



## A CRITIQUE OF HOUSING AFFORDABILITY: APPRAISING FACTORS AFFECTING NO/LOW INCOME EARNERS IN IBADAN

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### Abstract

Despite some attempts at achieving decent housing for Nigerians, Nigeria as a whole failed to address the dire housing conditions of her population. The situation has been partially ameliorated through the activities of the private sector housing developers who have mainly concentrated on the upper-middle and upper earners of the housing market and government housing schemes targeting the lower-middle earners with no known focus on the low and no-income earners, which recent studies reveal to cover over 60% of the working class population creating an acute need for intervention. Yet, there are some factors affecting low or no-earners' in the area of housing affordability. This is the gap in knowledge sought to be filled by this study. The survey research design was adopted for this study. Data were collected from both primary and secondary sources. Simple systematic random sampling techniques was adopted in administering a set of questionnaire to respondents. The findings revealed the relative contribution of each of the independent variables to the prediction of the dependent variable Housing the low income earners in Ibadan North L.G.A of Oyo state in logical order Housing Affordability (Beta = .119; t = 5.156; p < 0.05). The study also revealed that factors like housing accessibility, income per family, high house rent and financial wherewithal low earner's relatives greatly affect no/low income earners in terms of housing affordability. It is thus concluded that access to building finance at favorable terms to developers of low-income accommodation and credit facilities for housing construction should be expanded.

**Key words:** Accommodation, Affordability, Housing, Housing Market, Low/No Earners.

### INTRODUCTION

The problem of housing in developing countries of the world has taken both qualitative and quantitative dimension with its highest preponderance loom in Nigeria as Nubi, (2008) informed. In Nigeria, all the thirty six states of the federation had one form of housing problem or the other in the form of housing shortage, overcrowding and qualitative housing problem that undermine the livability of the inhabitant Olayiwola, (2012)

The extent of the housing shortage in major cities like Lagos, Ibadan, Port-Harcourt are enormous, the inadequacies are far-reaching and the deficit is both quantitative and qualitative; even those households with shelter are often subjected to inhabiting woefully deficient structures as demonstrated in the multiplication of slums from 42 in 1985 to over 100 as at January 2010. The urban poor, (the low and no income earners) who are dominant in Major cities like Lagos, Ibadan, and Port-Harcourt etc. are transforming the city through housing provision to meet their needs, often in conflict with official laws and plans. They reside in the slums and squatter settlements scattered around the city and are predominantly engaged in informal economic activities which encompass a wide range of small-scale, largely self-employment activities. 60% of residents are tenants and have to pay rent as high as 50-70% of their monthly income since most of the existing accommodations are provided by private landlords Aluko, (2010). Affordable housing is housing deemed affordable to those with a median household income as rated by country, province or state, region or municipality by a recognized Housing Affordability Index. In Most countries of the world, various study Groups have developed their definitions of affordable housing as housing that is, "...reasonably adequate in standard and location for lower or middle income households and does not cost so much that a household is unlikely to be able to meet other basic needs on a sustainable basis Vidal (1992). In the United Kingdom, affordable housing includes "social rented and intermediate housing, provided for specified eligible households whose needs are not met by the market. Wolpart, (1997). Most of the literature on affordable housing refers to a number of forms that exist along a continuum-from emergency shelters, to transitional housing, to non-market rental (also known as SOCIAL or subsidized housing), to formal and informal rental, indigenous housing and ending with affordable home ownership Chaves (1999).

Accommodation refers to a place where a person stays, to work, lodge temporarily, when in transit or/and live. The concept deals with the experiential perception of the space during occupancy in relation to hospitality, safety and utility compliance. Mody, Suess and Lehto, (2017) studies show that the accommodation experience scape is offered as a tool for strategic experience

design, offering a model of experiential consumption that explains customers' (or user) experience with accommodation providers.

