

TACKLING THE HOUSING AFFORDABILITY CHALLENGE : NIGERIA EXPERIENCE

by

MRS. WINIFRED EKANEM OYO-ITA, FCA

The Head of the Civil Service of the Federation,
The Presidency, Abuja, Nigeria.



Presented at the

**30th International Union for Housing Finance (IUHF) World
Congress on “Global Opportunities in Housing Finance”**

Washington DC, USA

June 27, 2017

Table Of Contents

1

Introduction

2

Challenges in Nigeria Housing Sector

3

Past Government Initiatives

4

Present Government Efforts

5

Federal Civil Service Initiative (FISH-P)

6

Conclusion



INTRODUCTION

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,

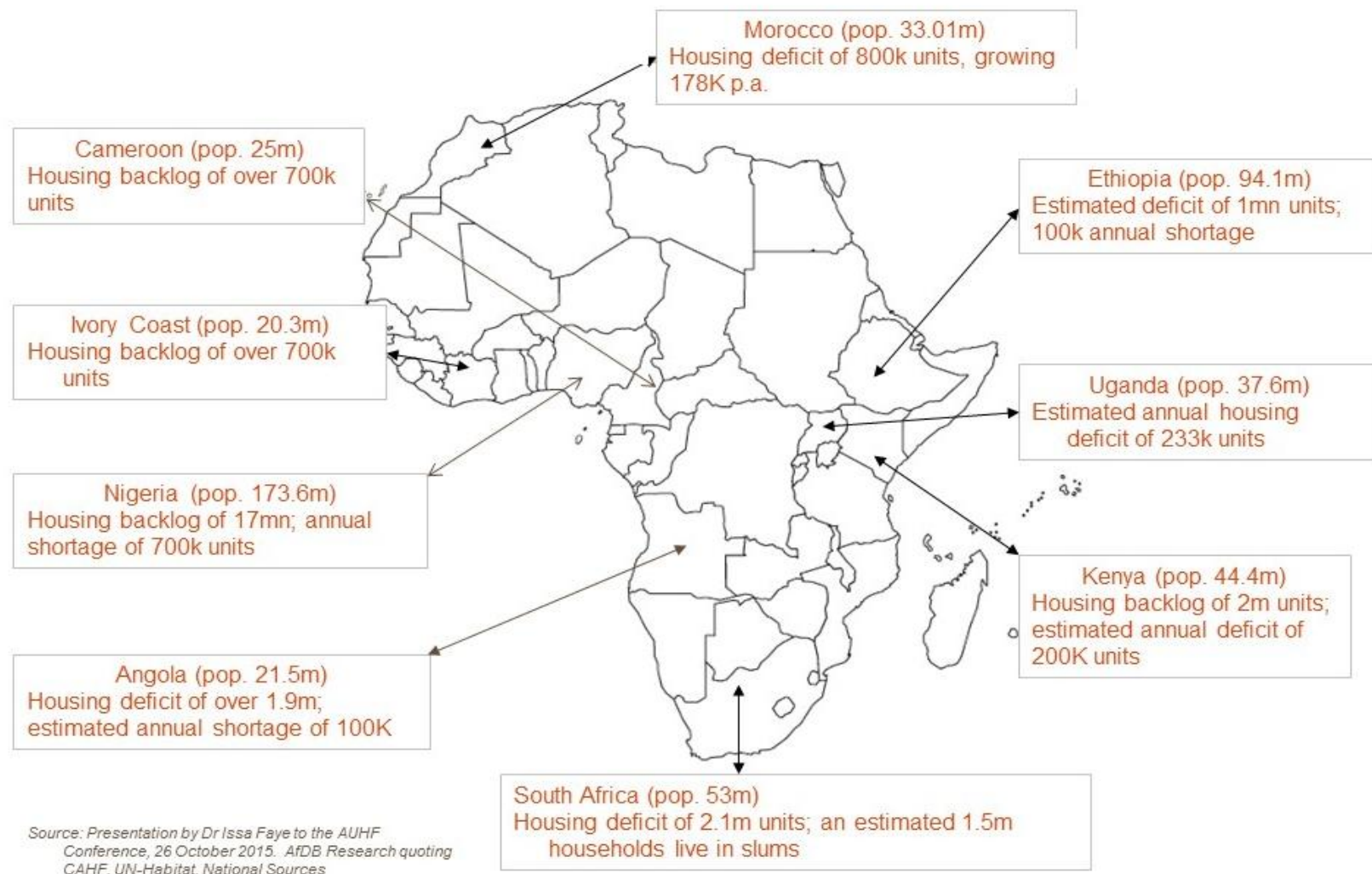
The **challenge today** –

- **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



CHALLENGES

Nigeria: Housing Deficit Data



Statistical Data on Housing

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

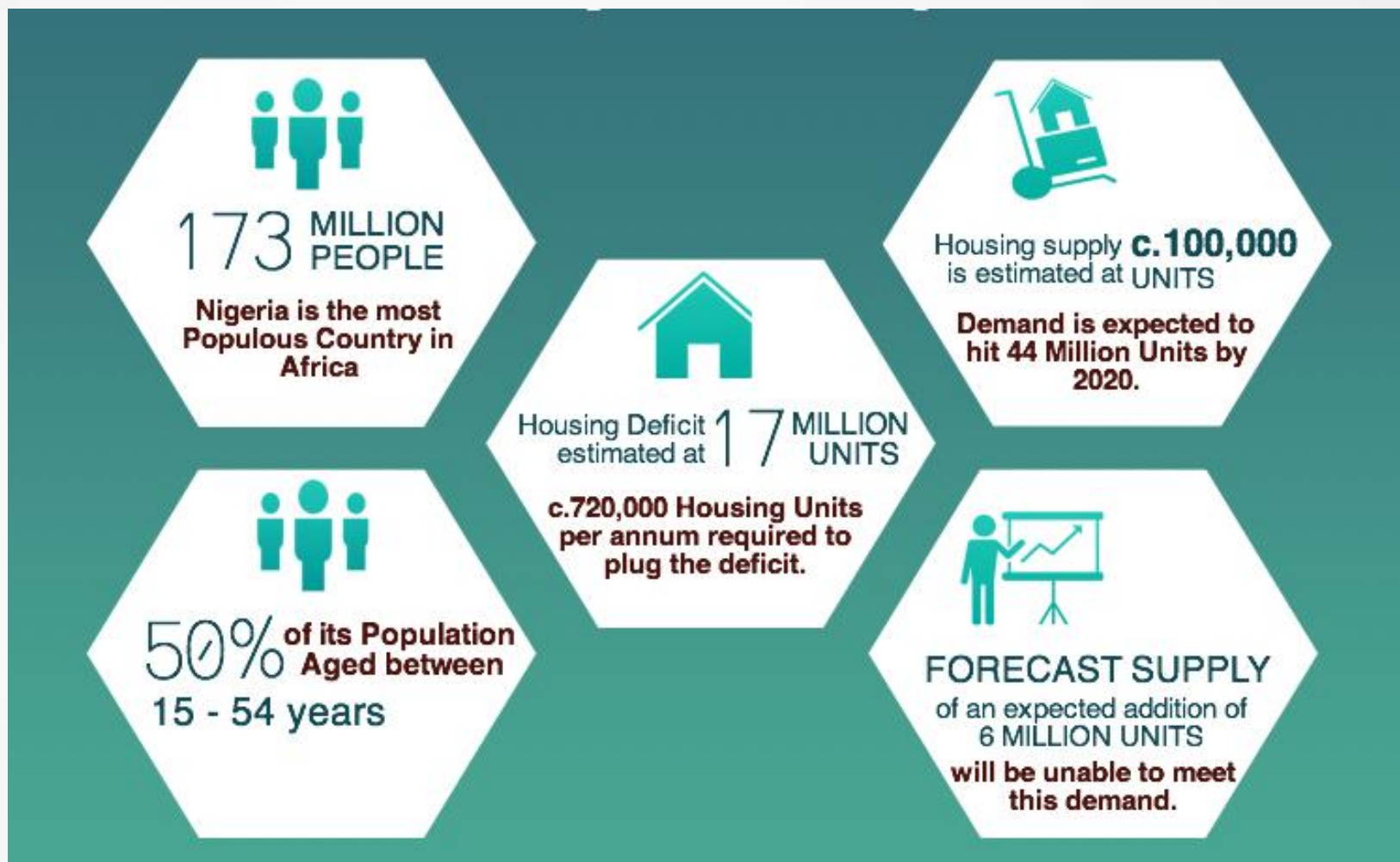
Data Showing Estimated housing deficit from 1993 -2014

