

# Financing Affordable Housing in Nigeria

## Issues Challenges and Prospects



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# NUA Vision and Mission support Housing

“The persistence of **poverty, growing inequalities, and environmental degradation** are major obstacles to sustainable development worldwide, with social and economic exclusion and spatial segregation often an irrefutable reality in cities and human settlements.”

- We will promote housing policies based on the principles of social inclusion, economic effectiveness, and environmental protection. We will support the effective use of public resources for affordable and sustainable housing, including land in central and consolidated areas of cities with adequate infrastructure, and encourage mixed-income development to promote social inclusion and cohesion.
- We will encourage developing policies, tools, mechanisms, and financing models that promote access to a wide range of affordable, sustainable housing options including rental and other tenure options, as well as cooperative solutions such as co-housing, community land trust, and other forms of collective tenure, that would address the evolving needs of persons and communities, in order to improve the supply of housing, especially for low-income groups and to prevent segregation and arbitrary forced evictions and displacements, to provide dignified and adequate re-allocation. This will include support to incremental housing and self-build schemes, with special attention to slums and informal settlements upgrading programmes

The NUA takes into account the 2030 Agenda for Sustainable Development by including the provisions of the Sustainable Development Goals



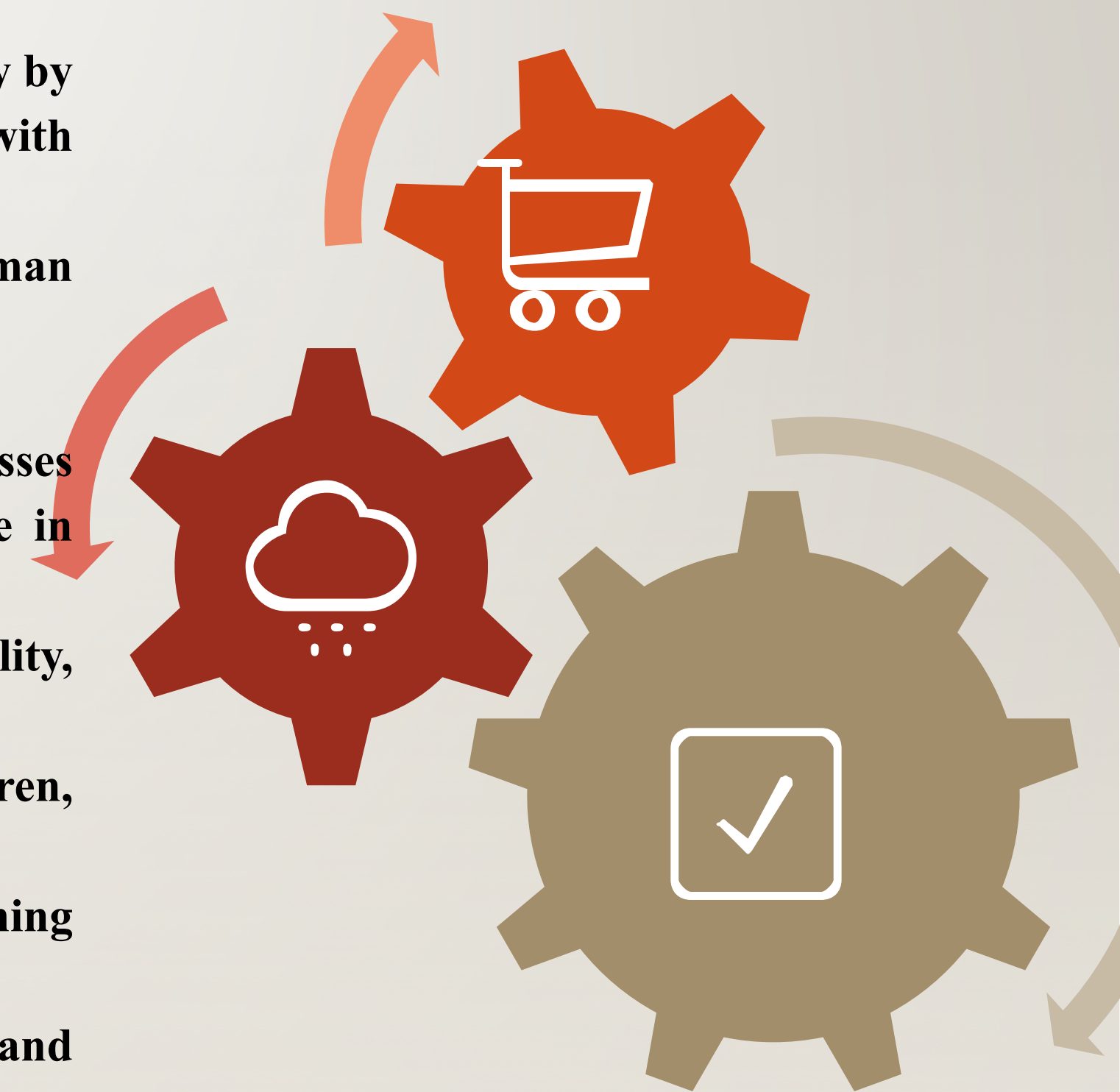
Old approach focused mainly on developing countries. The New Urban Agenda expects developed countries to play a more active role in achieving the goals

