges in the Nigerian housing sector.

- a) **Scarcity of Long-Term Funds:** Currently, the prime lending rate in the banking sector remains as high as 17.5 per cent (Central Intelligence Agency's the World Factbook, 2017) and it is impossible to use such funds for housing development. It is pertinent to note that the government has realised this and is reviewing the entire process of accessing mortgages, to bring it within reach of beneficiaries.
- b) **Property Registration and Title Documentation:** Uncertainties regarding the status of land documentation and delays in the process slowed the development of land and property markets and made the development of lending difficult to advance or sustain. It was for these reasons that the growth component began to work with a number of registries. Reforms have led to a reduction in the time required to complete the process of property registration from 274 to 80 days in Nigeria, but a lot still needs to be done because it takes only 1 day in some other countries such as Norway and Singapore. It is worth noting that part of the reduction in time can be attributed to improvements in property registration, which has been implemented in Abuja and Lagos. Other state governments will do well to replicate the improvements achieved in the Abuja Geographic Information System (AGIS) and Lagos State in their various states. Investors are, generally, comfortable in environments where registration is automated, and procedures are minimal.
- c) **Land Use Act:** The Land Use Act of 1978 (LUA) has become an obstacle to making land available for housing development. The LUA meant to make land easily available to all Nigerians has, indeed, become a major constraint to home ownership in Nigeria. The process of obtaining a Certificate of Occupancy and the consent provisions of the LUA make land transactions tedious, time consuming and expensive.
- d) **Infrastructural Inadequacy:** Another major challenge to providing affordable housing is the lack of primary infrastructure such as; roads, water, electricity, etc, which accounts for about 30 per cent of housing

costs. In most cases, developers have to provide the infrastructure which invariably increases the cost of the houses they produce. This ultimately results in such houses becoming unaffordable. There is a lot to be done by both the private and public sector in the provision of primary infrastructure if the goal of providing affordable housing is to be achieved. Lack of access roads still remains a major challenge and explains why the suburbs and hinterland are not attractive and why land prices in the cities are quite high. According to the Infrastructure Concession Regulatory Commission (ICRC), Nigeria has only 195,500km of roads of which 135,000km are in disrepair. Compare this with India 3.4m km of roads. Today, Indian road network is still expanding at the rate of 9 km of new roads daily.

- e) **High Cost of Building Materials:** Due to the high import dependence of the sector and the over reliance of our construction sector on imported materials, the construction cost is far exorbitant than normal and has made housing unaffordable. A key factor that has led to the high construction cost in Nigeria has been the high cost of cement, which by account, constitutes about 40 per cent of building materials. Various reasons have been adduced for the high cost of cement, with cement manufactures arguing that the harsh operating environment such as lack of constant electricity, high cost of fuel, bad road network are to blame. Also, the devaluation of the naira, scarcity of foreign exchange, multiple taxation, and inconsistent government policies are additional reasons which are affecting the cost of cement. The price of cement has continued to rise steadily, hitting an all-time high of ₦2,700 per 50kg bag in 2017.
- f) **Enforcing Foreclosure:** The absence of a foreclosure law has been cited by some investors and local banks as the reason for not investing in the housing sector. Though the incidence of foreclosure in most countries (especially with regard to low-and middle-income countries) is generally quite low, it is important for investors to know that they can take possession of their collateral and recover their loans as quickly as possible. Investors can even live with a lengthy foreclosure process, but they must have confidence that the laws will be enforced fairly and in a transparent manner.
- g) **Nigeria Taxation System:** One of the greatest barriers to large-scale provision of affordable housing is the tax burden. The imposition of value added tax (VAT) at various levels of the housing-development process

adds significant costs as much as 35 per cent to the cost of a house, even before title fees and stamp duties are taken into consideration. Tax holidays, deferrals or tax exemptions on materials or home sales, or similar tax-related provisions have been used successfully in other countries for low- and moderate-income families. These incentives can be used successfully in attracting investors into the housing sector. Other countries have proven that when they reduce the tax burden on housing, the number of transactions increases, and total housing related fiscal revenues either increase or remain the same.

