

Deficit in Housing Stock in Nigeria – Way Forward

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ABSTRACT

This paper aims at examining the possible ways through which Governments at all levels, corporate organizations and individuals can provide the much needed houses so as to bring the housing stock deficit to that level or position to impact positively on the welfare and productivity of the Nigerian people. The population of Nigeria keeps growing at an alarming growth rate per annum; in like manner the need for affordable houses keeps growing. In other words, population growth and housing needs go hand in hand. After food comes shelter in the order of the primary needs of man. It is in the interest of the governments, corporate organizations and individuals to apply concerted efforts to meet this growing demand for shelter; for not doing so will eventually create an emergency situation in the demand for houses to live in. The effect of this emergency can impact negatively on the productivity of the populace and again affect the gross domestic product of the nation. The efforts of governments towards bridging the deficit were analysed and the paper found that certain factors are still militating against these efforts. These factors are in the realm of what governments, corporate organizations or even individuals ought to have done or should be doing to see that the deficit in housing stock is reduced. It identifies some of these factors and at the end made recommendations towards bridging the deficit in Housing stock in Nigeria.

Keywords: Deficit, Affordable, Mortgage, Sustainability, House.

METHODOLOGY

In carrying out this study, the descriptive research method was used. The study focused on Nigeria – the most populous black nation in the world lying on the western part of Africa. It is an emerging democracy, a developing country whose mainstay of its economy is mainly dependent on the proceeds from the black gold i.e., crude oil. With a rapidly growing population, it is also making serious efforts to provide affordable houses for its teeming population. Collection of data was from both the secondary sources and personal observation.

INTRODUCTION

The Cambridge dictionary gave the definition of housing stock as the houses and other places to live that are available in a town, country, area etc. Out of the many problems that will always push people into thinking how to get them solved to better their lot; food, shelter and clothing stand out. They are the three most basic needs of man. One is as important as the other and as the population of man keeps increasing in a particular area be it rural or urban, pressure is brought to bear on these basic necessities. The

issues concerning the provision of shelter have engaged the attention of governments at various levels and has also led practitioners in the built environment to offer varied opinions and solutions to the problem of home ownership. According to the figures of the 2006 population census conducted during the regime of President Olusegun Obasanjo, the population of Nigeria was put at about one hundred and forty million, four hundred and thirty thousand. (140,431,790). The breakdown of this number shows that males consisted about seventy-one million, three hundred and forty-five thousand (71,345,488) while females were sixty-nine million, eighty thousand (69,086,302). (National Bureau of statistics, Abuja). The housing stock was also put at 10.7 million houses while the housing units gap in Nigeria was put at 17million (Peterside, C.S., 2003). With a population estimated at over 164 million in 20011 and rising, estimates show that Nigeria needs an average of one million housing units per year not only to replenish decaying housing stock, but also to meet rising demand. (Peterside, C.S., 2003). A World Bank estimate puts it that Nigeria requires over N59.5 trillion to bridge the gap of some 17 million units of housing deficits. The truth of the matter is that the deficit is monumentally huge; the emergent question is “how do governments, corporate organizations, individuals, go about bridging this gap”. Governments at various levels have made concerted efforts in this wise, real estate companies have been making their contributions also, but it does seem that we are still far from reaching our goal. In the punch issue of Tuesday, March 11, 2014; it was reported that the Federal Housing Authority of Nigeria has said that low and middle income earners who are interested in having their own houses can now do so with N1.5 million; that interested Nigerians can have homes delivered to them based on their financial capabilities. This, according to then Managing Director/Chief Executive officer of FHA, Mr. Terver Gemade was aimed at bridging the 17 million housing units gap in Nigeria. This is a policy statement that sounds very promising considering the fact that Government is the biggest spender in any economy. However, there is always that big gap between policy enactment and policy implementation in Nigeria. Just like in the other sectors such as education, agriculture, health etc requiring attention, government alone cannot bridge the huge housing gap. The bridging of this gap must be done in a multi-dimensional approach to achieve the desired results. Apart from Government and its agencies getting themselves involved in the direct construction and sale of houses; it can also provide the enabling environment so that individuals can provide their own houses. It has often been said that it is better to teach someone how to fish rather than just giving him fish.