# Urbanization and Agenda 2030



## Goal 11 : Make cities and human settlements inclusive, safe, resilient and sustainable

1. by 2030, ensure access for all to adequate, safe and affordable housing and basic services, and upgrade slums
2. by 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
3. by 2030 enhance inclusive and sustainable urbanization and capacities for participatory, integrated and sustainable human settlement planning and management in all countries
4. strengthen efforts to protect and safeguard the world's cultural and natural heritage
5. by 2030 significantly reduce the number of deaths and the number of affected people and decrease by y% the economic losses relative to GDP caused by disasters, including water-related disasters, with the focus on protecting the poor and people in vulnerable situations
6. by 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality, municipal and other waste management
7. by 2030, provide universal access to safe, inclusive and accessible, green and public spaces, particularly for women and children, older persons and persons with disabilities
- 11.a support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning
- 11.b by 2020, increase by x% the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, develop and implement in line with the forthcoming Hyogo Framework holistic disaster risk management at all levels
- 11.c support least developed countries, including through financial and technical assistance, for sustainable and resilient buildings utilizing local materials



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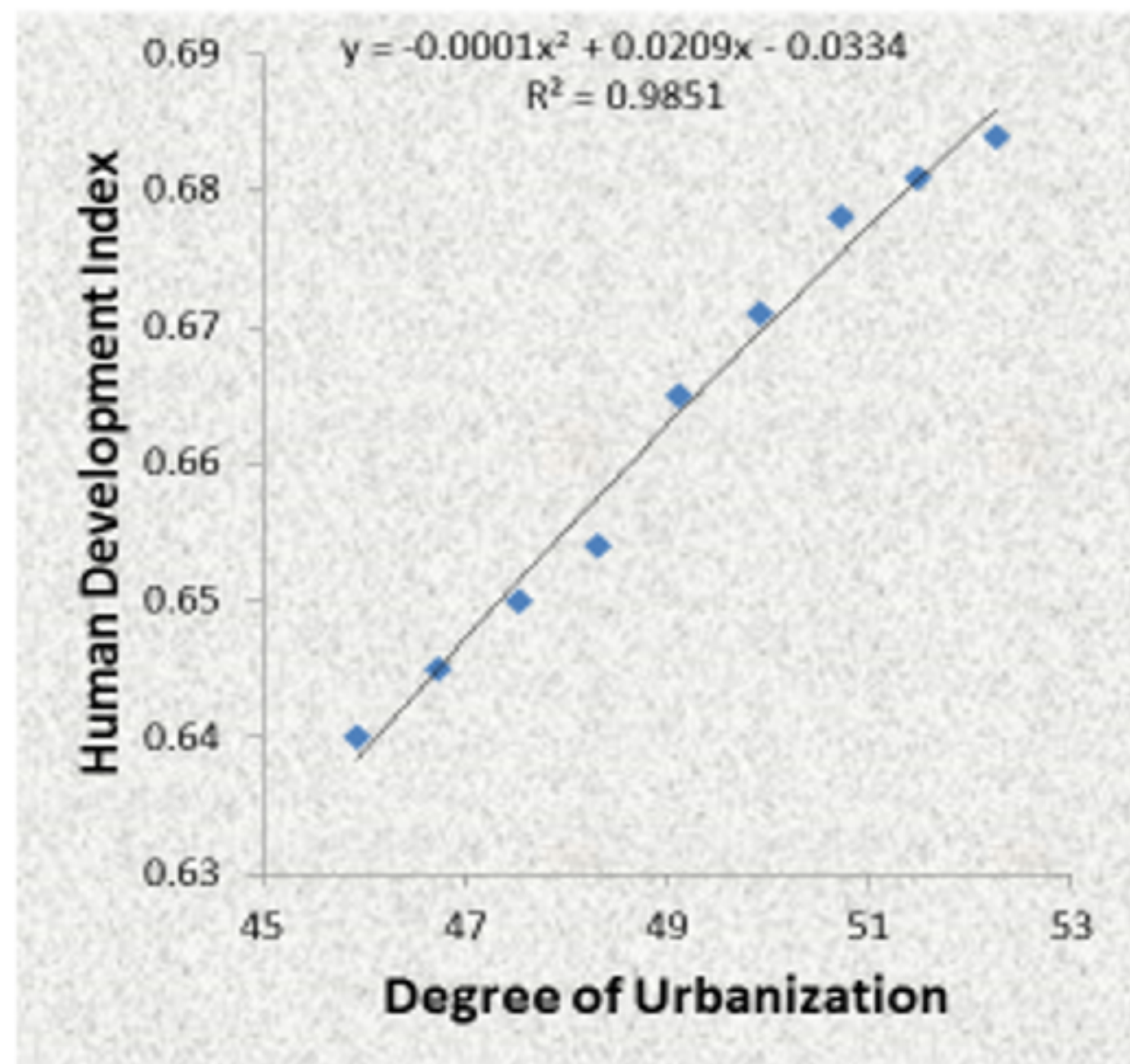
# THE ISSUE OF AFFORDABLE HOUSING

