
PRIVATE-RENTED TO OWNER-OCCUPATION: THE PHASES OF TENURE IN THE HOUSING SECTOR

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ABSTRACT

Shelter is universally accepted as the second most important essential human need after food. The need for shelter is therefore a fundamental human requirement. Housing is more than mere shelter as it embraces all the social services and utilities that go to make a community or neighbourhood a liveable environment. Housing tenures exhibit many differences in terms of influences on their provision, their changing size and importance and the types of households they attract. Majority of peoples' primary aspirations are towards owner-occupation (home-ownership), but for most people this might not translate into reality at a given point, compelling them to adopt other alternative tenures that are available. This paper will itemize the possible options available to aspiring households in the circumstances of seeking out alternative means of tenure and highlight the different groups attracted to the various tenures.

INTRODUCTION

The need to provide shelter and security has been one of man's major preoccupations from centuries past, down to the present day. It is even then still a very important activity today. A dwelling is a place of residence, an accommodation or home where people live. A wide range of dwellings are needed to satisfy the demands of society, e.g. small one-bedroom dwellings for single people, dwellings with easy access from ground level for the elderly and the handicapped, dwellings for the standard-sized family and dwellings with many bedrooms for large families. The size, type, quality, quantity and design of accommodation that man has been able to provide for his family and possessions has always been governed by the climate, the standard of society, the state of the economy, the types of materials available and the state of technology at the time of construction. The individual used to be the driving force behind the provision of domestic dwellings in the time past. He would mobilise and organise the workforce from the immediate neighbourhood to execute the task of building construction. Not so any longer. Now the state (government) in the form of local government authority, state or federal (central) government and speculative developers are the main builders and providers of the dwellings we live in today. Housing tenure is the financial arrangements under which a person has the right to live in a house or other accommodation. The individuals' only concerns are matching their personal needs and financial resources with the quality, type and price of the accommodation available. If the purchase or building of a dwelling is beyond the reach of the financial resources of the individual, he has to resort to renting accommodation either from the government, housing organisations or the private landlords.

Historical Overview of Housing Development in Nigeria

In Nigeria the problem of housing is enormous and complex. In most urban centres, the issue is not only that of quantity but also the very poor quality of available housing units and the environment. This has resulted in growing overcrowding in houses and increasing pressure on infrastructural facilities and rapidly deteriorating environment. One major characteristic of both the urban and the rural scenes is the dominance of the poor and low income group. It has been estimated that over 70% of the country's population fall within this category.

During the colonial era, housing activities and policies of government focused essentially on the provision of quarters for expatriate staff and selected indigenous staff in specialised occupations like railways, police, etc. This was the period that Government Residential Areas (GRAs) and a few African Quarters were established. Effort was not directed by Government to building houses for sale or rent to the general public and not much was done to order the growth of settlements outside the GRAs. Some attempts, however, were later made after 1954, to address the problem of public housing in the metropolis (Lagos in particular) by establishing schemes such as Worker's Housing Estate, Freehold Housing Scheme and Sites and Services Estates. Shortly after in 1956, the Nigerian Building Society (NBS) was established to provide mortgage loans but did not really achieve much. Then the Colonial Government the same year introduced the African Staff Housing Fund meant to encourage African civil servants own their personal houses. Various state housing corporations were established prior to independence as well, by the regional governments to provide housing for the general public. These corporations were unable, however, to extend their services to the low income group.

During the post independence era (1960 – 1979), the housing sector suffered from near complete neglect until the outbreak of the civil war in 1967 which further deteriorated the situation as a whole and particularly in the war affected areas as energies and resources were channelled to the execution of the war. In 1971, the National Council on Housing comprising of all state commissioners responsible for housing was established which marked the first significant direct attempt by the federal government to intervene positively in the area of housing and in 1972 led to the establishment of the National housing programme. The programme through an enabling decree intended to construct 59,000 dwelling units nationwide. The Federal Housing Authority (FHA) was created in 1973 to coordinate the nationwide programme.

The African Staff Housing Scheme was taken over by the Staff Housing Board for the purpose of granting loans to civil servants to enable them build or purchase their own houses. In between 1975 – 1980, the federal government decided to participate directly and actively in the provision of housing rather than leaving it principally to the private sector. The Federal Ministry of Housing, Urban Development and Environment was created in 1975 and charged with the responsibility of initiating and coordinating the policies in housing related areas. The following panels and committees were constituted specifically to deal with some of the problems of housing and housing delivery.

1. The committee on standardisation of house types and policies (1975) was set up to recognise the housing problems of the low income group who earned within the minimum wage. The recommendation of the committee resulted in the acceptance of the low income housing concepts and strategies of the World Bank (IBRD).

2. The anti inflation task force (1976) which was to examine among other things the inflationary trends of the day in the economy and identify their causes. Various fiscal and monetary recommendations were made which had significant effects on the housing sector.
3. Rent panel (1976) was to review the structure and level of rent in the country. Their recommendations resulted in the establishment of state rent tribunals.
4. The land use panel (1977) examined the various tenure and land ownership systems in the country and their recommendations led to the promulgation in 1978 of the Land use decree which was a major step in land reform aimed at making land readily available for development.