Housing according to Henilane, (2016), is an important to life component, providing shelter, safety, warmth and a place to rest. Apart from its relevance to individuals, Housing also have an essential role in the development of the economy of a State. According to Eurpean Commission, (2005), Housing accounts for 10 – 20% of the total economic activity in the country as well as being the biggest fixed asset of households. Housing choice is a response to an extremely complex set of economic, social, and psychological impulses. For example, some households may choose to spend more on housing because they feel they can afford to, while others may not have a choice. In the United States and Canada, a commonly accepted guideline for housing affordability is a housing cost that does not exceed 30% of a household's gross income. When the monthly carrying costs of a home exceed 30-35% of household income, then the housing is considered unaffordable for that household. Determining housing affordability is complex and the commonly used housing-expenditure-to-income-ratio tool has been challenged. Canada, for example, switched to a 25% rule from a 20% rule in the 1950s. In the 1980s this was replaced by a 30% rule. India uses a 40% rule. The applicable rule in Nigeria is put at 30-35% but largely unrealistic especially arising from the country's poverty index. (Area 1998).

Housing market is concerned with the exchange process and conditions of housing units. Literature reveal that several countries including Nigeria and across the globe have experienced boom in housing since the 1970s, Tupenaite, Kanapeckiene, Naimaviciene, (2016), concluding that in the assessment of housing prices, determinants both rational and irrational factors should be taken into account.

Thus, those who fall into the categories of low and no income earners must be captured in the broad policy thrust of the housing sector. This has inevitably made the social housing instrument of housing the poor as a veritable tool for tackling homelessness. On the premise of Government failure in providing affordable housing

to the members of the low and no-income group. To this end, this paper seeks to examine factors affecting housing affordability of no or low earners in relation to the Nigerian government housing policies.

### **The Problem Highlights**

The need to cater for the collective interest of all Nigerians with respect to housing has been a major concern to the government and other agencies or organizations on housing. To this end, the government has embarked on various types of housing schemes especially estates with the aim of solving the diverse and complex problem that its citizens, staff, employee, congregation face in accessing decent and adequate housing. One of the measures the Nigerian government and housing organizations adopted was the direct construction of housing estates and allocation of housing units to individuals within these estates throughout the country. Nevertheless, there are certain neighborhood attributes or locational factors that even affect accessibility or affordability of particular housing to an individual who want or intends to rent that accommodation for their usage, all these need utmost attention. Thus, on the basis of this shortfall that neither the government housing provision nor the private sector housing provision would go a very long way in satisfying the housing need of the urban low and no- income earners, that made this paper to appraise both economic and non-economic factors that determine housing provision for the no/low income earners using housing affordability as a model.

### **OBJECTIVES**

The paper seeks to examine the influence of housing affordability on housing the low / no income group in Ibadan, Oyo State.

### **HYPOTHESES**

H01: Housing affordability had a significant effect on housing the low and no-income earners poor in Ibadan North Local Government Area.

H02: There will be significant relative contribution of housing availability on housing the low and no income earners in Oyo state.

## LITERATURE REVIEW

### The Concept of Housing Affordability

The term housing affordability is used widely in the evaluation of the impact of the cost of housing on consumers but with a number of different meanings and measures. The most general use of the term centres on consideration of the extent to which housing costs for a given standard of housing impinge upon a household's income or their capacity to meet their total household needs (Hancock, 1993). King (1994) advocated three standards in the general definition of the concept of Affordability, they are: socially accepted standards of housing, housing costs and quality of life. The affordability of housing is a function of the costs of producing and financing housing (Supply) and of household income levels or purchasing power (Demand). A complex set of factors, both within the housing system and beyond it, influences both housing costs and household purchasing power. It is the interaction of all such factors at a particular time in a given place that will determine housing affordability.

In comparing Housing policies and Housing affordability of Households in Australia and Netherlands, Vivienne Rae Milligan, 2003, advocated a framework for assessing the range and mix of policy interventions as it affect housing Production, cost and affordability. The framework explains how the forces influencing the production cost of housing, the forces influencing consumer demand/purchasing power and the organization of the exchange (allocation) of housing can each influence affordability in general terms.

From figure 1, according to Milligan 2003, housing production, housing exchanges and housing consumption are all production of housing policy intervention (government and its agency action) which will to a very big way in determine the housing cost in term of either purchasing power/letting capability of the household which finally reflect the housing affordability outcomes.