DISCUSSION

The Sky News of 27/09/2014 reported the British Prime Minister, David Cameron as saying that he has set out plans to build tens of thousands of new homes on commercial “Brownfield” land, reserved for first time buyers under 40 years old; promising that the conservative government would implement the plan if they were re-elected in 2015. In an interview with the Sun Newspaper, Mr. Cameron said the programme would deliver 100,000 starter homes over the lifetime of the next parliament, “We want to help more young people achieve the dream of home ownership so today as part of our long – term economic plan I can pledge we will build 100,000 homes for young first – time buyers” he said. I don’t want to see young people locked out of home ownership. “We have already started to tackle the problem with help – to – buy mortgages – and these new plans will help tens of thousands more people to buy their first home”.

The above plan of the British government has been made reference to in order to show the efforts of governments elsewhere in tackling the problem of home ownership, it is interesting to note that in this plan, the government is targeting a particular age bracket (1 – 40 years old and this may probably include both the low and middle income earners. Here in Nigeria, the federal government has put many measures in place towards house ownership and reducing the housing deficit. Among these are the establishment of the Federal Mortgage Bank of Nigeria (FMBN), the licensing of many Primary Mortgage Institutions (PMI), the Federal Mortgage Finance Limited, (FMFL), the Nigeria Mortgage Refinance Company (NMRC), the National Housing Fund) (NHF), etc; all geared towards solving the problem of Home ownership thereby reducing the deficit in Housing stock in the country. Urbanization growth rate in Nigeria is currently put at 5.8 percent per annum (NUDP 2014). For this reason our urban and semi urban infrastructure has been overstretched, turning some of these settlements into squalor and unkempt neighborhoods. This has brought about overcrowding – maximum number of persons per habitable room. (Nehemiah C. 2014). In urban Nigeria it is two (2) persons per habitable room. There is also the problem of declining quality of life, general human and environmental poverty, inadequate social amenities – schools, poor health facility, lack of opportunity for recreating, Housing and associated facilities (water, electricity, waste disposal are grossly inadequate). Nigeria’s housing needs have been high as a result of population growth, averaged at 3% per annum, rapid urbanization due to rural – urban migration, high cost of building materials and ineffective and insincere housing policies.

The Federal Mortgage Bank of Nigeria (FMBN) is the apex financial institution or primary mortgage institution established in 1977 by decree No. 7 of 1977. As a mortgage institution, its mission is to supply the mortgage and housing markets with sustainable liquidity for the advancement of home ownership among Nigerians anchored on mortgage financing. Its mandates are geared towards housing delivery in all parts of Nigeria. For instance, it encourages the emergence and promotes the growth of viable primary mortgage institutions to service the need for housing delivery in all parts of Nigeria. It mobilizes both domestic and offshore funds into the housing sector. In furtherance of the fulfillment of its mandate, it has funded many housing estates across the length and breadth of Nigeria such as the Aviation village, Elim estate, Enugu, Yusra Housing estate in katsine state etc. The Primary Mortgage Institutions licenses came under decree no. 53 of 1989 to act as retail banker in the mortgage finance sector by mobilizing funds in bits from small savers in the society who save towards owning a house. At the last count, there were 86 of such PMIs in the country and they include the May fresh savings and loans limited, 83 Aba – Owerri Road, Aba, Abia State, All well savings and loans limited, 90 upper New Market Road, Onitsha Anambra state, Harvard Trust Savings and loan limited, 2 Red Cross way, Enugu, P.M.B. 01515, Enugu, Enugu state (<http://www.ndic.org>) etc the PMI’s are involved in mortgaging financing aimed at providing affordable housing for Nigerians. The Nigeria Mortgage Refinance Company is a public private partnership arrangement between the Federal Government of Nigeria and Private sector. Incorporated on 24th of June 2013, it obtained an Approval – in – principle from the CBN on 20th June 2013. It is a private sector driven company with the public purpose of developing the primary and secondary mortgage markets by raising long – term funds from the domestic capital markets as well as foreign markets and thereby provide accessible and affordable housing in Nigeria. Its vision is to encourage

and promote home ownership in Nigeria by providing financial facilities to the mortgage lenders, thereby increasing the availability and affordability of mortgage loans to Nigerians. The official ceremony to announce first 10,000 mortgage schemes in partnership with 21 pilot states was held Thursday 31st July 2014 in Abuja and NMRC is in support of the scheme. NMRC is not to nullify or affect what FMBN is doing, but to serve as the clearing house of refinancing the PMI's.

