TACKLING THE HOUSING AFFORDABILITY CHALLENGE : NIGERIA EXPERIENCE

by

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Affordable Housing Market Backdrop

Housing is affordable when...
- *The ratio of the average house price is no more than 3 times the annual household income OR*
- *The ratio of the monthly rent is less than 25% of the monthly household income*

- The need for **Affordable Housing** globally is **400m units**,  
The challenge today –
  - **96m** urban households are **financially overstretched**;
  - **235m** urban households live in **substandard housing**.
  - By **2025**, **106m** additional low income households will face the challenge of affordable housing affecting **1.6bn people** about one-third of the urban population.

(Source McKinsey & Co)
Africa’s chronic housing crisis: challenges and opportunities

Source: Presentation by Dr Issa Faye to the AUHF Conference, 26 October 2015. AFD5 Research quoting CAHF, UN-Habitat, National Sources
Nigeria: Housing Deficit Data

**Statistical Data on Housing**

- **Current Housing Deficit**: 17 Million
- **Recent Estimated Housing Stock of 23 per 1000 inhabitants**

### Data Showing Estimated housing deficit from 1993 - 2014

<table>
<thead>
<tr>
<th>Year</th>
<th>Housing Deficit</th>
<th>Population</th>
<th>Cause</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>4 million</td>
<td>104 million</td>
<td>Mortgage Inefficiency</td>
</tr>
<tr>
<td>2007</td>
<td>8-10 million</td>
<td>145 million</td>
<td>Slum demolition and Urban Migration</td>
</tr>
<tr>
<td>2013 Date</td>
<td>16-17 million</td>
<td>168 million</td>
<td>Overpopulation, Urban Expansion and Increased Poverty</td>
</tr>
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</table>

Source: BainLtd
Nigeria: Facts and Figures

173 MILLION PEOPLE
Nigeria is the most populous Country in Africa

Housing supply c.100,000 UNITS
Demand is expected to hit 44 Million Units by 2020.

Housing Deficit estimated at 17 MILLION UNITS
c.720,000 Housing Units per annum required to plug the deficit.

50% of its Population Aged between 15 - 54 years

FORECAST SUPPLY of an expected addition of 6 MILLION UNITS will be unable to meet this demand.

Source: My Home Match
Nigeria: Challenges

• The World Bank has also estimated the cost of bridging Nigeria’s 17 million housing deficit at N59.5 trillion (~185bn USD)

• House affordability problem and slum-housing proliferation continue to constitute major challenges

• Nigeria is a middle income, mixed economy and emerging market. With a Nominal Gross Domestic Product (GDP) of ~485bn USD
Nigeria: High Income Disparity
**MAJOR GOVERNMENT INITIATIVES**

**National Low Cost Housing Scheme (NLCHS)**
Launched by the Federal Government in 1980 (failed to meet its objectives due to its unaffordability to the targeted group)

**National Housing Scheme (NHS)**
Established in 1991 to play the role of providing the enabling environment to enhance private sector participation (also recorded limited success because banks saw it as a practice of slowing their profit which seemed like tying down their capital)

**National Housing Policy 2002**
National Housing Policy which led to the creation of Real Estate Developers Association of Nigeria (REDAN) and the Building Materials Producers Association of Nigeria (BUMPAN) also recorded limited improvement because supply of housing still fell far below demand and nothing much significant was achieved in terms of providing affordable housing for the low income earners.

*Mrs. Winifred E. Oyo-Ita, 30th IUHF World Congress, Washington DC, USA, June 27, 2017*
MAJOR GOVERNMENT INITIATIVES

These past efforts failed to meet their set objectives due to:

- non consideration of low income earners by planners during design and development of the housing programmes;
- lack of access to credit facility due to high interest rate;
- low incentives and concessions to investors;
- Low Mortgage penetration, less than 5% of houses have formal title registration
- high cost of land especially in the urban areas;
- high cost of labour;
- absence of effective primary infrastructure (good roads & transportation)
- Slow bureaucratic procedures: To register/transfer Title could take from 6 months to 2 years. Has too many processes which are slow, cumbersome, unreliable, & inefficient.
- high cost of building inputs;
- the inability of most workers especially civil servants and self-employed person at the lower rung of the income strata to afford equity contribution and meet monthly affordability demand of repaying a mortgage loan, which must be equal to 33% of the applicant’s monthly income
Mortgage Banking/Housing Finance Sector: An Overview