A Critique of Housing Affordability: Appraising Factors Affecting No/Low Income Earners in Ibadan

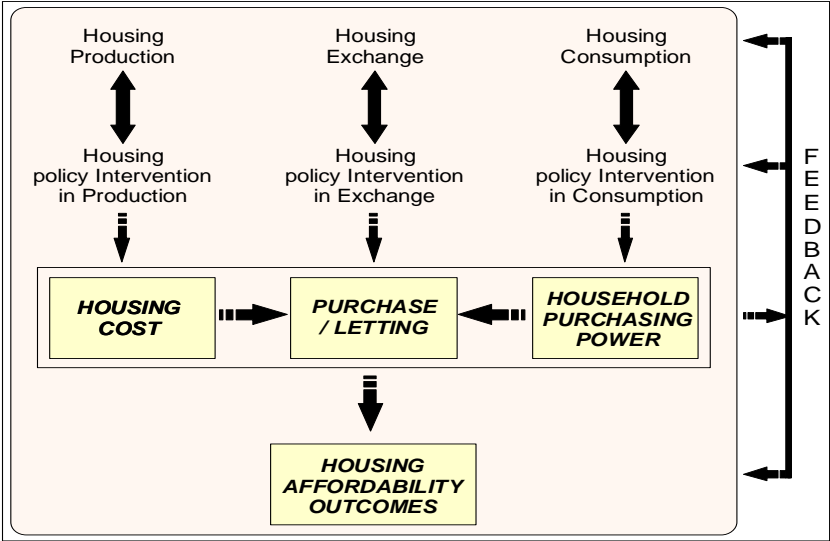


Figure 1: A framework for analyzing the determinants of housing affordability  
 Source: Housing policy and housing affordability of households in Australia and Netherland by Vivienne Rae Milligan (2003).

Managing the relationship between the price of housing and the capacity of households to pay for their housing is central to the achievement of an adequate quantity, quality and distribution of housing (Malpass and Murie, 1994). The Framework for analyzing the determinants of Housing affordability, indicates that the general policy intervention in housing production determines the cost of Housing, the main focus of the framework is that both housing cost and household purchasing power affects the purchases (Distribution) of housing (Vivienne Rae Milligan, 2003).

Table 1: Rent As Percentage of Income in Some Selected Countries

| Country        | Rent As Percentage Of Income |
|----------------|------------------------------|
| United States  | 20                           |
| Bolivia        | 8                            |
| India          | 10                           |
| Australia      | 8                            |
| Austria        | 5                            |
| Canada         | 15                           |
| Sri-Lanka      | 3                            |
| <b>NIGERIA</b> | <b>30</b>                    |

Sources: Federal Republic of Nigeria: National Action Plan Report, 1996

The above table explains the degree of affordability of housing units from various international experiences. Nigerians spent an average of 30% of their income in housing rent age, while Austria spends as low as 5%. The United States has a closed ratio of 20% and Canada followed suit with 20%. The tables established that Nigeria requires a critical approach to enable their citizenry in achieving an affordable housing scheme.

### **Housing Demand, Housing Need and Housing Choice**

The cost of housing is relative to income. Households should be adequately housed without spending a substantial amount of their income. The standard for cost in housing is given as rent-income or cost-income ratio. A ratio higher than 25% is generally a mark of housing need, although it is more severe for low and moderate income families who have to restrict purchases for food, clothing, health care etc., if they spend too much on housing, with the general rise in rent-income burden, ratios higher than 25% are becoming more usual and acceptable for certain households. There are many dimensions to housing need. It is a social concept and has been defined "as the extent to which the quality and quantity of existing accommodation falls short of that requires to provides each household or person in the population, irrespective of the ability to pay or particular personal preferences with accommodation of a specified minimum of a standard above (Cherry, 1974).

The basic housing consumption unit is the household. The demand of household's large measure determines where housing units will be located in relation to population. What households are willing and able to pay determines their choice, after location and surrounding environment have been considered. Households choose the location, amenities and community as such as the specific housing type. The same house will bring different prices in different neighborhoods because households are buying access to employment, transportation, environment, community facilities, educational opportunities, recreation, open space and types of neighbors.

