

REALESTATE Insight

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MASS HOUSING STOCK: MATCHING PERFORMANCE WITH PROMISES

From 1972 when the 2nd National Housing Policy (NHP) was launched till date, the initiative has delivered less than 200,000 housing units across the country. The most recent government efforts produced less than 5,000 "middle income" housing units and in the last three years together, a paltry 10,000 units nationwide. It is reported that in the late 70s, the housing stock in the then Lagos Metropolitan Area (LMA) stood at 393,000 units, this rose to 700,000 units in 1992 when a housing count was conducted. According to more recent reportsⁱ the stock of habitable housing in Lagos is 1.25million units. With a population round about the 15million mark, Lagos alone needs nearly million housing units; in effect the city suffers a 40% housing deficit. Nigeria has one of the highest slum proliferation rates amongst African nations; Lagos, which has a slum growth rate more than 2.5 the Nigerian average population growth rate, is the major contributor to slum developmentⁱⁱ. A study on housing conditions in Nigeria 3 decades ago (Onibokun, 1982) revealed that 20% of most buildings in the urban areas of Nigeria are above 25 years oldⁱⁱⁱ. The same study confirmed that over 70% of houses in Urban and 90% of rural areas were developed by the informal/individual efforts. These statistics have not changed significantly.

World over, governments have taken on the challenge of developing and maintaining affordable housing stocks through policies which directly benefit those who are unable to access home ownership or rental through normal market processes. From the early 90s, the Federal Government's policies begun to reverse any previous successes and by 1995, less than 1% of planned housing stock was actualised^{iv}. This has remained a consistent trend.

This report addresses some of the successful initiatives embarked upon by other developing countries in the attainment of "housing for all", with a focus on those relevant to solving the housing crisis in Nigeria.

SITUATION ANALYSIS

More than 80% of Nigerians live in rented housing compared with South Africa 19%^v and 22% in Ghana^{vi}. The formal and informal private sector provides over 90 % of the housing stock in urban Nigeria, similar to the situation in Ghana. The social housing challenge in Nigeria has become a perennial problem compounded by the unwillingness of successive governments to pursue real solutions which could encourage a broader participation in the delivery process. The national housing deficit has grown from 7million in 1991^{vii} to between 12 and 15 million units in 2008. This represents housing for between 2 and 2.5million families.

The low and medium income bracket represents over 65% of Nigeria's population (a major portion of the balance falls below the low income bracket) and 85% of the housing demand. Unfortunately, majority of housing projects are outside the reach of this group.

The State Governments have for the most part towed the way of the Federal Government. The Lagos State Development and Property Corporation (LSDPC), perhaps the most active state-owned housing organisation in Nigeria, has produced less than 25,000units since its inception more than three decades ago. A combination of a lack of policy direction, drive, funding and transparency has hampered the performance of State-owned housing corporations. Current activities of the LSDPC are expected to deliver barely 600 units of low, medium and high income housing by mid-2010. LSDPC appears to have shed its affordable/social housing mandate and now competes with private developers to deliver mid/high income housing.

Mid-2008, the Lagos State Government (LASG) entered into partnerships with several private developers with the hope that the participation of the private sector will lead to a more successful outcome in terms of meeting housing targets. It announced its plans to provide 40,000 housing units within the next four years under various private partnership arrangements.^{viii} Unfortunately, the PPP schemes will not deliver more than a 5% of the targeted 10000 units by year

end. The arrangement has been froth with challenges and ultimately, the units are being delivered outside of the "affordability" bracket. A case in point is a low-cost housing development project in the suburbs of Lagos which was recently priced at N5m for a single bedroom apartment. In a recent interview the Acting Managing Director of FMBN sounded the alarm on the growing housing gap and declared that Nigeria needs to build 720,000 units of housing annually in order to meet the Millennium Development Goals.

Both the Federal Mortgage Bank of Nigeria (FMBN) and the Federal Housing Authority (FHA), institutions set up to finance and roll out mass housing respectively have failed abysmally. Since the FHA commenced activities in 1976, it has developed and sold only 53,000 units, spending N30billion. (Thisdayonline, 2009).

- Mobilisation of savings into Mortgage Institution.
- Provision of incentives for the capital market to invest in property development.
- Provision of policy controls over the allocation of resources between the housing sector and other sectors of the economy.
- Facilitation of flow of domestic and international resources into the priority housing areas, such as low income housing.
- Need for government to establish voluntary schemes and provide substantial budgetary allocations and financial transfer to the housing finance system.
- Establishment and Management of National Housing Fund(NHF) to be administered by the Federal Mortgage Bank
- Ensuring that Commercial Banks, Merchant Banks and Insurance Companies are given reasonable conditions to encourage them to invest in mortgage business.

Table 1: The 1991 National Housing Plan

Period	Planned	Achieved	% of Achievement
1975 - 1980	202,000	28,500	14.1%
1981 - 1985	200,000	47,200	23.6%
1994 - 1995	121,000	1,014	0.84%
1996 - Date			<0.5%

Table 2:

A new National Housing Policy was developed in 2001, aimed at ensuring that "all Nigerians own or have access to decent, safe and sanitary housing at an affordable cost and with secure tenure".^{ix} The programme was designed to work in partnership with the private sector, in pursuing the construction of 40,000 housing units per annum nation-wide with at least 1,000 in each state and the Federal Capital Territory.

By 2004 it had become apparent that the '91 housing policy (and subsequent iterations) had failed. A committee set up by the presidency recommended, new reforms to create financial mechanisms and institutions that will make available to the private sector (developers) funds for the production of mass houses, and allow purchasers (mortgagors) to have easy access to borrowed money through the Primary Mortgage Institutions^x.