- h) Construction methods: Reliance on the traditional methods of construction has also not helped the sector. Industrialised building systems, which are very cost and time efficient for mass housing projects is still not common in Nigeria. Industrial construction products include: Panellised units produced in a factory and assembled on-site to produce a three-dimensional structure; Volumetric construction to produce three-dimensional modular units in controlled factory conditions prior to transport to site; Hybrid techniques that combine both panellised and volumetric approaches; Floor or roof cassettes, pre-cast concrete foundation assemblies, pre-formed wiring looms, mechanical engineering composites.
- i) Construction Permits Issue: There are usually delays in receiving permits for construction. The procedures are complex and expensive. The complexity and cost of regulatory processes in dealing with construction permits is also a key criterion that entrepreneurs consider in making investment decisions. Jigawa State, a North-Western state, provides the best platform (i.e. ranks first) in dealing with construction permits in Nigeria. Lagos State, a South-Western state, is the most difficult place to deal with construction permits in Nigeria (ranks 36th, requires 18 procedures that may be completed within 106 days, and could cost 53,504.9 per cent of the per capita income).
- j) Collaboration issues: The lack of adequate cross sector collaboration among and between stakeholders remains a major threat to the realisation of affordable housing goals. The kind of projects and initiatives essential to scale up housing supply in Nigeria requires a lot of collaboration and synergy among stakeholders.

III. Prospects for Nigeria Housing Sector

With a population of at least 200 million people, Nigeria boasts of the largest housing market in Africa. The mismatch between demand and supply has proven to be a great challenge to bridging the country's housing gap. But this can change. Given the importance of housing in the national economy, the Federal Government of Nigeria has continued to develop policies to aid housing delivery.

The Affordable Housing Initiatives by the present administration include the following:

- Federal Integrated Staff Housing (FISH) Programme (2016);
- My Own Home scheme (2017);
- National Housing Programme (2016); and
- Family Homes Funds (2018)

While these efforts are highly commendable, there is need for more concerted efforts. Housing plays a special role in the social, political, but more importantly, economic dialogue in most societies. For housing to be successful, the country needs to have a stable macroeconomic environment. Moderate to high inflation rates and nominal interest rates as witnessed in Nigeria are typical features of volatile economies. These features have strong effects of reducing the affordability of mortgages. A volatile economy also affects the supply of funds and the types of mortgages offered by lenders. In such an environment, lenders are concerned about liquidity risk and are reluctant to offer long-term loans. The solution to this then becomes government's strong institutional intervention in terms of favourable policies and implementation. The coming on board of the Nigerian Mortgage Refinance Company (NMRC) is a commendable step towards scratching the surface of this challenge.

IV. Key Recommendations

Upon the completion of the 13th Abuja International Housing Show, which held from 23rd to 26th July 2019, participants, speakers, developers, and heads of all housing bodies at the event agreed on a number of sustainable and important interventions that will bridge the housing gap in Nigeria.

Below are selected 10 out of these resolutions that have been presented to the Government and its several housing agencies for implementation.

- a. Creating enabling policies around land title documentations, with Government playing a larger role in assisting investors and supporting local building industries and materials;
- b. Fast track the passage of foreclosure bill into law to legally resolve default issues in the sector. Also, the land use act of 1978, Federal Government Housing Loans Board bill (FGHLB), the National Housing Fund (NHF) Scheme Act 1992, Mortgage Banks Act 1989 (subsumed in BOFIA), Federal Mortgage Bank of Nigeria (FMBN) Act 1993, the Trustee Investment Act 1962, the Nigeria Social Insurance Trust Fund (NSITF) Act 1993, the Insurance Act 2002, the Investment and Security Act 1999, the Federal Housing Authority (FHA) Act 1990, Securitisation Bill amongst many others are all due for review
- c. Advance the ongoing partnership between the Mortgage Banking Association of Nigeria (MBAN) and the Central Bank of Nigeria (CBN) with regards to the underwriting standards which can increase housing and mortgage affordability for the masses;
- d. Building the right skill ecosystem through job-driven training programmes spearheaded by private sector industry participation for adoption of trainees;
- e. Institutionalisation of collaboration and partnerships between large scale industry players to enhance mass housing provision and affordability;
- f. Creating standard data base in African countries, especially in Nigeria that can be universally accepted to collate data, identify data gaps, integrate, optimise and expand knowledge set to meet current demands;
- g. Policy creation, adoption and financing of sustainable buildings that utilise green approach in construction which integrates topography into developments;
- h. To set up an institution such as a national housing council to be the focal point for housing research, policy development and implementation, development of suitable housing economic models that fits into local contexts and monitoring of the housing sector;

- i. The adoption of high impact training that supports research and data generation by major stakeholders within the industry; and
- j. To resolve the challenges of affordability mismatch resulting in unsold and unoccupied developed houses, especially in our major cities. There is an urgent need for paradigm shift from market driven pricing system to end user driven pricing to ensure houses are provided for those who need and could afford them. (Extract from 13th AIHS communique, 2019).

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