The Nigerian Building Society (NBS) was converted in 1976 to the Federal Mortgage Bank of Nigeria (FMBN). Most of its loans however, went principally to the middle and high income groups.

During the second civilian administration (1979 – 1983), the increasing deficit of urban housing and its continuous deterioration in the rural areas dictated the high priority rating given to housing by that administration. An elaborate national housing programme was embarked upon in 1980 based on the concept of affordability and citizen participation. The target groups were the low income earners whose annual income was at the minimum wage level, for the one bedroom core houses, and the medium income group for the three bedroom houses. A total of 40, 000 units were to have been constructed annually nationwide. Despite the very high level of investment, the impact of the programme on the overall housing market was extremely negligible as the whole concept was bedevilled with fraud and non performance. The chairmen of states allocation committees were politicians who allocated these houses to party members who neither had need for them nor could be classified as low income earners. In addition to the federal government direct construction programme, the Federal Housing Authority (FHA) was mandated to construct houses on commercial basis for the medium/high income groups. The state governments through their housing corporations also embarked on the construction of low/medium income houses. Very few states made significant impact in implementation. In 1979, the World Bank assisted Nigerian States Urban Development Programme (NSUDP) was negotiated. The major objective of the scheme was to lay the foundation for a national low cost housing programme and to set in motion broader urban renewal schemes. There was the United Nations' resolution which called for shelter for all by the year 2000 A.D. The ultimate goal of the National housing policy had been to ensure that all Nigerians own or have access to decent housing accommodation at affordable costs by this time through active participation in housing delivery and mobilising and encouraging greater participation by the private sector in housing provision as well as promoting the establishment of building societies, housing cooperatives and other primary lending agencies in the country. This will facilitate home ownership by providing adequate funding for the production of low income housing. The Federal Housing Authority (FHA) and housing corporations were to develop and manage real-estates on commercial and profitable basis in all states of the federation, either by building houses for sale or letting to the general public. But all these intensions were not sincerely executed talk less of meeting the desired goals.

The United Nations Commission on Human Settlements at its 14th session held at Nairobi, Kenya from 26th April to 5th May 1993 had unanimously adopted a resolution on "The Human Right to Housing". But households could only satisfy their housing needs through the existing housing systems in the ways housing is made available to them. Since most assets of a community are held in the form of housing, the ownership of residential property is seen as socially desirable. Housing is a heterogeneous item available in different sizes, styles, quality and in a number of distinct tenures. The housing in any "Free Market Economy" country, with the exception of social housing, is "provided within a market system, which basically means that it is allocated according to the ability to pay" (Harriott et al, 1998), either for rent purchase or build. This suggests that social class or socio-economic group will influence tenure choice, or tenure varies according to socio-economic status. Majority of those who own their homes outright were those in employment or gainfully retired. Private renters were more likely to be in employment than social renters and social renters were more likely than private renters to be economically inactive. The lack of financial ability of economically disadvantaged households to pay for decent accommodation in private housing markets, principally gives rise to other social housing providers' and governments' intervention in housing delivery in the form of social housing. Tenure is the act or manner of holding a landed property (such as a house). Tenure generally takes a variety of forms which include rental accommodation (public and private) in which rent is paid to a landlord (tenancy), cooperative housing, lease, owner-occupation, emergency housing and informal settlements, including occupation of land or property (squatter and satellite forms).

Definition of Housing Terms

Housing desire is a household's preferences for housing. It includes preferences for the size of the accommodation, its physical qualities, standards, tenure type and location. All potential and existing households will have particular desires in relation to their homes.

Housing need involves the identification of the minimum housing standards that are required by particular households and the achievement of those standards. Perceptions of housing need can change over time as household requirements change. Different societies may also have quite different perceptions of housing need.

Housing demand (or more accurately, 'effective demand') is the situation where housing consumers (households) have a desire for a particular accommodation and have the financial resources to pay for it. "Effective demand" (which is an economic term) only exists if individuals' desires or needs coincide with an ability to pay the market price (or rent) for such accommodation. The desire or the need for housing does not in itself permit the household to demand it. As income increases households are more likely to move from social rented accommodation to home ownership or from one form of tenure to another. Growing wealth within the population will generally increase the demand for owner occupied housing. Demand for all tenures will be influenced by availability.

THE COMMON TYPES OF TENURE

Housing may be located in any one of these main tenure types. The key determining factor of which tenure type a particular dwelling is in will be by the ownership of the accommodation. These main tenures are:-

Owner-occupation: This is the situation where the person or group that occupies a house owns the building and usually the land on which it sits.

Tenancy: This is the situation where a landlord/s who owns a house or dwelling rents the right to occupy the unit to a tenant. This arrangement may come in different forms such as:-

Private rented accommodation, where the landlord is a private individual.

Public housing- where the landlord is a government body such as the local authority, state or federal governments and the housing is provided either for free or leased at a subsidized rate and finally;

Housing Association housing- where the landlord is a non-profit organisation.

Cooperative housing: This is a situation where ownership of the entire building or complex is held in common by a homeowners' association.