The National Housing Fund (NHF) was established by Act 3 of 1992. It is a pool that mobilizes long – term funds from Nigerian workers, banks, insurance companies and the federal government to advance loans at soft interest rates to its contributors. Its aims and objectives include among others the mobilization of funds for the provision of affordable residential houses for Nigerians, provision of loans to Nigerians for erecting, purchasing or renovating houses; encouragement of programmes that would enhance housing finance among low and middle income earners. The fund is also to serve the non – salaried informal sector etc. The Federal Housing Authority is a wholly Agency of the Federal Government of Nigeria established through Decree 40 of 1973, now cited as Act CAP F – 14 laws of the Federation of Nigeria 2014. FHA is supervised by the Federal ministry of lands, Housing and Urban Development. It is partially commercialized in accordance with Decree No 25 of 1988. Charged with the execution of such housing programmes as may be approved by the government, the preparation and submission from time to time to the government of proposals for National Housing Programmes. In addition, it can acquire, construct and maintain dwelling houses, schools, communal commercial buildings and other structures. Since its inception the FHA in carrying out its mandate, has delivered many houses to Nigerians, till date it has completed 23,038 housing units in many states of the federation, it has completed and sold 5213 NHP units, 3242 are uncompleted but sold, 2507 estates were sold, uncompleted and unsold direct scheme estates are 181 while uncompleted and unsold NHP estates stood at 1269. (Source: Past Projects, Federal housing Authority).The FHA has 900 housing projects in Abuja, through public – private partnership, 360 projects in Owerri Imo State through PPP and 300 in Abesan, Lagos through direct construction. The above analysis has been done to indicate the efforts of the Government in the struggle to provide affordable housing to Nigerians and reduce the deficit in housing stock. From the above, it can be easily deduced that a lot still has to be done not only by the Government by other agencies including individuals if this struggle to reduce the deficit in housing stock can be realized.

FACTORS MILITATING AGAINST EFFORTS AIMED AT REDUCING THE DEFICIT IN HOUSING STOCK.

Government has done a lot to provide affordable housing for its teeming population through its agencies such as the Federal Housing Authority (FHA), the Federal Mortgage Bank (FMBN) and of recent the Nigerian Mortgage Refinance Company (NMRC). Corporate organization, ministries, departments and individuals have also added their quota in the efforts to provide living homes at least for their members of staff, however these efforts seem not to be enough going by available data in respect of the deficit in housing stock. The paper identifies some of the factors responsible for this ugly scenario to include: the high exchange rate of the naira to the dollar, high cost of building materials, somersaults in government policies, low purchasing power of the ordinary Nigerian; lack of strong will in implementing the local content policy, adverse effects of

the land use act etc. The land use Act of 1978 has been pointed out as one of the major obstacles to addressing the housing shortages and promoting house ownership in the country. The act which has its date of commencement as 27th March, 1978 is “An act to vest all land comprised in the territory of each state (except land vested in the Federal Government or its agencies) in the Governor of the state, who would hold such land in trust for the people and would henceforth be responsible for allocation of land in all urban areas to individuals resident in the state and to organizations for residential, agricultural, commercial and other purposes while similar powers will with respect to non urban areas are conferred on local governments” (chapter 202, laws of the federation of Nigeria 1990). A moribund and repressive act that hinders mortgage financing and creates enormous obstacles to private sector involvement in the housing industry and which has constrained the transfer of title. It has highly exacerbated the problems of affordable housing in Nigeria (Akinto Kunbo A. Adejumo, 2012). The Act has turned obtaining a certificate of occupancy into a big avenue for corruption. It is time consuming and many officials has to be settled. The present system of land registration is also a contributory factor because it is cumbersome and encourages corruption. They make it impossible for prospective home owners to acquire and perfect land titles with ease and on time. Governors of the various states in whose care these lands are entrusted have turned them into tools for political patronage. Consideration is no longer being given to the issue of affordable housing but rather to settle political friends who in turn sell these lands at exorbitant prices to the highest bidder. Even when houses are erected on these lands they are out of reach of the low and middle income earners who are primarily the target of the Federal Government Housing Policy. This is why the efforts of the Federal Government in this wise should be commended. According to the Minister of Finance and Coordinating Minister of the economy, Dr. Ngozi Okonjo Iweala “On difficulties in getting titling for land, the minister explained that the current framework is currently being reviewed so as to remove the bottle necks associated with land ownership. She also explained that the government has intensified efforts in updating land database noting that this would help government to increase the housing stock. The minister of lands, Housing and Urban Development, Mrs. Akon Eyakenyi, has given hope on house ownership to the low and middle income earners under the Federal Governments Housing scheme. She says the initiative will eradicate the pains of securing titles to landed properties (<http://thenationonlineorg.net/buildingmatenals2014>). Governments must look in the direction of the high exchange rate of the naira to the dollar and the pounds sterling and see how the rate can be brought down to a favourable level. At the present exchange rate of 164.27 to the dollar, there is no way we can be talking of providing affordable homes for our teeming population. “Affordable Housing” is a term used to describe dwelling units whose total housing costs are deemed “affordable” to a group of people within a specified income range. (Akinto Kumbo A. Adejumo 2012). In this study, we are talking about low and middle income earners and with a national minimum wage of N18000 per month one can imagine the problem the low income earner has been subjected to in matters relating to getting an affordable home. When the monthly carrying costs of a house exceeds 30 – 35% of household income, then the house is considered unaffordable for the household. This unfavourable exchange rate is also one of the reasons for brain drain of the much needed personnel with the requisite skill to help ameliorate the situation. Professionals in the construction industry have the requisites skills to positively impact on the cost of construction of projects in Nigeria

