



**ERSO Expert Meeting  
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## **Housing In Nigeria**



- 2006 estimates Nigerian population at 140million
- 30%-40% of the total population live in the urban areas, with an average household of 5 persons
- The occupancy ratio of houses in Nigeria is 6 persons per room of 20m<sup>2</sup>
- About 60% of Nigerians are without adequate shelter (under-housed and no housing)
- Residential home ownership in Nigeria is less than 25%. Compared with 75% international benchmarks



## Housing Needs and Deficit Estimates

- Currently, there is an estimated housing deficit of 12 – 14 million housing units
- The estimated amount required to provide for the deficit is estimated at US\$150-200 billion
- There is need for the provision of 500,000 units per annum for the next 40 years
- An average developer can not deliver more than 2,000 housing units in 12 months
- Housing issues will remain one of the primary social focus in Nigeria for the next 20 years or more

## Impediments To Rapid Housing Growth



- Macro-economic environment and absence of financing systems
  - moderate inflation and high interest rate,
  - High unemployment and moderate GDP growth at about 7%-9% pa
  - Standard of living: GDP per capita income in 2006 was \$1200.
- Land Use Act
  - The land use act restricts access to land that have no titles on them and limits development of housing units
- High cost of building materials
  - Building materials are very expensive and not necessarily of the appropriate type
- High construction costs
  - The cost of constructing developments are high and often unaffordable
  - Dearth of good quality construction companies
  - Poor quality of construction
- High cost of land in urban areas
  - Values placed on land especially in the urban areas are high and their owners seek to make high gains on sale
- Lack of Physical infrastructure and social amenities
  - Infrastructure and social amenities are not readily in the rural areas and some parts of the urban
  - About 40-60% of housing construction cost is related to infrastructure provision

# Affordable Housing Finance in Nigeria: Existing Sources

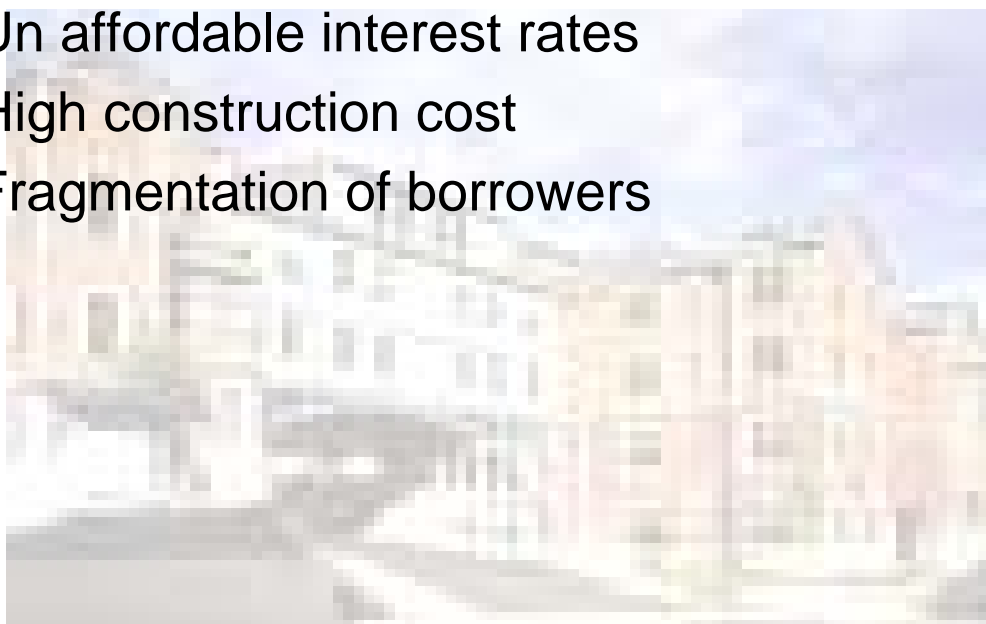


- FSI
  - Banking
    - Total assets (TA) estimated at N7trillion (US\$85bn) as at 2005/6
    - Loan portfolio about N2.2 trillion (US\$17bn)
    - Total mortgage lending is about 2% of Loan Portfolio
  - Pension Funds
    - This provides a large pool of investible funds:
    - Estimated annual contribution of =N=85bn to =N=120bn (\$1bn)
    - Unfunded public service pension liability of N2trillion (\$17bn)
    - Estimated pension fund size is estimated at =N=500bn over the next five years
    - About 30% of pension funds can be invested in corporate bonds/debt instruments
    - An estimate that =N=150b can be invested in this regard
  - Insurance Industry
    - Current size of investible funds from the insurance industry is about N60bn
    - The industry is expected to experience a one time 500% growth in investible funds to about N300bn (\$2+bn) post recapitalization in 2006.
    - Projected growth rate is 12% leading to an estimated N530bn (\$4bn) of investible funds over the next five years
    - Estimated that the 20% or N100bn (\$0.8bn) will be invested in this regard

## Challenges for commercial financing



- Un affordable interest rates
- High construction cost
- Fragmentation of borrowers



