

PROSPECTS FOR DELIVERY OF AFFORDABLE HOUSING IN NIGERIA

By

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SCOPE

- **The Housing challenge**
- **Economic Impact of Housing Development**
- **Impediments to Housing Delivery**
- **Impact of Mortgage as Response to Affordability**
- **Affordability Gap Finance**
- **Housing Development Fund model**
- **Affordable Housing Delivery Framework**
- **Examples: Post-Service Housing & Lagos CHOIS**
- **Suggested Government Intervention**

NIGERIA'S HOUSING CHALLENGE

Federal Government White Paper states that housing deficit is 12 million

We are here



Where we wish to be



THE CHALLENGE

Housing Need Indicators:

- ✓ Over 200,000 teachers
- ✓ Over 250,000 police personnel
- ✓ Over 500,000 public servants at state and federal levels
- ✓ Over 500,000 students
- ✓ Over 200,000 military personnel
- ✓ Millions in the informal sector

The National Housing Policy of 1991, the Federal Government set a target to deliver 8 million houses by the year 2000 and to deliver at least 700,000 houses per annum.

Government White Paper of 2002 recommended “the implementation of a program of constructing 40,000 housing units per annum nation-wide with at least 1,000 units in each state”

The imperative is how to deliver AFFORDABLE HOUSING on a sustainable and UNPRECEDENTED LARGE SCALE.

ECONOMIC IMPACT OF HOUSING DEVELOPMENT

Housing Contributes to the economy (GDP) through:

- a) the economic impact of new housing development and
- b) Consumption spending from housing services

The economic impact of new housing development activity can be analysed in three stages:

Stage 1 – Direct Economic Impact of new construction. This the direct impact through jobs, wages, expenditure and local taxes generated by the actual development, construction and sale of new homes.

Stage 2 - Ripple effect on the economy of the spending by those employed in the construction activity from their wages and profit i.e. The wages and profits earned by construction workers, subcontractors, professional consultants during the construction period are spent on other goods and services e.g food, education, transport, entertainment etc.

Stage 3 – On-going Annual effect of spending on local goods and services generated by those occupying the completed homes e.g. It is estimated that a household moving into a new home generally spends about 60% of its income on goods and services sold in the local economy.

**VISION 20-2020: TOP 20 ECONOMIES
RESIDENTIAL MORTGAGES AS PERCENTAGE OF GDP**

Rank	Country	%
1	Denmark	87.5
2	USA	71.0
3	UK	70.4
4	Germany	54.3
5	Portugal	50.6
6	Sweden	50.0
7	Ireland	45.0
8	Spain	42.1
9	Finland	35.6
10	Hong Kong	31.0
	Nigeria	<0.8

Source:

*UN-HABITAT 2005 Report
on "Financing Urban
Shelter" p29*

IMPEDIMENTS TO HOUSING DELIVERY

Land

- ✓ Absence of clear property and security rights
- ✓ Mandatory Governor's consent for all land transactions
- ✓ Inefficient land management system
- ✓ High cost of land transactions
- ✓ Premium barrier
- ✓ Slow change in use of public land

Housing Stock

- ✓ Acute shortage of housing stock
- ✓ Inadequate scale of delivery
- ✓ Over 80% of houses built by individuals
- ✓ Absence of quality assurance framework
- ✓ Fragmented industry
- ✓ Artisanal construction
- ✓ Absence of community management to

Finance

- ✓ High interest rates reflecting risk and source of funds
- ✓ Absence of long term mortgage finance
- ✓ Housing delivery models not replicable – projects carried out in silos
- ✓ No foreclosure laws
- ✓ Lack of institutional depth
- ✓ **Affordability gap**