Year	Housing Deficit	Population	Cause
1993	4 million	104 million	Mortgage Inefficiency
2007	8-10 million	145 million	Slum demolition and Urban migration
2013 Date	16-17 million	168 million	Overpopulation, Urban Expansion and Increased Poverty

Source: BainLtd



Nigeria: Facts and Figures



Source: My Home Match



Nigeria: Challenges

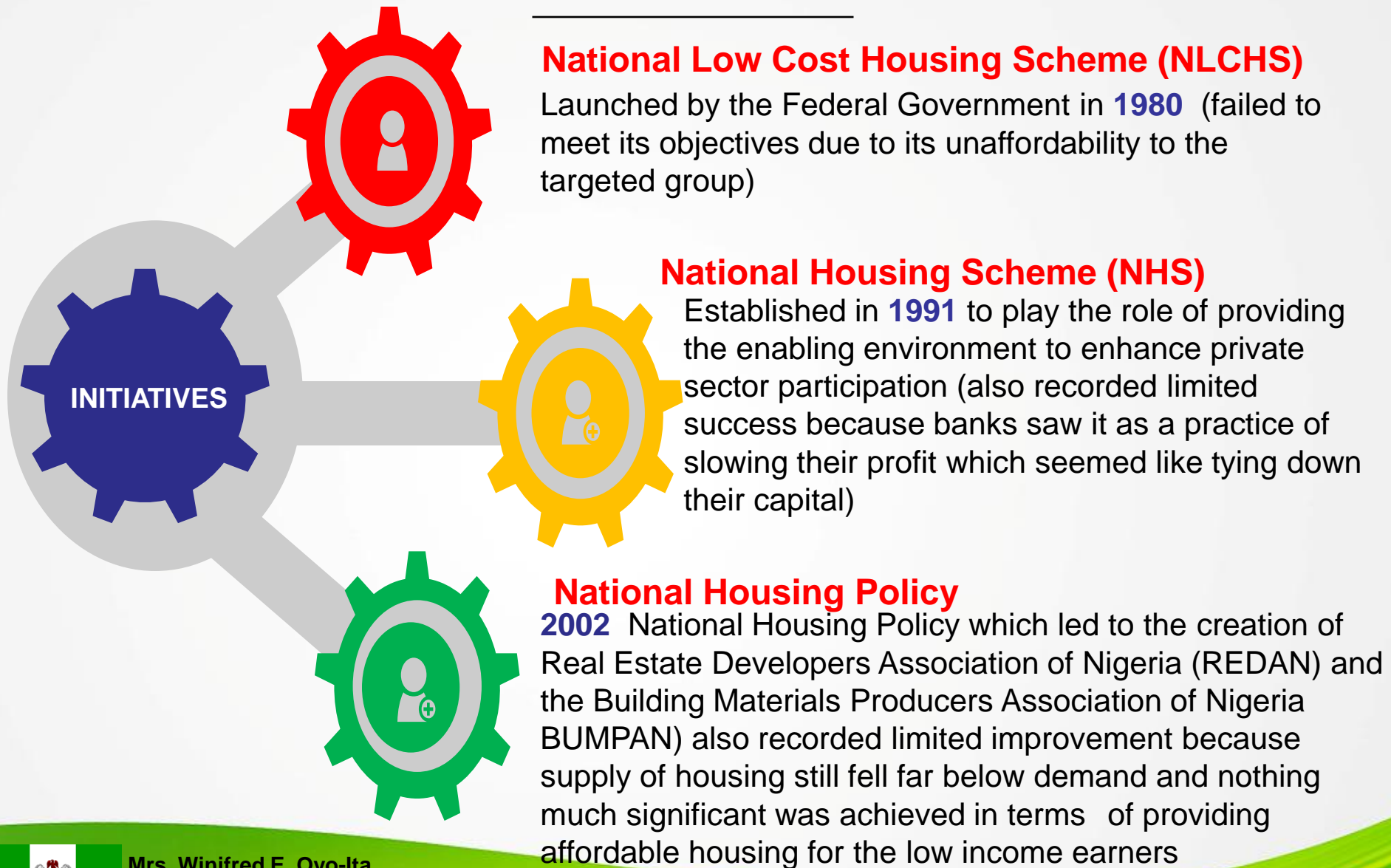
- The World Bank has also estimated the cost of bridging Nigeria's 17 million housing deficit at N59.5 trillion (~185bn USD)
- House affordability problem and slum-housing proliferation continue to constitute major challenges
- Nigeria is a middle income, mixed economy and emerging market. With a Nominal Gross Domestic Product (GDP) of ~485bn USD