## Key Home Ownership Delivery Options

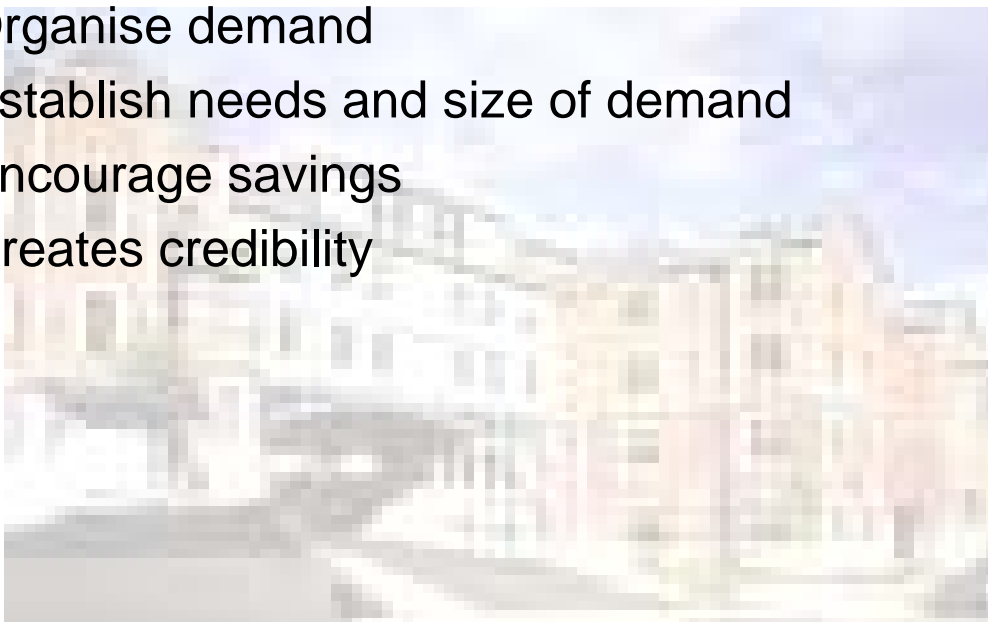


- These are the different ways individuals acquire their residences in Nigeria. They include:
  - Self build and self help
    - Where individuals build the residential developments with the help of building professionals
  - Private sector estate developments
    - This refers to acquisition of residential developments through private sector developers either wholly or with mortgage
  - Government estate programmes
    - This refers to residential acquisition of government owned estates and structures

## SHI as a Best Practices System For Affordable housing Delivery



- Organise demand
- Establish needs and size of demand
- Encourage savings
- Creates credibility

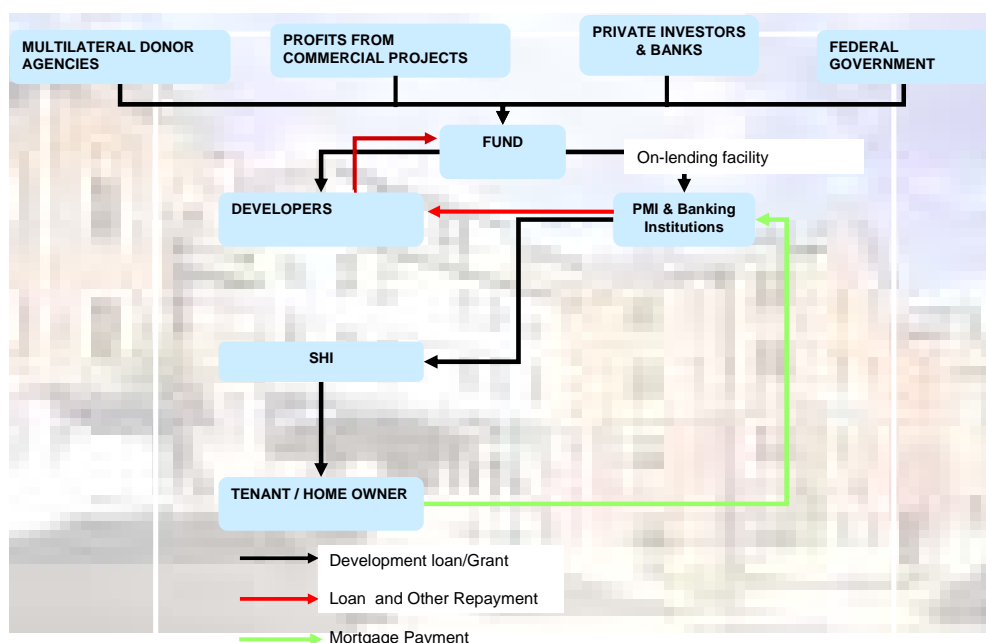




## Government Role

- Government has to decide if it wants to operate as a regulator or implementer or both
  - Regulators control
  - Implementer executes
- Doing both leads to significant drain on resources
- Much better results are likely to be achieved if strengths are harnessed
  - Encourage other institutions to participate

## A Possible Reimbursable Funding Structure for Affordable Housing



# Funding Structure / Fund Sources



- Social Housing Development Fund to Provide
  - Development loan for social/affordable housing developers and contractors
  - Promote or Partner with a PMIs and generate liabilities from
    - Multilateral funding
    - Contributions of SHI
    - FGN funding
- Role of PMI
  - Provide mortgages for social housing programs
  - Collection of mortgage payments

## Possible ERSO's Role



- Initiation and encourage of government to initiate the right policies on SHI matters
- Offer technical assistance to various NGO's to promote and develop SHI initiatives
- Identify and support viable SHI projects
- Promote the setting up of a self sustaining fund
- Slum Upgrade in areas with strong commercial value
  - Assist programs that where land with strong commercial interest is part transferred to low income dwellers while the rest is commercially developed for profit: