

## Overcoming the Challenges of Residential Property Development in the Developing State Capitals of Nigeria – A Case Study of Damaturu, Yobe State.

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### **ABSTRACT**

*Revenue from property rating and other taxes goes a long way in aiding our developing states and national transformation, but the challenges of residential property/housing development demands attention. This study gives an overview of the challenges of residential property development in the developing state capitals of Nigeria, taking Damaturu, Yobe State as a case study. A stratified random sampling was carried out through structured questionnaires administered on private developers, estate surveyors and valuers, officials of State Ministry of Land and Survey and Ministry of Housing. The problems encountered include: high interest rate, short repayment period, bureaucracy in land acquisition, inadequate skilled labour and professionals and high cost of building materials. It is recommended that the existing laws should be modified to ease access to land, government should provide adequate roads and transportation system that checks cost of building materials, the government should encourage commercial activities and financial environments that ease access to property development fund through revitalization of National Housing Fund, Federal Mortgage Bank, and interest-free financing for real estate development. Finally, security of life and property encourages inflow of skilled labour, investment and development.*

**Keywords:** Challenges, Property Development, Developing State Capitals

### **INTRODUCTION**

Shelter is one of the three basic needs of man, making ownership and control of real estate a fundamental part of our lives (Sirota, 2004). It is an essential need for man to make his full contribution to the society as it has impact on the life style, health, welfare, happiness, social attitude, productivity of individual and indication of person's standard of living (Achunine, 1988; Ayinla, 1989; Coker, Awokola, Olomolaiye and Booth, 2007). Housing is a residential environment which man uses for shelter and the environs of the structure needed for his physical and mental health as well as the social well-being (Omole, 2001). According to Bello (2008), housing is more than a mere shelter; it includes all facilities within and around it, embracing a bundle of services which entails both product and process. To Ratcliffe (1978), housing embraces in all ramifications the development process, be it economic, social, physical, or spiritual). In fact, housing has been universally accepted as second in man's hierarchy of needs after food (Njoku, 2006). The problem of adequate housing is a global phenomenon and the severity of the problem differs from one nation to another. Housing started receiving world attention in the forties with the universal declaration of Human Right adopted and proclaimed by the United Nations General assembly in 1948 (Ebie, 2012). With all the efforts in place, the world's clamour for "housing for all by the year 2000" was not achieved. Nigeria

with an estimated population of 110 million by the 1991 census figure needs to produce about 750,000 housing units per annum based on estimate of 10 dwelling units a year per 1000 of the population (Opara, 2003). The problem of housing has become so critical that it is difficult for the government to provide accommodation for the poor masses; 8 million housing units is required to accommodate its homeless citizens before the new 2015 Millennium Development Goal (MDG) (Njoku, 2006). However, the pressure and hardship faced by poor populace and residential property developers requires urgent and drastic measures for these to be alleviated, as Nigeria needs more houses than what the average Nigerians can afford (International Monetary Fund (IMF), 2005). The designation of Damaturu as Yobe State Capital in August 1991 marked the beginning of an increase in population as a result of relocation of workers from old Borno State, influx of job seekers and the increasing rural–urban migration. Occasioned by population growth, the demand for residential housing is on the increase which is inevitably difficult for the private sector to cope with, as a result of low level of incomes of the majority of the populace and various other problems involved. In this vein, residential property developers in the State capital and the many other developing state capitals of Nigeria have been faced with enormous problems in the course of development and the clamour for creation of more States leaves no option for our national development and human capacity building than to seek insight into the Challenges of residential property development, with a view to alleviating the identified problems. The section 2 of the paper is a review of related literature. Section 3 is methodology, section 4 discusses the result. Section 5 gives conclusion and recommendations.

## **LITERATURE REVIEW**

### **Housing Problems**

The housing problems in Nigeria are numerous and characterized by regional variations which can be seen particularly in terms of urban and rural difference. However, the third National development plan (1975-1980) asserts that the Nigerian housing problem was essentially an urban problem (Omole, 2001). It has become increasingly glaring that most of the urban population lives in dehumanizing housing environment, while those that have access to average houses do so at a very high cost (Mayaki 2003). According to Ibrahim (2008), the history of housing problems in Nigeria bears some similarities with that of Britain in the area of population increase and overcrowding in urban areas, as it is estimated that about 40% of the population in Nigeria live in the urban areas. The study asserted that two factors that contributed to increase in urban population are rural–urban migration and natural increase through birth, but rural–urban migrations contributes more. Therefore, housing problems are more prone to occur in areas where migrants from rural areas are settled. According to Mayaki (2003), increasing rate of rural – urban migration occasioned by population growth in relation to the low level of incomes of the majority of the populace, the demand for residential housing increased with difficulties for the private sector as a result of inadequate housing finance. The study further highlighted that, high demand over supply motivates the ever–increasing cost of residential housing development which is becoming unbearable for most average Nigerians leading to preference for slum and squatter settlements. Omole (2001) categorized housing problems as: Qualitative, Qualitative, Psychological housing problem. In the same light, Oyebanji (2003) summed up urban housing problems as being qualitative and quantitative deficiencies, problem

of land acquisition, poor infrastructural facilities, poor accessibility, pollution effects, high population concentration, high occupation rate and illegal conversion.

### **Causes of Housing Problem**

The supply or production of housing in Nigeria is primarily a function of the private market. According to Ibrahim (2008), the public sector supply of housing is based on policy and goal of the government, bureaucracy in the public sector reduces the ability of the Sector to adequately provide housing and the constraint of land is also a bottleneck in the supply of housing in the country. Land is relatively expensive such that low and medium income earning workers find it extremely difficult to acquire and develop a house of their own. The major reasons adduced by housing experts for Nigeria's inability to realize the housing target according to Njoku (2006) are: lack of enabling environment, dearth of housing finance and anti-housing laws. Opara (2003) opined that problems of adequate housing are caused by high population growth rate, low level of research in local and alternative building materials, difficulty in acquisition of land for building construction and sporadic cost of building materials. In the same vein, Omole (2001) generalized the causes of housing problems to include: rural-urban migration, economic recession which hinders housing supply, lack of mortgage facilities, high planning standards by planning authorities and delay in plan approval. To Aliyu, Rozilah and David (2011), the most important problems affecting private residential property development in Makama Jahun neighbourhood of Bauchi metropolis include: problem of land acquisition, housing finance, building materials and statutory regulation. Oruruo (2014) identified the challenges of real estate development in Nigeria to include: high cost of land, inaccessibility of fund, government bureaucratic bottleneck and cost of development. It is also necessary to say that financing residential property development in many developing countries is complex, Ogedengbe and Adesopo (2003) identified problems encountered by developers in securing real estate development finance in Abuja to include: excessive protocol and bureaucracy, high interest rate, loan ceiling and duration, collateral security and restriction by government policies.

### **METHODOLOGY**

Data were collected using questionnaires retrieved from 50 respondents, making up 10 officials of State Ministry Housing (20%) and 10 officials of State Ministry of Land and Survey (10) in Damaturu. The private Developers (25) were selected through stratified random sampling along the strata created by the four major roads (Maiduguri road, Potiskum road, Gashua road and Gujba road) from the main roundabout of Damaturu. The 5 registered professional Estate Surveyors and Valuers in Damaturu constitute 10% of the respondents; confirming the developing nature of the state. These respondents represent the private and public sector that are involved in real estate development and administration in the State Capital. Data from questionnaires administered to the respondents were analysed using simple descriptive statistical tool and presented in frequency tables and charts.

### **DATA PRESENTATION AND ANALYSIS**

Data from questionnaires administered to the respondents formed the basis of the analysis and presented in frequency tables and charts.

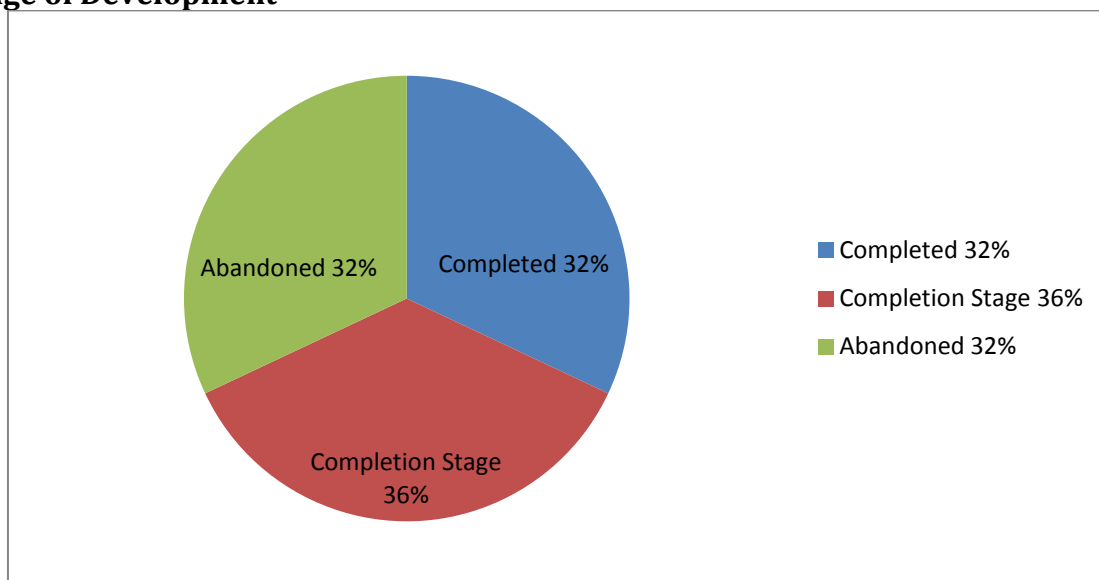
**Table 1: Types of residential property development in Damaturu**

Types of residential property	Frequency (N)	Percentage (%)
Block of flats	9	18.00
Bungalows	13	26.00
Duplexes	8	16.00
Tenement Buildings	20	40.00
<b>Total</b>	<b>50</b>	<b>100.00</b>

**Source: Field survey, 2011**

From Table 1, residential property development in Damaturu include block of flats (18.00%), bungalows (26.00%), duplexes (16.00%), and tenement buildings (40.00%). This shows that more people engage in tenement building to take care of many home seekers, while development of storey building is very few because of the cost involve and the developing nature of the town.

**Stage of Development**

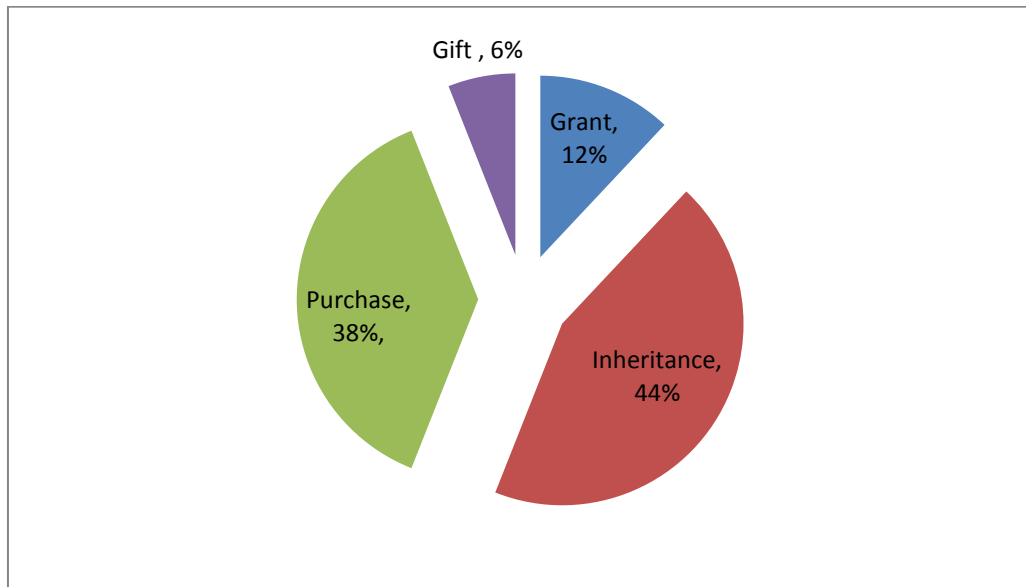


**Figure 1: Pie Chart showing Stage of Development.**

**Source: Field Survey, 2011**

Figure I show response on the stage of development of the developers. 32.00% of the developers have completed their development, 36.00% represents development at completion stage, while 32.00% of the developers have abandoned their development. This confirmed that various problems are involved in real estate development which accounted for the fact that most of the developers (64%) are yet to complete or have abandoned their projects. This calls for insight into these problems.

**Methods of acquiring land in Damaturu**

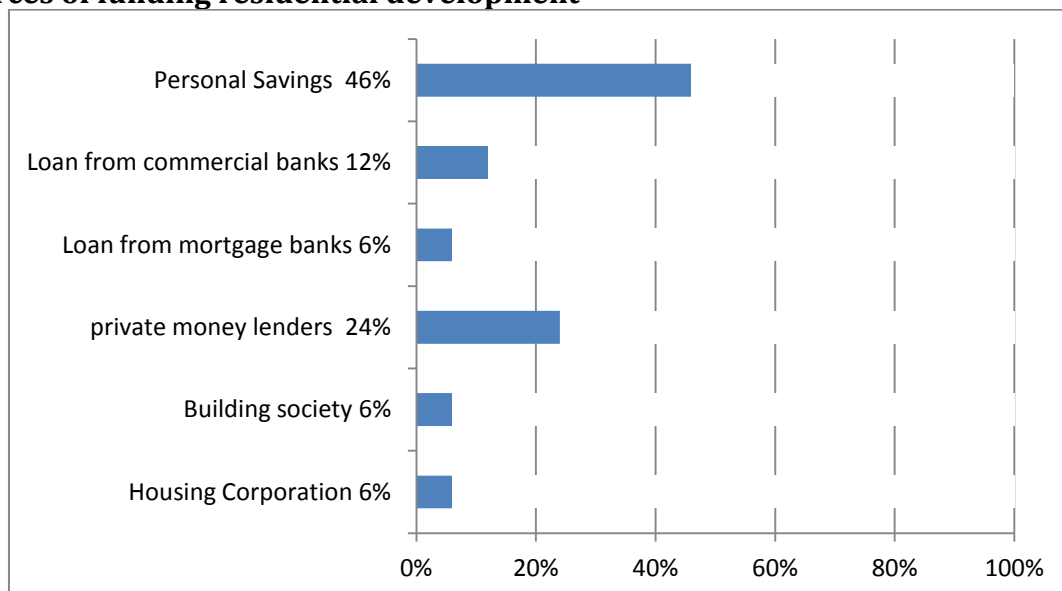


**Figure II: Pie Chart representing methods of acquiring land.**

**Source: Field Survey, 2011**

Figure II give credence to the developing nature of the town as most of the respondents (44%) acquired their land through inheritance showing that most of the land is still in the hand of the indigenes. Many respondents (38%) got their land by purchase. 12% of the respondents got land through grants from the Ministry of land and Survey, showing that the government is yet to have a good control of land allocation in the state. However, 6% got their land through gift.

**Sources of funding residential development**



**Figure III: Bar chart showing sources of funding residential development.**

**Source: Field Survey, 2011.**

Figure III shows that sources of funds according to the respondents include personal savings (46%), this is followed by loan from private lenders (24%), loan from commercial banks (12%), loan from federal mortgage bank (6%), building society (6%) and funding from housing cooperation (6%). This shows that developers rely much on personal arrangement compared to formal arrangement such as banks, housing corporation and building societies which jointly constituted 30%.

**Table 2: Problem Encountered in the Course of Development**

PROBLEMS	Frequency (N)	Percentage (%)
High interest rate	17	34.00
Short repayment period	13	26.00
Government bureaucracy in land acquisition	3	6.00
Inadequate building professionals	6	12.00
High cost of building materials	8	16.00
Land use control	3	6.00
Total	50	100.00

**Source: Field Survey, 2011**

Table 2 shows that among the major problems encountered in the course of development is financing related as could be seen in ‘high interest rate’ with the highest response (34%) and short repayment period (26%) which make the developers to rely more on personal and informal funding. ‘High cost of building materials’ (16%) as a result of transportation and location of the town, ‘inadequate building professionals’ (12%) as a result of the developing nature of the town, government bureaucracy in land acquisition (6%) and land use control (6%). This revealed that the problems involved finance, building materials, professionals and action of the Government.

### CONCLUSION AND RECOMMENDATIONS

This study has attempted an identification of the challenges facing private residential property development in a developing State capital, Damaturu, Yobe State with a view to suggesting ways of alleviating them. The study revealed that among the most important problems encountered include: high interest rate, short repayment period, bureaucracy in land acquisition, inadequate skilled labour and professionals and high cost of building materials. It is recommended that the government should encourage financial environment that ease access to property development fund through revitalization of National Housing Fund, Federal Mortgage Bank and interest-free financing for real estate development. The existing mode of operations should be modified to ease the effect of bureaucracy on access to land. Government should encourage commercial activities by providing adequate roads and transportation system that checks cost of building materials. Finally, security of life and property encourages inflow of skilled labour, investment and development.

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