- Longer term contribution of real estate to GDP is below 2 percent. PwC : “There are existing problems with access to finance; with a lack of long-term debt financing and an underdeveloped mortgage market, with mortgage loans representing less than 1 per cent of the nation’s GDP.”
- To access the cheapest formal housing unit in the African region, the median African household often must save the entirety of their annual income for a period of 27+ years
- House price-to-income ratio in the continent has been historically very high compared to other regions
- Median Household Income in \$10,000 & Per Capita is \$2920; OECD \$30,000+; Nigeria \$485-\$680 (N75,-N100,000)

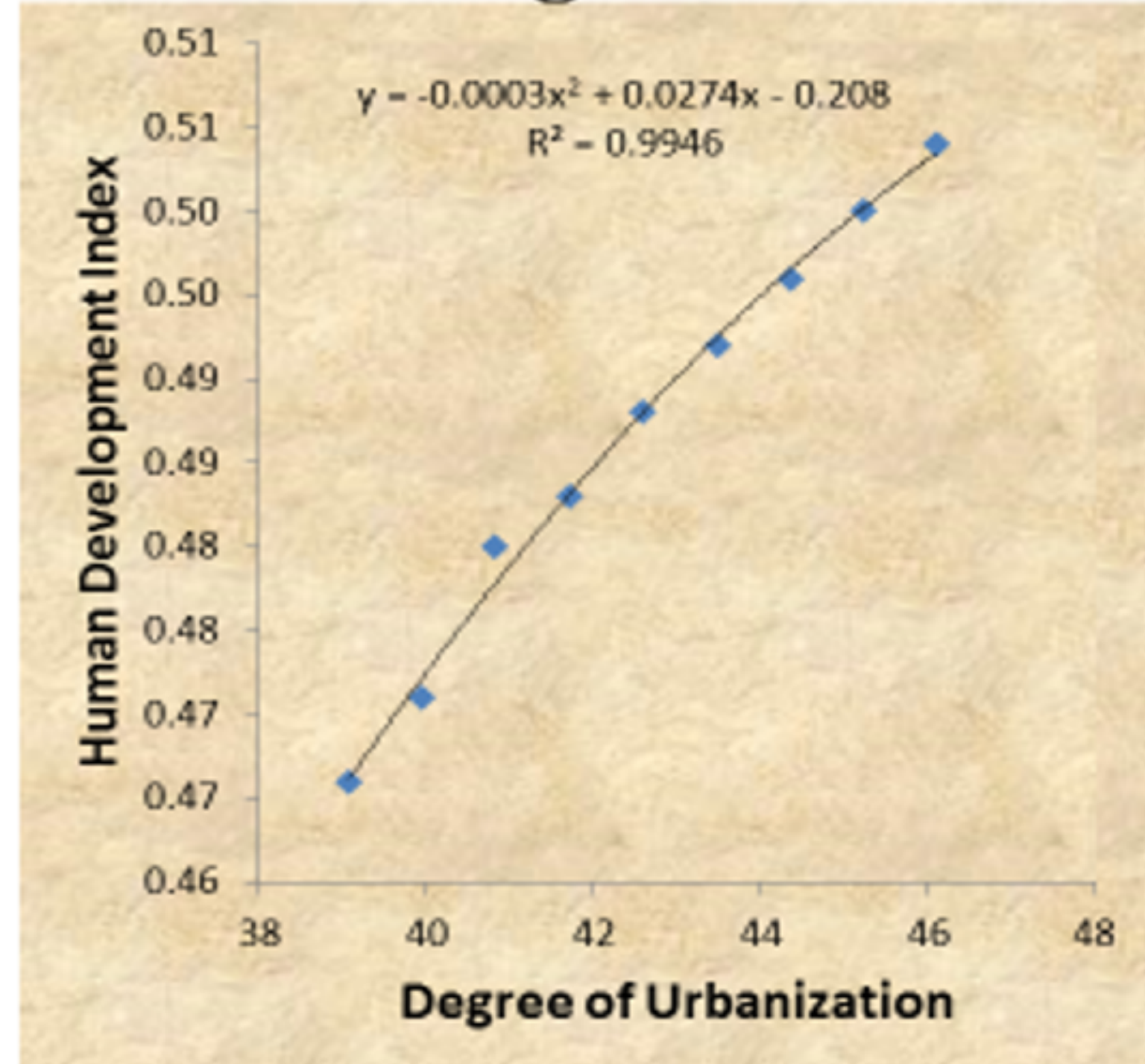
# Housing is associated with Income



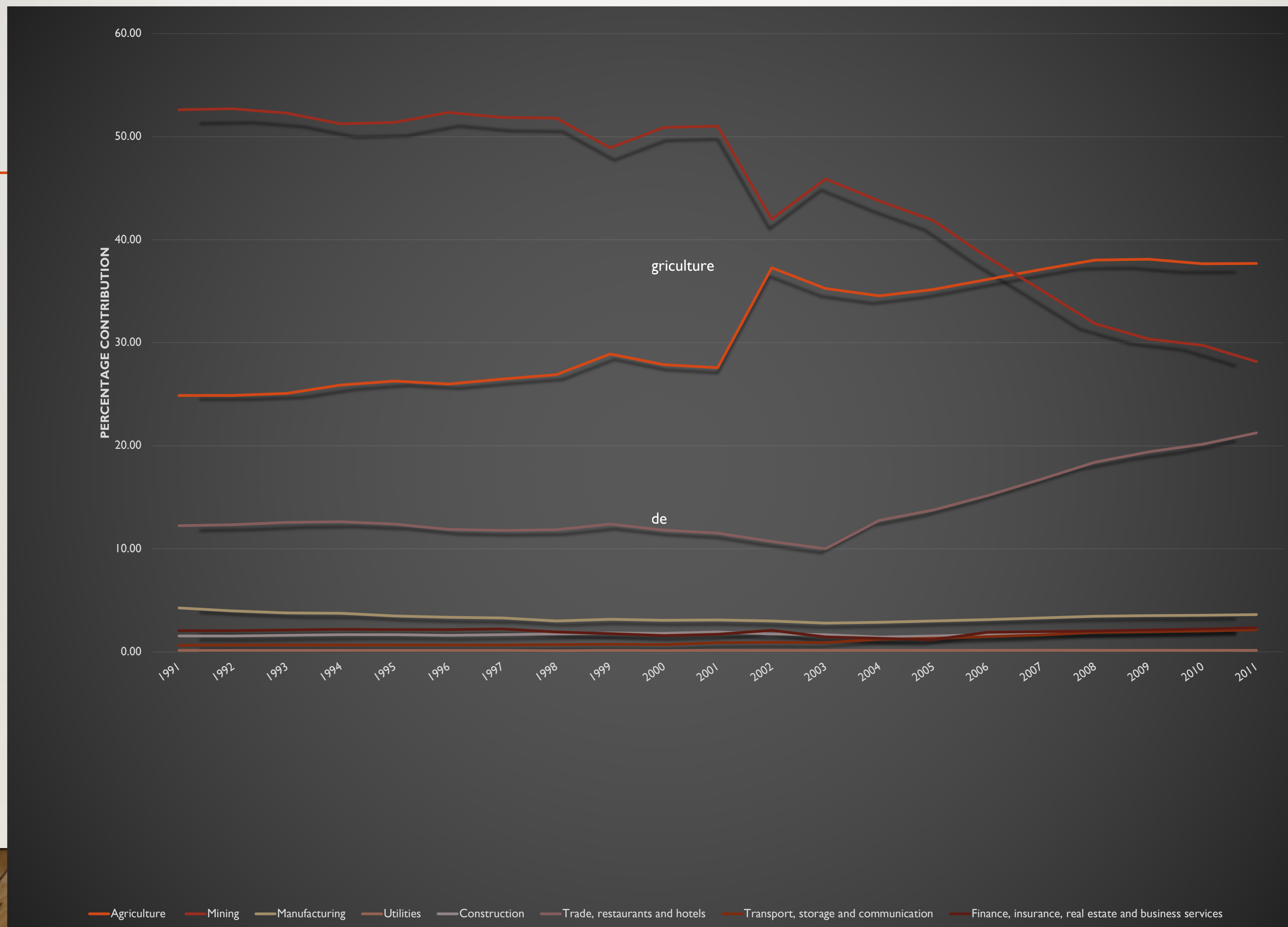
### Indonesia



### Nigeria



# REAL ESTATE CONTRIBUTION TO GDP



# AFFORDABLE HOUSING IN THE WORLD'S CITIES



# HOUSING TYPES VARY ACCORDING TO GDP PER CAPITA

## Variation in the housing sector:

- Low-Income cities:

26% Informal Housing

40% Private Single-Family Housing

- Middle-Income cities:

Still 15% Informal Housing

40% Private Multi-Family Housing

- Middle-Upper-Income cities:

Above 45% Private Multi-Family Housing

- High-Income cities:

More than 80% are Private Multi-Family and private Single-Family Housing



# 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

## AFFORDABILITY MEASURES

**Occupant Affordability:** this measure shows how affordable a dwelling is for the household, whether in the formal, informal, private or public housing sectors

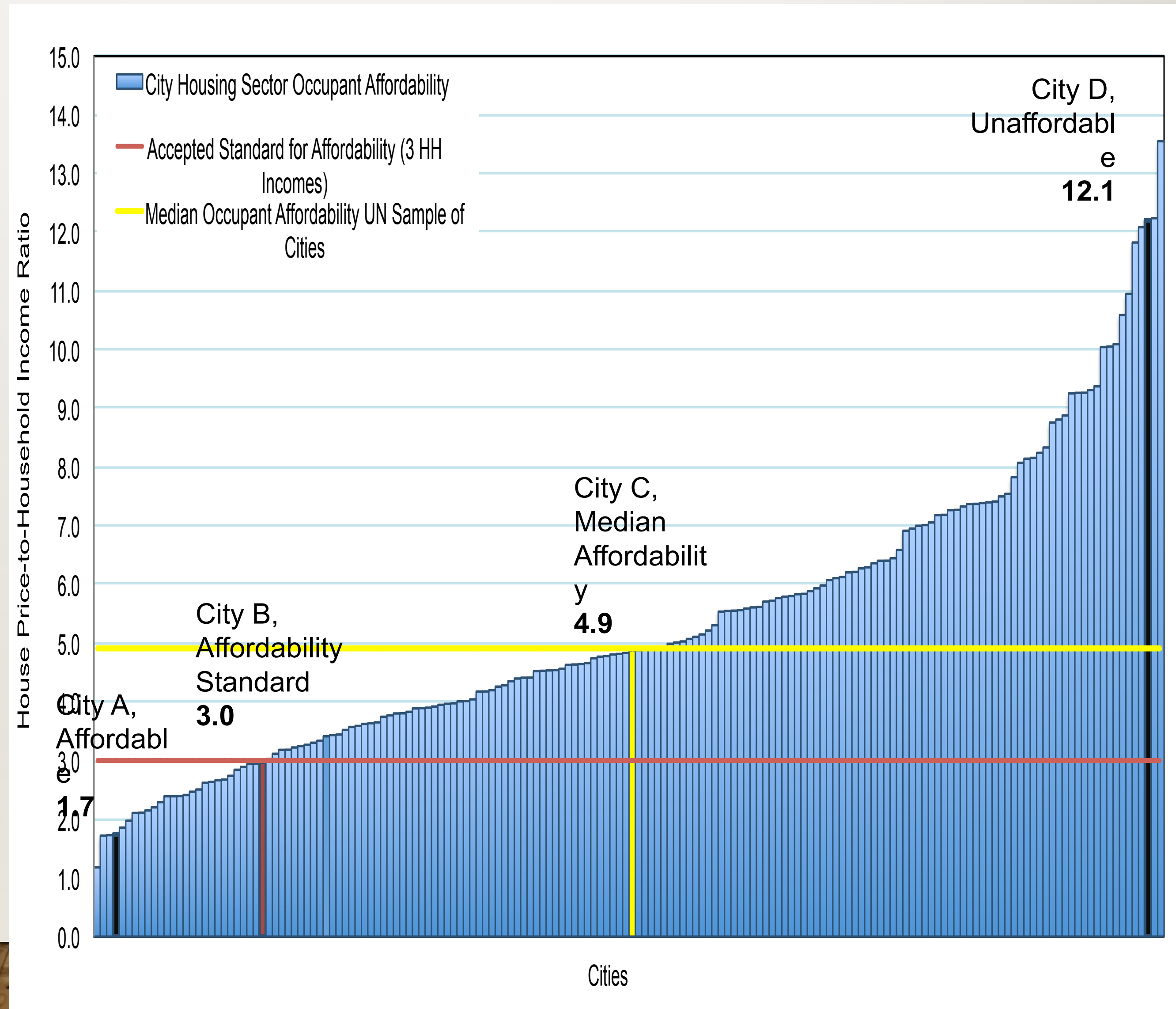
**Median Affordability:** this measure shows how affordable a dwelling is in the formal private housing market for the typical household living in the city.