The failure of these policies and reforms are glaring when the relationship between GDP and real estate stock and mortgage finance in Nigeria is measured against other emerging economies. The contribution of mortgage finance to Nigeria's GDP is close to negligible with real estate contribution at less than five percent, while mortgage

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loans and advances stand at 0.5%, contrasting sharply with contributions of 30% to 40 % in other emerging economies and 60-80 % in advanced economies^{xi}.

FORGING A CLEAR DIRECTION

Mass housing efforts must be driven from the local government and community levels if any measure of success is to be achieved. Housing Corporations should not be seen as short term vehicles for providing housing to a specified market segment, but as robust, sustainable institutions, established to provide the social housing option. Housing Corporations should be set up (or revised, where currently existing) as PPP entities, and given the mandate to work with developers, financiers and government toward the attainment of housing goals.

Housing constitutes a key socio-economic priority for South Africa. Major successes have been achieved in this area, through the Reconstruction and Development Plan (RDP). This programme has provided 2.3 million houses of various descriptions over 13 years at a cost of r R29.5 billion. 50%^{xii} of South Africans live in their own homes, fully paid off. One of the main anchors of this programme is subsidies. More than 2.8million households^{xiii} have benefitted from this. This clearly contrasts with Nigeria's NHF services. The institution has issued less than 50,000 loans since 1993.

The government has also provided financial incentives. Since 2006, housing which cost less than R500,000 (\$67,850) no longer attract transfer duties while those between R500,000 and R1million attracts 5%. Again, this contrasts with a minimum of 20% in Nigeria (Lagos State).

China solved its mass housing problems though an integrated and sustainable housing development programme. The programme delivered 12 million housing units in 5 years on a five-pronged policy^{xiv}.

Housing Provident Fund System	• Compulsory contribution of 5-10%. By end of 2005, 625billion RMB collected and 30 million employees have benefitted from the scheme.
Affordable Housing System	• From 2001 to 2005 the government delivered 1 billion square metre, providing 12 million urban families with medium-and -low incomes
Low Rental Housing System	• By the end of 2005, 233 cities have applied low rental housing system, and accumulated 4.74 RMB were collected to benefit 329,000 families in poverty
Tax Cut for Common Housing	• Operational, real estate and personal income taxes were used as subsidies for home-owners to lease their houses
Renovation of the Old Districts	• Between 2001 and 2005 about 500 million square meter of old houses were demolished and rebuilt for 10 million families

Figure1: China's Policies on Social Housing

Lessons for Nigeria: Given the socio-economic and political significance of housing and related facilities, all the three levels of government (and their relevant agencies) must be involved and assigned specific roles in the housing delivery chain. The responsibility for the actualization of the National Housing Plan must reside with the local government councils. A decentralised plan gives ownership to local governments and communities.

Using the Public Private Partnership (PPP) model old districts such as Ebute Metta and Isale Eko in Lagos, Nyanyan (in Abuja), Kakuri (in Kaduna) can be redeveloped creating far more housing units per square kilometer. For an effective implementation, the PPP model needs to be reviewed to become more attractive to the private sector, with longer term participation benefits including subsidies on both the supply and demand side.

The mortgage sector reforms should be completed. Reforms must include initiatives which Housing Cooperatives (usually established at community level) to transform into Real Estate Investment Vehicles,

including REITs and Primary Mortgage Institutions (PMIs). In developed economies, local government ownership has the longer history of involvement in housing delivery at the low and middle income brackets; however, private sector participation in the development of independent housing institutions should be encouraged.

Housing Co-operatives (these are democratic housing associations where members co-operate to achieve the aims of the organisation), are popular in the United States and Canada, as well as a few European countries. More recently, emerging economies in Africa such as Kenya, are also promoting housing co-operatives as a strategy to achieving their housing objectives.

Improved land and building regulatory process: Efforts of various governments to accelerate building plan approvals, development control and physical planning processes should be intensified. Until the delays in land ownership and transfer are eliminated minimum targets will not be met.

Focus on Infrastructure: Government should initiate and actively implement New Town development plans focusing on the provision of infrastructure. The actualization of housing projects under the PPP scheme is deeply dependent on the availability of infrastructure.

The **National Housing Policy** needs to be translated into a practical guide through which housing programmes can be established and implemented. The fact that the government has not delivered up to 5% of plan since 2001, and that over 85% of the housing stock is supplied by private/informal sector, is reason enough to embrace more dynamic approach.

ⁱ Lagos Housing Gap Analysis, KPMG, International Housing Finance Workshop 2008.

ⁱⁱ The State of West and Central African Cities – Un-Habitat, 2008-2009.

ⁱⁱⁱ National Trend in Housing Production Practices Volume 4 Nigeria – UN Habitat

^{iv} Sustainable Housing Development In Nigeria – The Financial And Infrastructural Implication *Joseph Segun Ajanlekoko, Nigeria*

^v South Africa Community Survey on Dwelling Tenure (Number and Percentages of Household) Social Housing Foundation, 2007

^{vi} Strategic Assessment Of The Affordable Housing Sector In Ghana, CHF International, December 2004

^{vii} National Trend in Housing Production Practices Volume 4 Nigeria – UN Habitat

^{viii} Commissioner for Housing, Lagos State 2009

^{ix} Planning Sustainable Urban Growth in Nigeria: Challenges and Strategies by Arc. John L.S. Alkali, June 2005.

^x Ebite 2004

^{xi} Housing in a mortgage-unfriendly environment –

www.businessdayonline.com/housing_in_nigeria/11815.html

^{xii} The Social Housing Funds (www.shf.org.za), Rental Statistics 2007

^{xiii} 2006/2007 South Africa Yearbook: 14 – Housing - GCIS

^{xiv} Housing and Urban Development, Mr. Wang Guangtao, Minister of Construction, People's Republic of China, 2006.