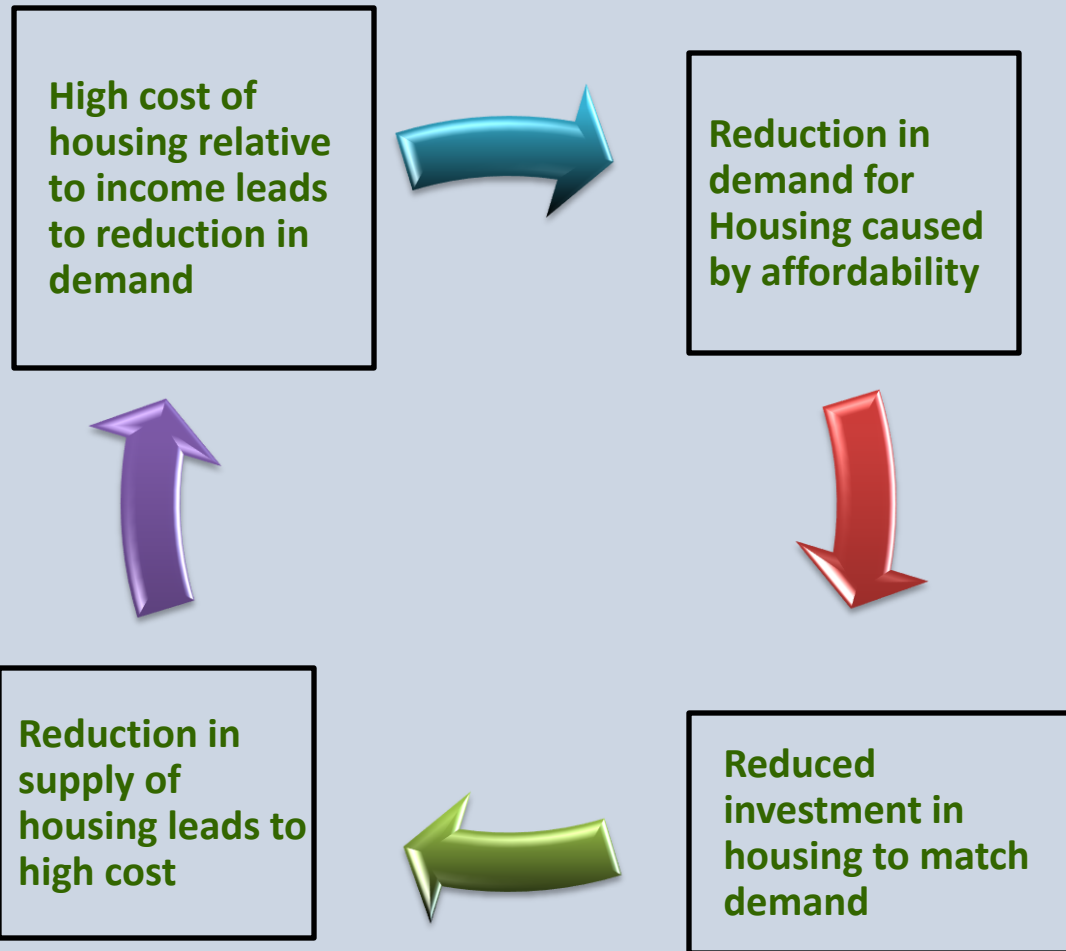
Other Issues

Building technology

Consumption

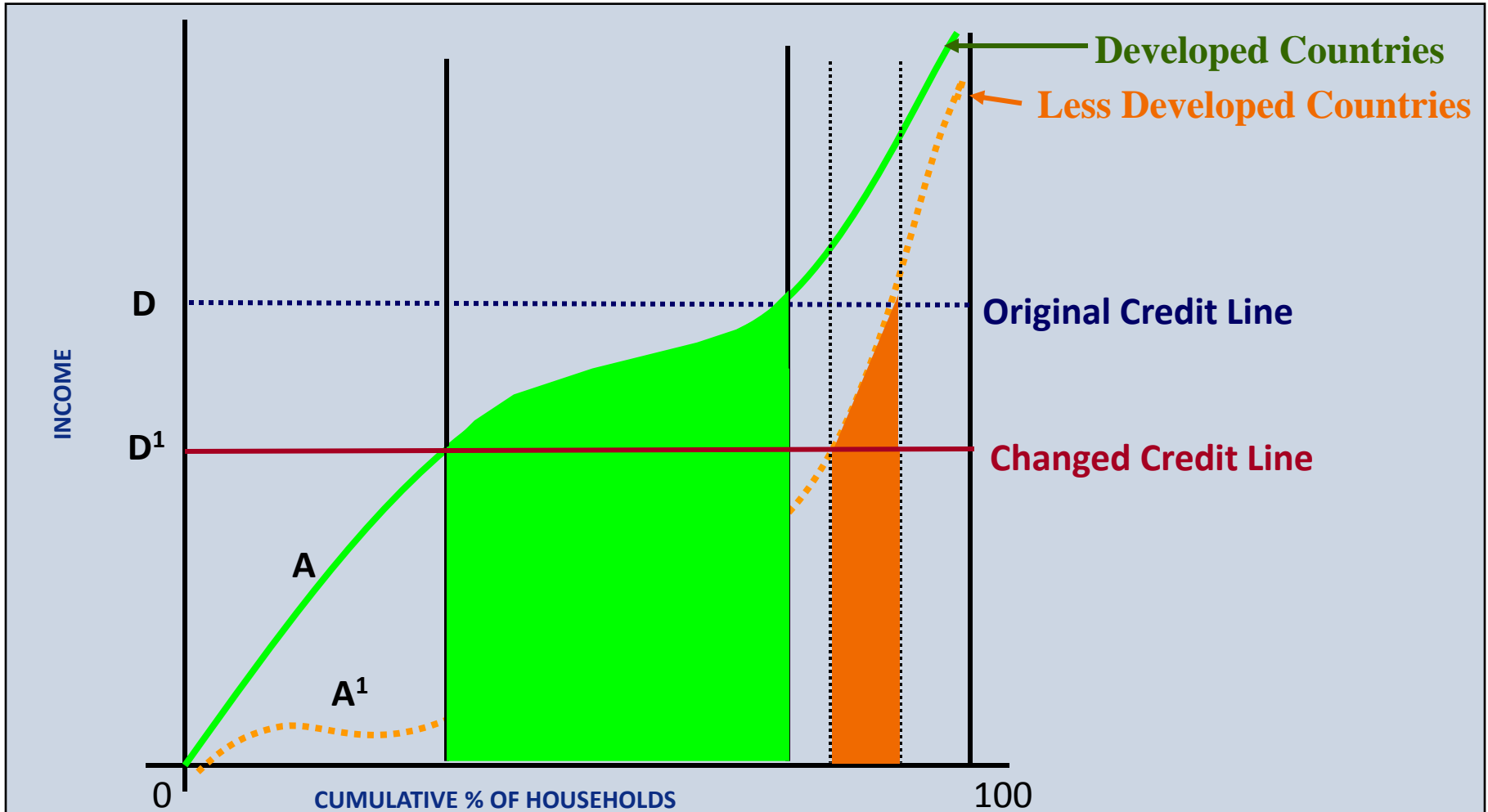
Infrastructure

AFFORDABLE HOUSING DELIVERY – THE VICIOUS CYCLE



IMPACT OF MORTGAGE AS RESPONSE TO AFFORDABILITY

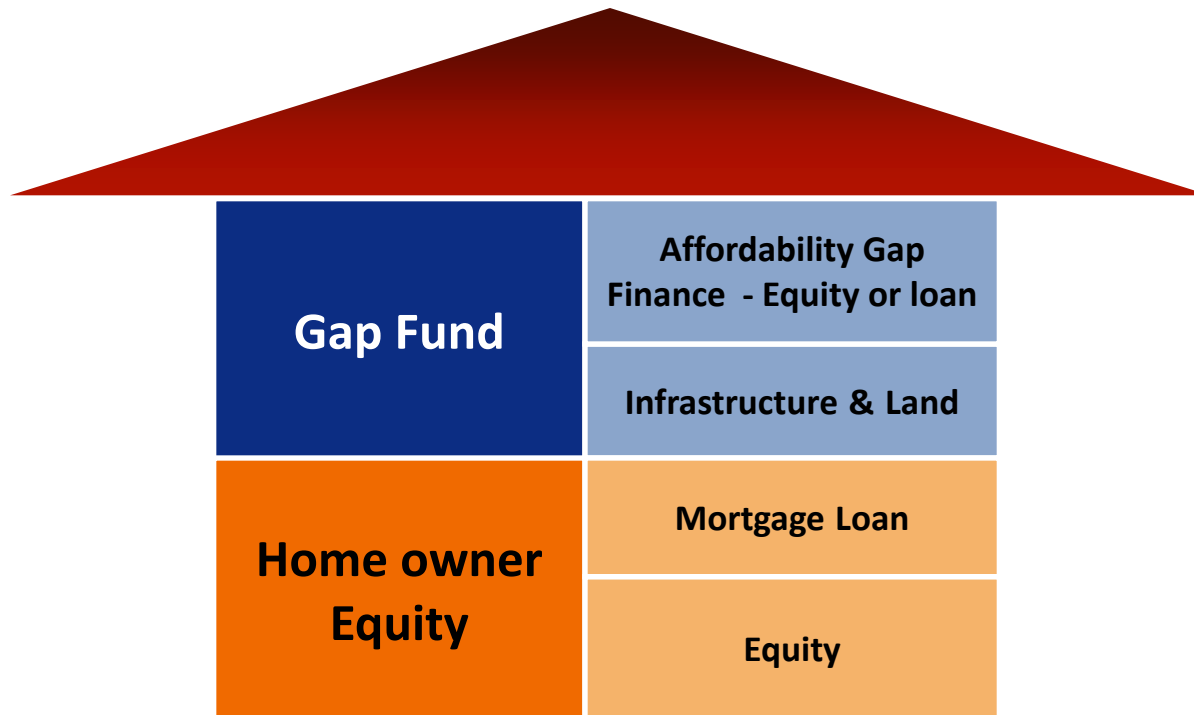
Effect of Changing Credit Lines With Different Income Distributions



A and A¹ = Income distribution for Developed and less Developed countries respectively

Source: Mumtaz B, Quoted by Reis, PMO "Non-Conventional Housing Finance Mechanisms for Less Developed Countries" PhD Dissertation, UK (CNA), 1991