# HOUSING IS LARGELY UNAFFORDABLE

## OCCUPANT AFFORDABILITY

- The Median House Price in the UN Global Sample of Cities (ratio 4.9) is well above 3.0 times the annual household income in the majority of metropolitan areas
- Only 13% of cities of the UN Global Sample have ratio less than 3.0



# HOUSING IS LARGELY UNAFFORDABLE

## OCCUPANT AFFORDABILITY

- With the exception of informal housing for Low-and High-Income cities, **all other housing types in the market are unaffordable**
- **Public Housing is not affordable** in any city regardless of GDP per capita
- **Private Single-Family Housing is largely unaffordable** (as much as 2 times the affordability threshold) in both Low- and High-Income



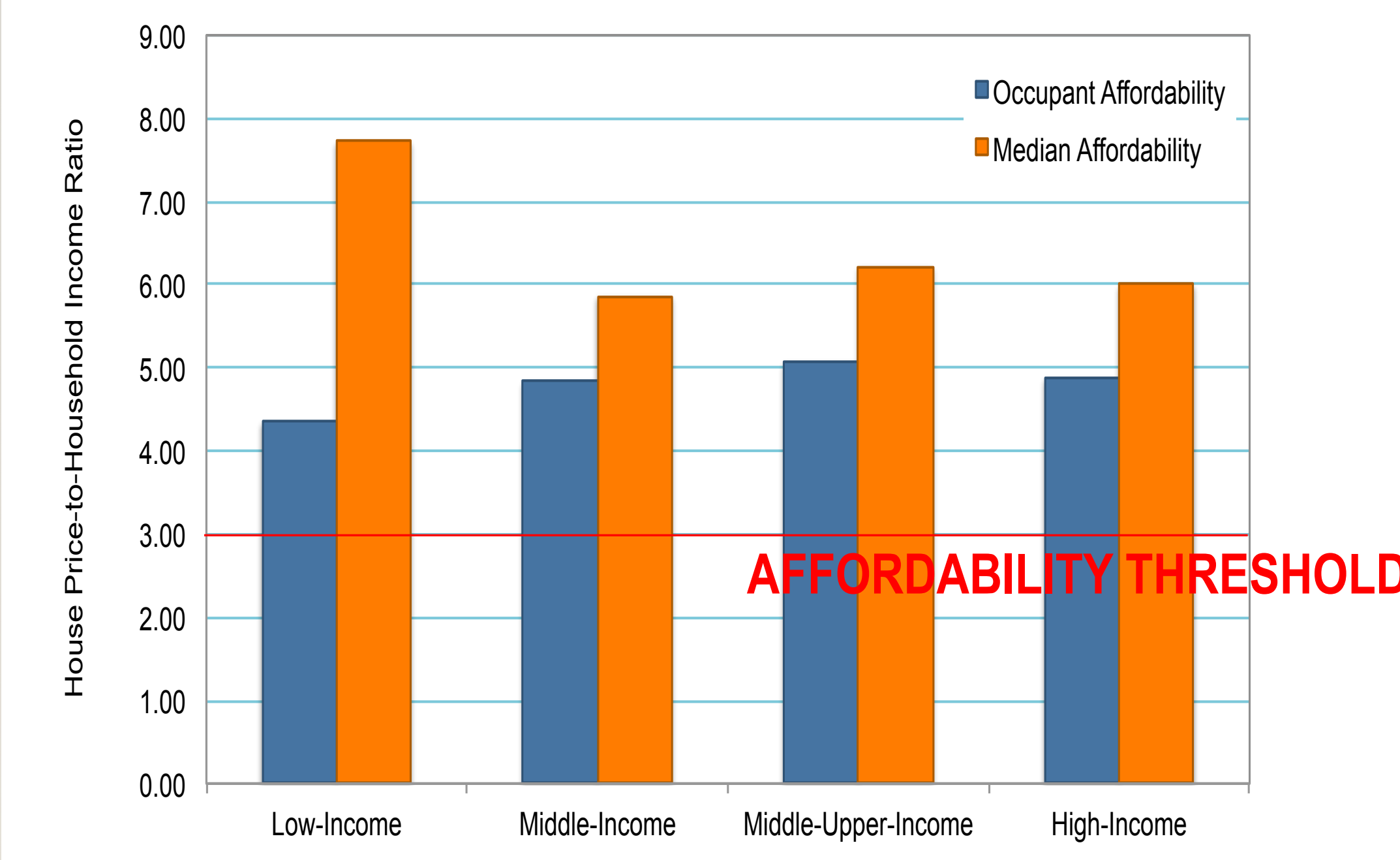
# RENTAL HOUSING IS ALSO LARGELY UNAFFORDABLE