• **Size of Mortgage Market** – N284 billion (2010), N348.1 billion (2012) & N518.76 billion (2016 est.) - ~1.6bn USD

• **Key players**
  - Regulators (Central Bank of Nigeria, Security Exchange Commission)

• **Mortgage Lenders**
  - Federal Mortgage Bank of Nigeria (through Mortgage Banks (33))
  - Commercial Banks (about 21)

• **Sources of long-term Funds**
  - National Housing Fund (NHF)
  - Nigeria Mortgage Re-financing Company (NMRC)—which leverage funding for mortgage refinancing
Present Government Efforts 1:

• To bridge the existing deficit gap in the housing delivery in Nigeria, the current Administration of His Excellency, President Muhammadu Buhari, GCFR, is set to implement an aggressive intervention housing programme to increase housing supply.

• Government has evaluated several options and adopted 6 (Six) designs, with input from a diverse team of Architects from across the country to meet the specific socio-economic, climatic and diverse cultural needs of the people from different parts of Nigeria.

• The Designs entail:
  ➢ 1, 2 and 3 Bedroom bungalows, with court yards, in the North-East, North West and North-Central parts of Nigeria.

  ➢ Blocks of 16 and 24 flats of 1, 2 and 3 bedrooms and Bungalows of 1 and 2 bedrooms in the South-South, South-East and South-West of Nigeria and the Federal Capital Territory.
Present Government Efforts 2:

The Housing sub-sector is currently experiencing a very auspicious transformation

- Recapitalization of Mortgage Banks
  - National PMBs: minimum paid-up capital of N5 billion (US$31.2 million)
- Resuscitation of FMBN with N500 billion (US$ 1.42 billion) to make Mortgage facilities available to Nigerians
- Establishment of NMRC
- Improved Operational Efficiency for Mortgage Banks
  - Seamless integration of the customers of Mortgage Banks into the BVN platform
  - Issuance of NUBAN Numbers to facilitate online transactions for Mortgage Bank customers
- Amendment of Pension Act to facilitate withdrawals from RSA for down payments on equity contribution to boost inclusion
- Establishment of Mortgage Brokerage firms
- Collateral Replacement Indemnity (CRI) to boost inclusion for up to 95% from 80% Loan to Value (LTV).
- Loss of job insurance (new in our market), currently covers 3 months, to be extended to 1yr
Present Government Efforts 3:

- Federal Government in May 2017 has recently directed the Federal Mortgage Bank of Nigeria to waive the payment of **10 percent equity** on mortgages below N5 million (~15,000 USD).

**Social Housing Fund**

- N100 billion (~308m USD) is a yearly contribution to our N1 trillion- ~308bn USD (Social Housing Fund, the largest in the history of the Nigeria).
- Provides inexpensive mortgages to Nigerians who can afford N30, 000 (~92 USD) per month.

- Both the World Bank and AFDB are contributors to the fund from which developers will borrow 80% of cost of project and counter fund with their own 20%
Present Government Efforts 4:

…I am on the Presidential Enabling Business Environment Council (PEBEC)
FEDERAL CIVIL SERVICE INITIATIVE FOR AFFORDABLE HOUSING

FEDERAL INTERGRATED STAFF HOUSING PROGRAM (FISH-P)
FEDERAL INTEGRATED STAFF HOUSING PROGRAM (FISH-P)

Over 38,000 employees registered and ~600 applications daily as at May 2017

1. provide sustainable housing to low and medium income earners (Federal Civil/Public servants) who cannot afford the prevailing market prices

2. minimize the most unavoidable cost elements in housing such as land, construction, infrastructure, building materials, labour, supervision, designs, consultancies, government taxes/charges, construction finance, mortgage finance, etc., and;

3. Evolve the best strategy to facilitate delivery of affordable housing.
Since its launch last year, the FISH programme has gained popularity…..

……however the current demand for housing loans outstrips the supply from FISH, with an estimated shortfall of ~27,000 houses
CONCLUSION

DESPITE THE CHALLENGES, THE OPPORTUNITIES ARE GREAT AND REWARDING

**NIGERIA REMAINS THE NO 1 COUNTRY IN THE SUB REGION TO INVEST IN FINANCING AFFORDABLE HOUSING**

INVEST IN FISH-P

ACCELERATE IMPLEMENTATION OF FISH-P
Thank You