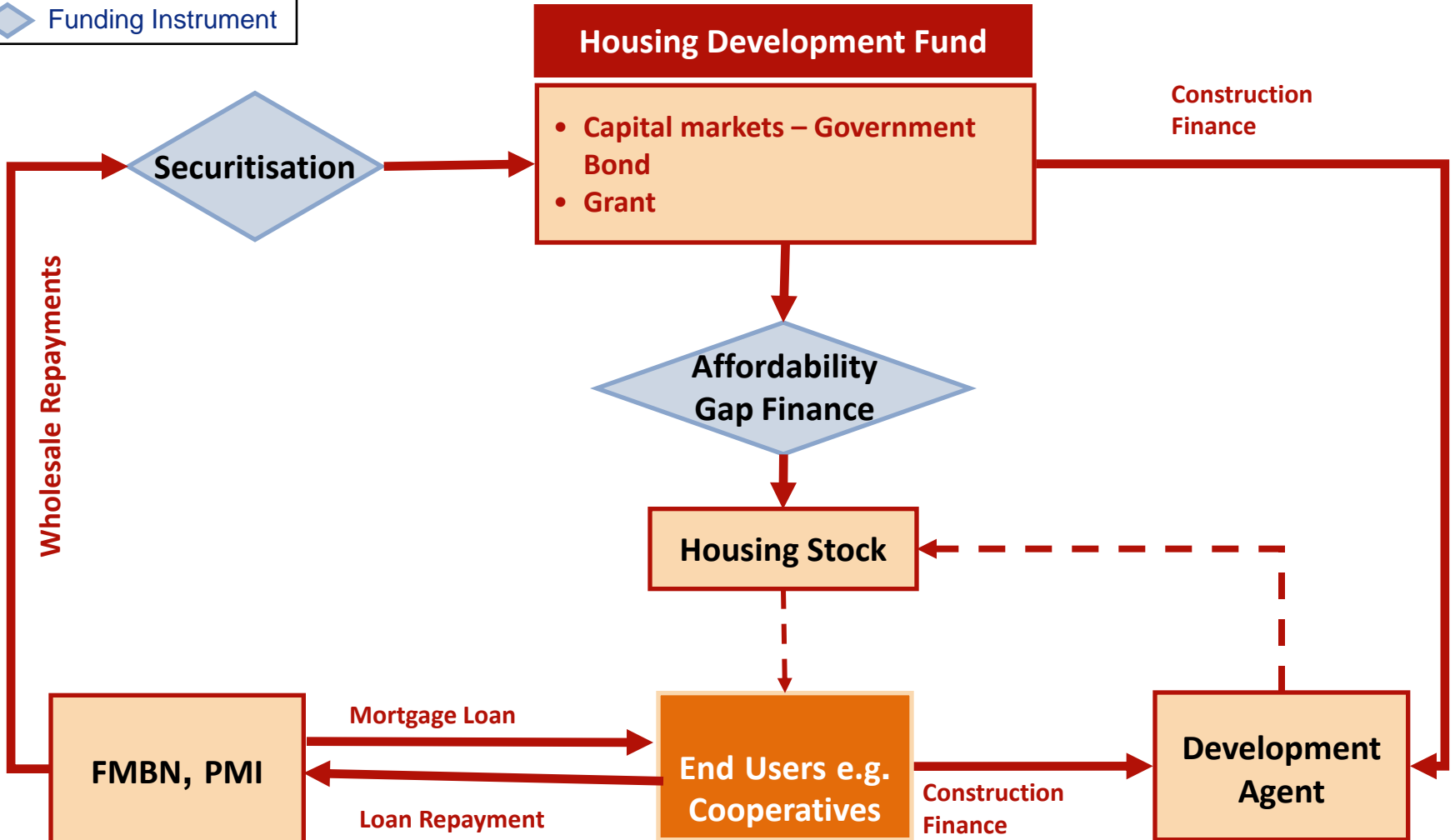
AFFORDABILITY GAP FINANCE



- ✓ Affordability Gap finance represents the difference between property value and the homebuyer's mortgage limit, which would then constitute the fund's equity or long term (generational loan) on the property
- ✓ Government's equity investment in the property not to exceed 50% of value

- ✓ On sale of the houses the government's equity reverts to the Gap fund
- ✓ Home owner provides equity in the form of direct funding and mortgage
- ✓ Gap Fund to finance infrastructure

HOUSING DEVELOPMENT FUND MODEL



AFFORDABLE HOUSING FRAMEWORK

Definition

“Provision of accessible and subsidized housing on a sustainable basis through end-user driven initiatives such as Co-operatives, Housing Associations and others”.

KEY ELEMENTS

- ☑ Sustainability
- ☑ End-user driven
- ☑ Targeted subsidies
- ☑ Focused on low and middle income
- ☑ Home ownership tenure & Social Renting
- ☑ Community renewal and on-going management

TARGET GROUPS

- ☑ Public sector employees
- ☑ Private sector workers
- ☑ Informal sector
- ☑ Displaced people
- ☑ Special groups including: Niger Delta, the elderly, Physically challenged, Youth hostels, Homeless, Widows, HIV patients etc.