## MEDIAN AFFORDABILITY

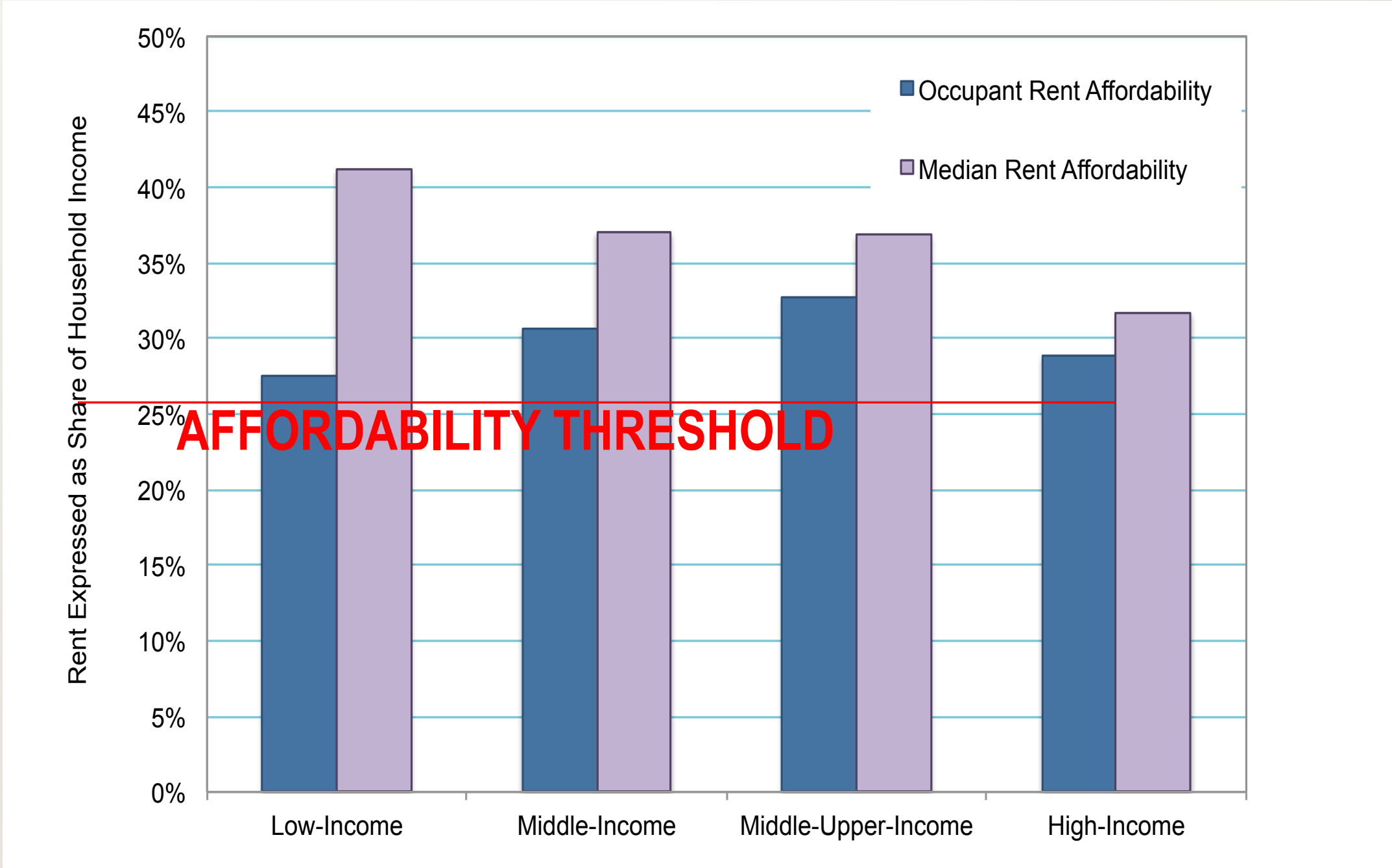
- **Informal rental housing** is only affordable in Low-and High-Income cities
- **Public Rental Housing is generally affordable** in any city, with exception of Middle-Upper-Income
- **Private Multi-Family Housing is largely unaffordable** in all the cities regardless the GDP per capita