but the same skill will earn them comparatively higher in greener pastures outside the shores of this country courtesy of the high exchange rate of the naira to the dollar. The persistent high cost of building materials in the country remains a dangerous obstacle against efforts geared towards the provision of affordable housing. Apart from land, sand, aggregates, water and sometimes timber, most of the other building materials have their raw materials or finished products imported from other countries. Their landing costs in Nigeria is at the mercy of the high exchange rate. Think of the landing costs of reinforcements or the raw materials for other components and you begin to appreciate the enormity of the situation. Dangote industries plc and some others have established many cement factories across the country but the cost of a bag of cement is still on the high side. This high cost translates into a high cost for the finished house. If the cost of some of these materials are relatively affordable to both the low and middle income earners, they can with ease and within the limits of their purses build their own houses. The aggregate of these will go a long way in reducing the deficit in housing stock.

The minister of lands, Housing and urban Development, Mrs. Akon Eyakenyi has observed that rent is very high in Nigeria. In Abuja she said, you see many buildings lying unoccupied because the rents are high. Therefore, she is of the opinion that if the ministry is able to control, persuade and affect the stakeholders in the industry to bring down their prices for the cost of building materials, the end result, that is rent, will be low. Somersaults in government policy/policies which lead to the abandonment of some projects is not in the best interest of efforts at bridging the housing deficit gap. Government is supposed to be a continuum such that laudable programmes of a previous administration need not be unnecessarily jettisoned by a succeeding one. In developed climes such as in Europe and America laudable government programmes are not abandoned when there is change in government. The Low – Cost Housing Policy of the Alhaji Shehu Shagari administration was not carried through in some states of the Federation purely on mere political considerations. This is a programme that would have gone a long way in providing affordable houses for the majority of Nigerians. The sites of many of such programmes have been encroached upon by the host communities when they realized that government is not serious about delivering these homes. The Housing for – all program initiated during previous military regimes fell far short of target, but at least it ignited the current awareness and modern mortgage industry in Nigeria. There is this hullabaloo that Nigeria is now the strongest economy in Africa based on the recent rebasing of the economy; but how does that reflect in the well-being of the low and middle income earners or ordinary Nigerian generally? Because of the low purchasing power of the ordinary Nigerian arising from a weak economic base and poor remuneration; to put three solid square meals on the table is a herculean task talkless of building a house. The point has been made that if Nigerians are adequately empowered, they can with ease build their own homes. The citizenry need to be economically empowered because even if government and its agencies decide to involve themselves in the direct construction and sale of houses, money is still needed to pay for the houses even on installment basis. Government must double its efforts in trying to fix the power sector because this is one sector that has the capacity to empower a lot of Nigerians. The multiplier effect of an efficient power system cannot be over – emphasized. Many graduates of our various institutions of higher learning who are roaming the streets in search of jobs can take advantage of an efficient power system to

get themselves self – employed. A visit to the Eke – Ukwu market in Owerri Imo State revealed that all the mobile telephone repairers, the compact disc technicians etc are running their business with standby generators. This takes a heavy toll on their pockets, weakens their economic base thereby impacting negatively on their capacity to provide affordable homes for themselves or even purchase those built by government through its agencies.