FUNDING

- ☑ Government revolving grant
- ☑ Government bond
- ☑ Reformed National Housing Fund
- ☑ Prime Property Re-development for Revenue Generation
- ☑ Multi-lateral agencies

DELIVERY MODELS

- ☑ Slum Upgrading
- ☑ Completion of abandoned houses
- ☑ Housing Associations
- ☑ Supported Housing
- ☑ New Towns Development
- ☑ Rural Housing
- ☑ Co-op Home Ownership Incentive Scheme

Housing cooperatives are registered voluntary associations of individuals or corporate entities, who have come together to promote the housing interest of their members.

- **Aggregate housing demand**
- **Peer pressure to enhance loan recovery**
- **Economies of scale benefits**
- **Improved access to land**
- **Controlled development**
- **Improves loan recovery**
- **Other forms of social collaboration**



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4-BEDROOM DETACHED BUNGALOW



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3 & 4 - Bedroom Terrace Houses



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3-BEDROOM SEMI-DETACHED BUNGALOW



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2-BEDROOM ROW BUNGALOW



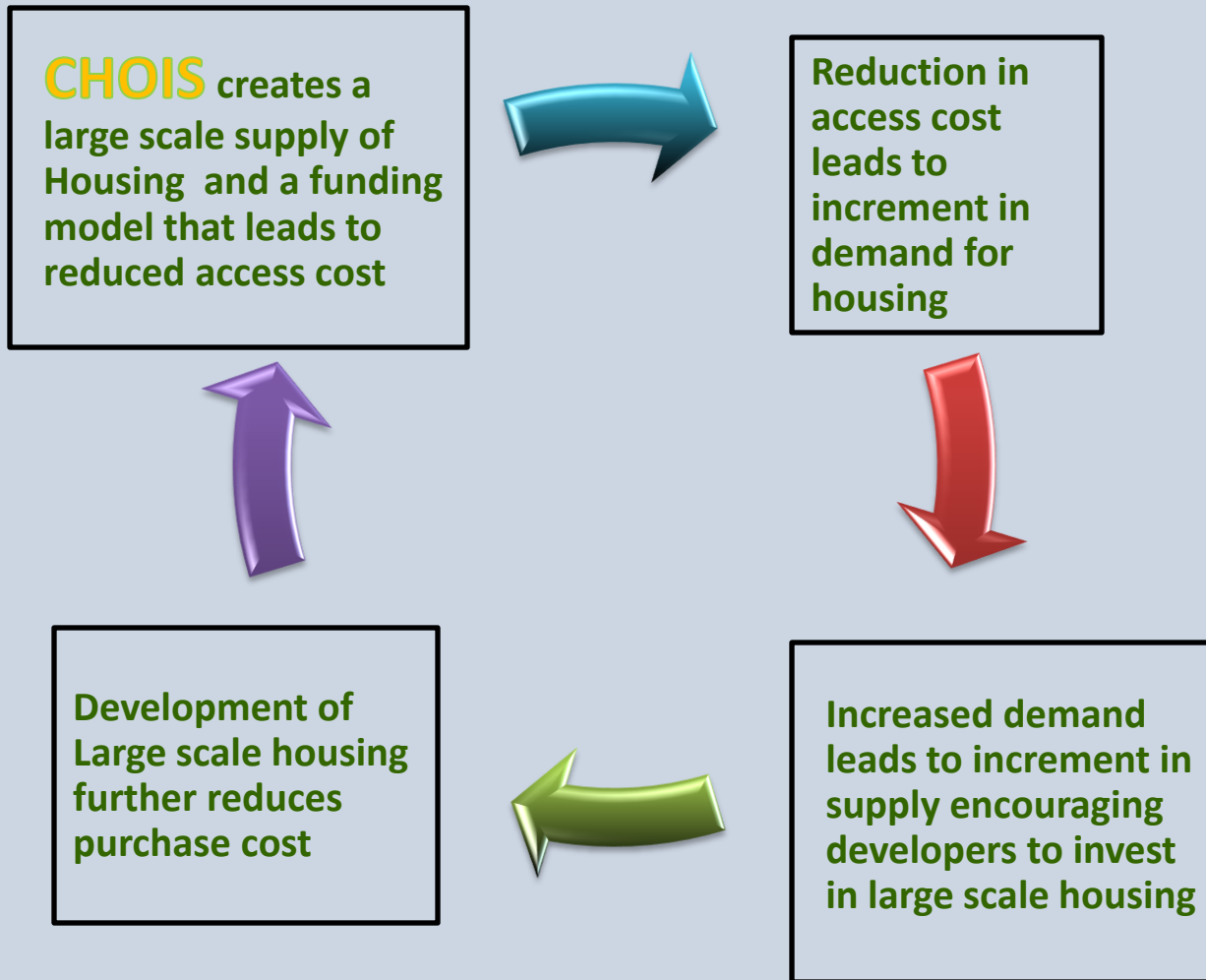
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CHOIS