Nigeria: High Income Disparity




MAJOR GOVERNMENT INITIATIVES



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)**.

3 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)



PRESIDENTIAL
ENABLING BUSINESS
ENVIRONMENT COUNCIL (PEBEC)
Enabling Business Environment Secretariat

60 DAY | NATIONAL
ACTION PLAN

REPORT
CARD



February 21, 2017 – April 21, 2017

70%
COMPLETED

Priority Areas



PEBEC's Mandate:

✓ REMOVE CRITICAL BOTTLENECKS & BUREAUCRATIC CONSTRAINTS TO DOING BUSINESS IN NIGERIA

✓ Move Nigeria
20 STEPS UPWARDS in the World Bank Ease of Doing Business Index.



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..



FEDERAL INTEGRATED STAFF HOUSING PROGRAM (FISH-P)

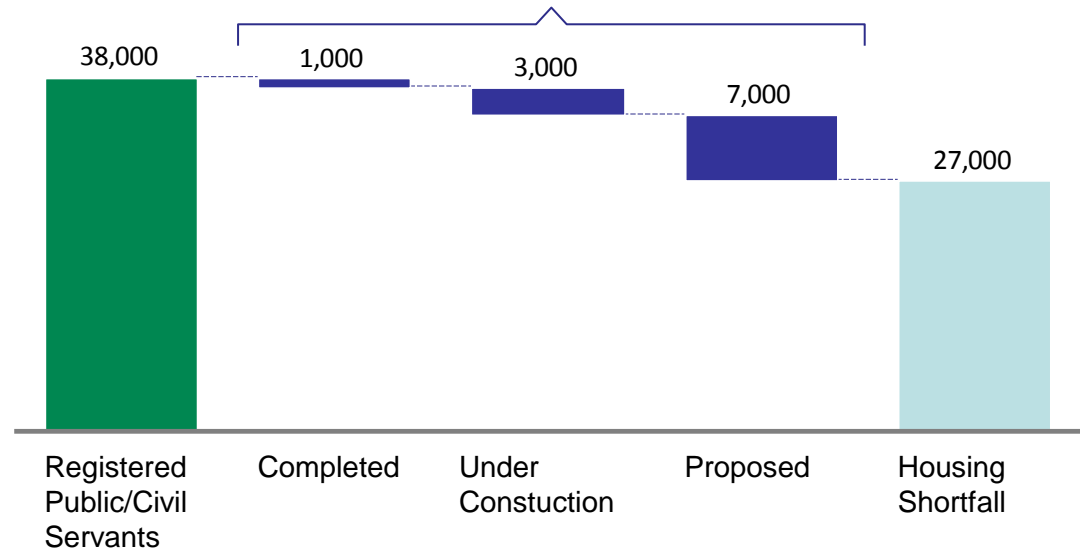
.....however the current demand for housing loans outstrips the supply from FISH, with an estimated shortfall of ~27,000 houses

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



MAY 2017... Homes that have been completed, planned or still under construction



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