# HOUSING IS LARGELY UNAFFORDABLE



Purchasing a house in any city regardless of GDP is **UNAFFORDABLE** (more than a ratio of 3.0)



Renting a house in any city regardless of GDP is **UNAFFORDABLE** (more than 25% threshold)

# What happens when Society fails to provide Affordable Housing?



- 1 Overcrowding & Slums result from urban growth in the absence of adequate housing
- 2 Informal settlements breeds water-borne & filth-related diseases.
- 3 Land prices have skyrocketed in Nigerian cities, “ghost houses” have emerged.
- 4 Push for sustainable urbanization which includes provision of affordable housing and infrastructure = rising living standards & economic growth

# How Sustainable Urbanization will contribute to Development: The Key Drivers



Address the Challenge of  
Affordable Housing Informality  
and Slums

01



Make Explicit Investment in  
Strategic Infrastructure

02



Pay attention to Urban Economy  
and the Impact on Slum  
Dwellers

03

# How Sustainable Urbanization contributes to Development: The Key Drivers



Address the Challenge of  
Affordable Housing Informality  
and Slums

01

- **Informality Low Skills and Poverty are closely Related**
  - we find negative correlation between informal employment and GDP per capita, and a positive correlation between informal employment and poverty across countries.
- **Informal Workers in Slums face High Income Vulnerabilities**
  - As the work place conditions of an individual goes beyond the income they receive, informal work environment conditions therefore compels the acceptance of low quality and quantity of goods and services
- **Slum Dwellers face constant Job Shortages**
- **Slum Dwellers are exposed to dangerous Health Hazards**

# How Sustainable Urbanization contributes to Development: The Key Drivers



Make Explicit Investment in  
Strategic Infrastructure

02

- **Creating “urban” places without adequate urban infrastructure is a recipe for slum cities.**
- **Both the 1979 and 1997 Constitutions of the Federal Republic of Nigeria assign responsibility for transport terminals, market development, solid waste management, cemeteries and abattoirs to local governments. However, solid waste management and market development in large cities have been taken over by state governments.**
- **Nigeria faces huge deficit in infrastructure and services. It is estimated that the share of core physical infrastructure namely transport, energy, ICT and water in national GDP is between 35-40 percent. In South Africa, China, Brazil and Indonesia the share is 87 percent, 76 percent, 47 percent and 70 percent respectively.**
- **About 70 percent of Nigerians build their houses. Nigerian cities are devoid of a structure whose growth is effectively guided by formal rules, regulations and institutional framework.**

# How Sustainable Urbanization contributes to Development: The Key Drivers



Pay attention to Urban Economy  
and the Impact on Slum  
Dwellers

03

- **Majority of those who work in the informal sector also live in settlements which are conceptually defined as unregulated. These areas are often not properly served with good and adequate infrastructure.**
- **The type of employment affects the type of income and benefits received, it limits the choice or creates opportunities for better living areas.**
- **The type of shelter and infrastructure one has access to limit work productivity and efficiency because of the impact of the human environment on health and wellbeing.**

# Concluding Remarks



- Housing sits right at the centre of urban life. It is networked with water supply, sewage, electricity, and telecommunication.
- A national development strategy must address the housing challenge particularly affordable housing for the majority poor and vulnerable because it is an important contributor to economic growth.
- A sound housing policy is also particularly crucial for the middle class, the group that tend to be forgotten by international agencies that target the poor and private investors that aim for the rich.
- In addition to ensuring the provision of suitable, affordable housing, the government has a myriad of policies to contemplate. This ranges from planning problems like zoning issues, funding, and constructing adequate transport linkages, to other implementation policies

# Thank You!



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