Choice depends largely on income, because the bulk of the stock supplied by the private sector. The poorer households have always

has few selection to choose from. With rising housing cost, fewer households are able to occupy new housing, more must pay a greater share of their income for housing; and many more have choices overall. The demand for housing can be aggregated into a total housing market demand with many sub markets. The major market is divided between renters and owners. Other variations in demand, in addition to tenure, cost and location, include size of units, type of structure, appliances and age of building.

It is important to allow people to choose those housing services which suit them best. One measure of choice is vacancy. A sufficient vacancy rate is necessary to allow people to find different housing as their needs changes. Choice is more than mere vacancy, however, it also encompasses the lack of discrimination (whether rich or poor), so that every household can exercise housing choice without constraints.

## **METHODOLOGY**

The relevant design used for this study is the research design. The study requires the collection of both primary and secondary data. The collection of primary data of the study is based on field observation, questionnaire administration, oral interview and reconnaissance survey. One household questionnaire, and an interview guides were administered. The secondary data for this study were secured from information embedded in relevant books, dissertations, journals and seminar papers. Locational map of the study area were collected from Ibadan North Local Planning Authority, while the locality list and population of the study area were collected from the National Population Commission Secretariat and Oyo State Valuation Department. Other relevant maps of the study area were collected from Oyo State Ministry of Lands and Housing. Systematic sampling technique was employed in the selection of sample at a regular interval of 10. The total number of questionnaire were administered in each of the communities ranged from two (02) in Local Government Secretariat to as high as thirty (30) in Yemetu. The data collected from the primary source were subjected to statistical analysis using (SPSS) statistical package for social sciences. This enables a further identification of variables to be recorded for subsequent analysis. Inferential and descriptive analysis were used. For inferential



analysis, the Regression Tests Technique was adopted to measure the level of housing affordability on housing the low and No income earners in Ibadan North L.G.A of Oyo state. Descriptive data were analyzed using table.

### DATA ANALYSIS

In this section the data obtained from the survey conducted is analyzed. The analysis is based on the hypothesis raised to guide the study.

**H01:** Housing affordability had a significant effect on housing the low and no-income earners poor in Ibadan North Local Government Area.

**Tables 2a and b** present the analysis of the findings with respect to this hypothesis.

**Table 2a: combined contribution of Housing Affordability on housing the low and no income earners in Ibadan North L.G.A of Oyo State**

| Variables                             | Mean           | Std. Deviation | N          |
|---------------------------------------|----------------|----------------|------------|
| Housing the low and no income earners | 63.9121        | 3.95525        | 220        |
| Housing Availability                  | 63.2478        | 3.30562        | 220        |
| Housing Adequacy                      | 48.8735        | 7.06247        | 220        |
| Housing Accessibility                 | 48.9420        | 7.74881        | 220        |
| <b>Housing Affordability</b>          | <b>46.7760</b> | <b>8.41266</b> | <b>220</b> |
| Housing Acceptability                 | 66.7114        | 2.12345        | 220        |

Table 2a revealed the mean scores and standard deviations of the responses to the variables measured in hypothesis one. For Housing the low and no income earners, the mean score = 63.9121; standard deviation = 3.95525 while for each of the independent variables the following mean scores and standard deviations were observed: Housing Availability mean = 63.2478 and standard deviation mean= 3.30562; Housing adequacy mean = 48.8735 and standard deviation = 7.06247; Housing accessibility mean = 48.9420 and standard deviation = 7.74881. **Housing Affordability mean = 46.7760 and standard deviation= 8.41266** and Housing Acceptability mean = 66.7114 and standard deviation = 2.12345.

**Table 2b: Composite contribution of Housing Availability, Accessibility, Acceptability, Adequacy and Affordability on housing the low and no income earners in Ibadan North L.G.A of Oyo State**

| Source of variation | Sum of squares | df  | Mean squares | F      | Sig.              | Remarks               |
|---------------------|----------------|-----|--------------|--------|-------------------|-----------------------|
| Regression          | 635.124        | 3   | 211.708      | 13.997 | .000 <sup>a</sup> | Reject H <sub>0</sub> |
| Residual            | 17152.089      | 216 | 15.125       |        |                   |                       |
| Total               | 17787.213      | 219 |              |        |                   |                       |

Multiple R = 0.189<sup>a</sup>  
 R-Square = 0.36  
 Adjusted R-Square = 0.33  
 Standard Error = 3.88913

**Predictors: Housing Availability, Accessibility, Acceptability, Adequacy and Affordability**

**Dependent Variable: Housing the low income earners. (Constant)**

Table 2b revealed significant combined contribution of the independent variables; Housing Availability, Accessibility, Acceptability, Adequacy and Affordability to the prediction of the dependent variable, Housing the low income earners. ( $F_{3,1137} = 13.997$ ;  $p < .05$ ). This means that Housing Availability, Accessibility, Acceptability, Adequacy and Affordability jointly predicted Housing the low income earners. The analysis also yielded a coefficient of multiple regression of 0.189<sup>a</sup> and multiple R-square of 0.36 and adjusted R-square = 0.33 indicating that all the independent variables (Housing Availability, Accessibility, Acceptability, Adequacy and Affordability) accounted for 33.0 % of the variance in Housing the low and no income earners. Based on the hypothesis, there is a significant combined contribution of housing affordability on housing the low and no income earners in Ibadan North L.G.A of Oyo State.

**H02:** There will be significant relative contribution of housing availability on housing the low and no income earners in Oyo state.

**Table 3:** Relative contribution of housing affordability on housing the low and no income earners in Ibadan North L.G.A of Oyo state.

| Variables  | B      | SEB   | Brta | T      | P    | Remark      |
|--|--------|-------|------|--------|------|-------------|
| Housing the low and no income earners in Ibadan North L.G.A of Oyo state | 54.891 | 2.270 |      | 24.183 | .000 |             |
| <b>Housing Affordability</b>   | .172   | .033  | .119 | 5.156  | .000 | Significant |

Table 3 revealed the relative contribution of each of the independent variable to the prediction of the dependent variable housing the low income earners in Ibadan North L.G.A of Oyo state. The most potent predictor out of other variables that can be considered is Housing Affordability (Beta = .119; t = 5.156; p < 0.05). This data implied that housing affordability independently determined housing the low and no income earners in Ibadan North L.G.A of Oyo state.

### **Income from Other Means to the Respondent**

As indicated in table 4 over half 57 percent of respondent claimed to have received others means of income from some of their business/political/religious associates and other means apart from the one highlighted while one quarter 25 percent of the respondent claimed to have other means of income from relatives (cousin, nieces, aunty, brothers, sister) leaving the remaining 18 percent respondent who claimed to have received other income from friends. This is an indication that there are a lot of other ways/openings made available to residents of Ibadan North to earn money.

**Table 4: Income from other means to the respondent**

| Others means of Income | Frequency  | Percent      |
|------------------------|------------|--------------|
| Friends                | 40         | 18           |
| Relatives              | 55         | 25           |
| Others                 | 125        | 57           |
| <b>Total</b>           | <b>220</b> | <b>100.0</b> |

Source: Author’s Field Survey, 2019

**Amount Paid as House rent by Those in Rented Apartment**

From table 5: It can be deduced that more than half of the respondent 62.5 percent of the respondents that are renters claimed to have paid more than N400, 000 per annum as rent, 25 percent claimed to have paid N200, 001-N400, 000 per annum while the remaining 12.5 percent claimed to have paid N100, 000-N200, 000 per annum. An indication that shows that various respondents paid different amount of money on house rent in Ibadan North Local Government area but this amount varies with different housing type i.e. Mansion, Detached Houses and Duplex command high rental value than bungalow and flat as indicated in the study. Also in-depth conducted by two estate surveyor practicing in the study area equally confirmed to varying rental fee, paid for house rent in the study area.

**Table 5 Amount paid as house rent for those in rented apartment per annum.**

| Amount paid apartment per annum | Frequency  | Percent    |
|---------------------------------|------------|------------|
| N100,000-N200,000               | 55         | 25         |
| N200,001-N400,000               | 28         | 12.5       |
| More than N400,000              | 138        | 62.5       |
| <b>Total</b>                    | <b>220</b> | <b>100</b> |

Source: Author’s Field survey, 2019

**Rating of the Rent Paid in the Area**

A glance through table 6 show how the renters respondents perceived the rent paid in their area, 37.5 percent each of the respondents claimed that the rents paid are very high and exorbitant respectively, whereas 25 percent respondents

maintained that the rent are high an indication that shows that the amount paid is on the higher side.