(CO-OPERATIVE HOME OWNERSHIP INCENTIVE SCHEME)

ALTERNATIVE MODEL FOR FUNDING AFFORDABLE HOMES

THE CHOIS INTERVENTION



THE CHOIS ALTERNATIVE

CHALLENGE	THE CHOIS APPROACH
Housing Stock	CHOIS will be a programme not a one-off project. At least 10,000 units are proposed with potential for 300,000 within 5 years.
Land and Title Registration	Global Consent and waiver of transaction charges on initial transfers.
High Transaction Costs	Aggregated demand and transactions through sale to groups/Co-ops deliver economy of scale
Finance - Affordability/Cost of Entry	CHOIS will introduce 2 purchase options enabling buyers to enter the market at a level they can afford.

LAGOS CHOIS

(Cooperative Home Ownership Incentive Scheme)

Public-Private Partnership for Affordable Housing Delivery with



LAGOS CHOIS LP – OVERVIEW

- 10,000 high quality affordable homes in the 3 Senatorial Districts over 3 years - Abijo, Agbowa/Epe, Badagry axis
- Discounted sale of 1,000 units to Public servants valued at N1.2b
- Enhance affordability to the general public through mortgages, shared equity scheme and rent-to-buy options
- Independently managed neighbourhoods to form nucleus of new towns
- Concession for infrastructure (Water, electricity etc.)
- Government provision of land and transport infrastructure

Lowering the barrier to home ownership through:

- ✓ **Flexible Purchase options**
- ✓ **Harnessing the power of the “group”**
- ✓ **Economies of scale**

Affordable Homes NOT CHEAP houses:

- High quality homes with modern specifications;
- Secure communities with extensive landscaping;
- Variety of house types
- Strong estate management
- Partnership with reputable contractors

CHOIS GARDEN

Abijo G.R.A., Lekki Peninsula, Lagos State

Over 2,000 housing units

The Vision



CLUSTER 1 Courtyard



SUGGESTED GOVERNMENT INTERVENTION

- 1. Adoption of this Affordable Housing Delivery Framework as a government initiative to facilitate the delivery of 2 million houses nationwide over the next 4 years.**
- 2. Setting aside the revenue from sale of Government landed properties to create a fund for Affordable Housing Development intervention.**
- 3. Provision of government grant to facilitate capacity building and institutional development.**
- 4. Relevant agencies, including Federal Ministry of Finance, Debt Management Office, Securities and Exchange Commission etc to develop foreign debt enhancement instruments including housing bonds and government guarantees.**
- 5. The National Planning Commission and the Federal Housing Authority should be mandated to commence work towards producing a comprehensive 4 year Affordable Housing Development Plan.**
- 6. Clear definition of roles for different public and private sector agencies involved in housing delivery and establish a regulatory body to ensure strict compliance.**

CONCLUSION

“The only obstacle to realising our dreams of tomorrow are our fears of today” – President Roosevelt

**THANK YOU
FOR YOUR
KIND ATTENTION**

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