The housing sector is one area where the government's local content policy will find good expression. If you do not value your own, nobody will value it.

The Nigerian Content and Development Board (NCDMB) was established by the President, Dr. Goodluck Ebele Jonathan following the signing into law of the Nigerian content Act on 22 April 2010. The Act is saddled with the responsibility to build local capacity and competencies, create linkages to other sectors of the National economy and boost industry contributions to the growth of the National Gross Domestic Product. The Act, if vigorously implemented in relations to some of the materials that go into the construction of houses will bring down the prices of these materials that are hitherto imported from other countries. There is abundance of timber in this country and we have expert furniture makers who can do our items of furniture, yet we import some of these things from abroad. The adoption of the Nigerian content guidelines and models is sweeping across major sectors of the economy, hence the Nigerian institute of Architects (NIA), Abuja chapter during their 2014 quarterly dinner canvassed for the passage of the bill that will enforce the implementation of local content in the construction industry. The secretary to the National Planning Commission, Mr. Fidelis Ugbo noted that the construction industry is regarded as the barometer for measuring the health of any economy, regretting that Nigeria's construction, industry which gulps over 80% of the capital budgets of all tiers of government had been dominated by expatriate companies since independence. The bulk importation of cement can be reduced if the limestone deposits, chalk, clay, slate etc which abound in this country can be harnessed. It will serve a lot of good in this country if our steel rolling mills are put back on track. Nigerians are now making their doors from steel but again the prices of these doors cannot be said to be relatively cheap owing to the huge landing costs of flat sheets into the country. Nigerians are exhibiting their expertise in the design and construction of these metal doors and one can then imagine what the scenario would be had these sheets been rolled out in Nigeria, their prices would come down cheap, the metal doors will be cheap, the different grades of reinforcement bars that are used in construction of houses will come out relatively cheap and these will reflect on the overall cost of a housing unit. When housing units come down cheap, Nigerians will purchase, erect their own houses with ease and this will go a long way in bridging the huge gap in housing stock.

CONCLUSION AND RECOMMENDATIONS

From the foregoing, it has been established that the Federal Government of Nigeria has not been non – proactive in matters concerning the provision of affordable housing for Nigerians, thereby reducing the housing deficit stock. What with all the programmes, policies put in place and the agencies established to tackle this problem of huge deficit in housing stock. It cannot be argued successfully that government has done all that it ought to have done in this wise because the deficit is a pointer that something is definitely not in proper shape and something needs to be done. The population of any

Nation cannot stop growing because procreation is the fulcrum of sustainability in life and just like in other spheres of a Nation's life, it behoves on governments, corporate organizations, individuals to fashion out policies and programmes tailored towards tackling issues relative to a particular aspect of the Nation's life. In doing this, all loop holes must be plugged to forestall any sabotage of efforts aimed at providing affordable housing for Nigerians. In addition to what government has been doing to address the issue of housing this paper is of the view that the land use Act of 1978 need be reviewed to make it come to terms with prevailing realities. All obstacles put in the way of private sector involvement in the housing industry and which has constrained the transfer of title should be addressed by making land acquisition and perfection of titles less cumbersome. The unfavourable exchange rate of naira to the dollar has been one of the factors militating against the efforts of governments, corporate organizations and individuals at providing affordable houses. We should improve our foreign reserves and tune our lives to be less dependent on foreign goods in order to conserve more foreign reserves.

The naira should be made stronger so that when it becomes absolutely necessary that we have to import, the prices of the goods will come down cheap. If the prices of building materials are relatively cheap as a result of favourable exchange rate, those in the private sector will be better disposed to either purchase or erect their own houses. Every government landable programme must be carried to its logical conclusion so as to reap the benefits of such programme. Abandonment of housing programmes and poor implementation will continue to hamper efforts being made towards housing for Nigerians. The abandoned low – cost houses of the Shehu Shagari administration would have housed a good population of Nigerians if the programme was not abandoned in some states of the federation. Government should put programmes in place to encourage Nigerians to patronize made-in-Nigeria goods. There is no justifiable reason why Nigerians should be buying their furniture items from other countries. It depletes our scarce foreign reserves, creates unemployment problems and contributions to the high cost of a built unit of house. In addition to government and its agencies getting involved in the construction and sale of houses, this paper is of the view that enabling environments should be put in place to make it easier, and less costly for those in the private sector to build their own houses.

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