**Table 6: Rating of the rent paid in the area**

| Rating criteria | Frequency | Percent |
|-----------------|-----------|---------|
| Low             | -         | -       |
| High            | 55        | 25      |
| Very high       | 83        | 37.5    |
| Exorbitant      | 83        | 37.5    |
| Total           | 220       | 100.0   |

Source: Author's Field survey, 2019

### Reasons for the high rental value paid

A cursory look at table 7 indicates that many of the rental respondent claimed that what necessitated the high rental value of house in Ibadan North can be summarized as High Cost of land as claimed by 50 percent respondent, High cost of building materials as rated by 25 percent while 12.5 percent each claimed is economic meltdown and others (shortage of labor, cost of housing facilities). An indication that shows that there are many factors that are responsible for high rental value of houses in Ibadan North.

**Table 7: Reasons for the high rental value paid**

| Reason for high rental value    | Frequency | Percent |
|---------------------------------|-----------|---------|
| High cost of Land               | 110       | 50      |
| Economic melt down              | 28        | 12.5    |
| High cost of Building Materials | 55        | 25      |
| Others                          | 28        | 12.5    |
| Total                           | 220       | 100.0   |

Source: Author's Field survey, 2019

### Wish of Respondent to Change Accommodation

Table 8 shows that three quarter 75 percent of the respondents maintained that they do not wish to relocate their accommodation irrespective of high rent paid in Ibadan North whereas 25 percent respondent wish to relocate their accommodation due to various reasons. An indication that shows that housing affordability is not

beyond the limit of most of these Low income and no income people in Ibadan North Local Government Area of Oyo State.

**Table 8: Those who wish to change their accommodation**

| Wish to relocating      | Frequency | Percent |
|-------------------------|-----------|---------|
| Wish to relocate        | 55        | 25      |
| Do not wish to relocate | 165       | 75      |
| Total                   | 220       | 100.0   |

Source: Author’s Field survey, 2019

### Reason for Change of Residence

Out of those reasons attributed for change of residence as indicated in table 9 excessive rents accounted for 60 percent, change in taste accounted for 30 percent while 10 percent accounted for others like proximity to work place. This shows that rent happened to be the major factor accounted for change of residence in Ibadan North.

**Table 9: Reason for change of residence**

| Reason for change of residence              | Frequency | Percent |
|---|-----------|---------|
| Inadequate facilities in the presence house | -         | -       |
| Increase in family size                     | -         | -       |
| Change in income                            | -         | -       |
| Excessive rent                              | 33        | 60      |
| Change in taste                             | 17        | 30      |
| Others                                      | 05        | 10      |
| Total                                       | 55        | 100.0   |

Source: Author’s Field survey, 2019

### Amount Willing to Pay as Rent per Annum

Many of the renter respondents 66.6 percent wish to pay less than N1,200,00 while 16.7 percent is willing to pay N1,200,000-N2,000,000 for house rent in Ibadan North while the remaining 16.7 percent respondent wish to pay above N2,000,000 for rental housing in Ibadan North. An indication that shows that there are some residents who are not satisfy with the rent they are paying in Ibadan North.

**Table 10: Amount wish to pay with respect of income per annum**

| Amount wish to pay | Frequency | Percent |
|--------------------|-----------|---------|
| Less than N120,000 | 37        | 66.6    |
| N120,001-N200,000  | 9         | 16.7    |
| Above N200,000     | 9         | 16.7    |
| Total              | 55        | 100.0   |

Source: Author's Field survey, 2019

## CONCLUSION

It has been clearly revealed in the data presented afore that many factors – housing accessibility, income per family, high house rent and financial wherewithal low earner's relatives greatly affect no/low income earners in terms of housing. To this end, availability of facilities, structural improvement and condition of facilities in housing do not significantly mean anything to the low and no-income earners in the study area. Therefore, whether the building had facilities or not do not matter anything to the low and no-income earners, their issue is just to have shelter to live on.

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