Condominium: This is a situation where ownership of an apartment or house is assigned to an individual, but common areas (e.g. hallways, heating system, elevators, and exterior areas) are controlled by the homeowners'

Squatting (Satellite) settlements: This is the situation where occupation is by a non-owner, without permission by the owner, if any.

Owner occupied (home ownership) dwellings are owned by the occupants, either outright when constructed by the owners with the intent to occupy, inherited or purchased either as a new home from a real estate developer, or as an existing home from a previous landlord or owner- occupier or bought with the assistance of loans - usually mortgages, for which the home will act as collateral for the loan. Usually the house is the most expensive single purchase an individual or family may make and often costs several times the annual household income. Given the high cost, most individuals or families are not able to make a saving to pay the entire amount for a house outright. And because of this, especially in developed countries, mortgage loans are readily available from finance institutions (private or government) in return for interest. In advanced countries; this is by far the largest method for home ownership with possibly up to 70% of the population living in such accommodation. Home ownership gives occupants the right to modify the building and land as they please (although subject to government, homeowner association, and deed restrictions), protects them from eviction, and creates a right to occupation which can be inherited.

With the exception of the owner – occupation, the other tenures consist of accommodations which are owned by someone other than the occupier, who pays rent to the owner. The first choice tenure (often insinuated as the natural tenure choice) for most people is owner occupation. When this accommodation is not available, the option of renting will be considered. However, rising incomes will generally lead to an increase in demand for owner-occupied housing while the demand for rented accommodation will tend to fall. Among households with lower income levels the effect of rising income may be able to only stimulate demand for better quality rented accommodation if the costs of home ownership are still prohibitive. Bringing home ownership within the reach of more

households has been assisted through policies that encourage home ownership such as the provision of tax relief on mortgage interest, tax concessions to owner occupiers and the implementation of right to buy for tenants of local authorities (government houses) and other housing associations. Owner-occupation is seen as both an investment and a means of satisfying an individual's housing need. Those in the higher socio-economic groups are more likely to be in a financial position with secure employment or continuing expectations of a sustained level of income to take on the financial burden associated with home ownership (owner-occupation). Within the socio-economic group of professionals, there is a likelihood of a higher demand for owner occupation.

Local authority (council) or government housing is the stock of dwellings owned by local councils or as the case in Nigeria, largely owned directly by the central (federal) government or probably by the state governments but rarely by the local governments. This is commonly referred to by an umbrella term of social housing which is a form of rental housing that is owned and managed by the state, by not-for-profit organisations, or by a combination of the two, usually with the aim of providing affordable housing especially for the low income earners. Rented accommodation, particularly of social housing is supposed to be traditionally available (due to low income levels) to the socio-economic group of unskilled manual workers and those in the lower cadre of the civil service and the society in general.

Housing associations are non-profit seeking organizations that provide accommodation (also referred to as social housing) through new buildings and renovations and manage good quality housing for letting at affordable rents. This tenure type is mostly small in scale and targeted towards the elderly and the lower socio-economic group of unskilled workers.

The private rented sector consists of those dwellings or accommodations owned by private individuals or corporate bodies and let for rent usually with a view to making a profit. Majority of the housing stock in Nigeria is probably found within this tenure type unlike the developed world where this sector is fast diminishing. Young single people are the largest group represented among tenants of private rented dwellings and private rented accommodation has frequently been used as a starting point or stepping stone by new households setting up home for the first time and looking in the longer term to move into other types of accommodation. Highly mobile groups will also opt for privately rented accommodation, since this is the only tenure type that permits fairly rapid entry and exit arrangement out of the accommodations.

The squatter and satellite settlement is an informal settlement mostly considered as illegal but multiplying greatly in number usually at the outskirts of the metropolis. This is a self-help form of accommodation that provides some form of shelter for the poor and destitute in their numbers. Generally speaking, squatting may consist of occupying an abandoned or unoccupied space or building, usually residential, that the squatter does not own, rent or otherwise have permission to use. On record, there are one billion squatters globally, that is about one in every six persons on the planet. (Neuwirth, 2004) In most of the worlds' poorer and not so poor countries, there is abundance of self-constructed housing built without the landowner's permission. According to Wates et al (1980) "squatting is the oldest mode of tenure in the world ..." Squatters live in informal settlements or camps

on the outskirts of larger cities or townships. There is hardly any country in the world that has no record of squatters, because according to Wilson (1979), "The random activity of squatting has not been confined to any one nation or even to the less industrially developed countries. It has occurred with equal impartiality on the periphery and occasionally in the centre of almost every of every continent".

CONCLUSION

Owner-occupation is probably the largest and most popular tenure in most countries and the percentage of owner occupation will hopefully continue to increase, although the proportion of younger households entering owner-occupation might not be significant due to lack of affordability and perhaps availability of private rented accommodation. Younger households may rely on assistance from capable family members, or government intervention to enter into owner occupation as first-time buyers.

Social renting in Nigeria is generally declining as a percentage of the rented sector as an outcome of negative government policy. Historically, though government policies have favoured owner-occupation, this assistance is beginning to decline. Opportunities for social housing are beginning to decrease as development in that sector has visibly ceased.

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