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# Social Housing and REIT Funding for Affordable Housing in Africa Developing Nations

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# Introduction

Noppen (2012) noted that the 1 billion people living in slums globally will double by the year 2030 and thus advocates for increased access to affordable housing of quality standard.

The projection of 2 billion urban dwellers by the year 2030 is capable of turning into greater challenge in the face of inadequate and unaffordable houses especially in the cities.

However, the performance of the housing sector is one of the yardsticks by which the health of a nation is measured, an important sector for stimulating economic growth.



## Affordable Housing (AH)

Housing is one of the best indicators of a person's standard of living and his place in the society. Its Availability, Accessibility, Adequacy-in-quality and Acceptability are very crucial to the welfare of every human. Researchers have provided various definitions for Affordable housing (AH). But, what can reasonable be deduced therefrom is that, there's NO one-size –fit-it-all definition. It rather underscores AH as the:

Provision of houses/apartments/living units that meet the users/occupiers need and acceptability in terms of space, health and usability at a cost the user/potential user can accommodate.

Housing Affordability = Price Income Ratio Trade-Off (Wahi et al., 2017)

*Thus, implying that AH must be off-taker driven/focused in terms of adequacy-in quality, acceptability, geo-political /cultural idiosyncrasies and socio-economic capabilities (on an agreeable and reasonable periodic/monthly equity contribution and/or repayment regime that do NOT be exceed the offtaker's total disposable income or 1/3<sup>rd</sup> of Net income for the mortgage or rentals or rent-to-own or build or outright purchase of housing unit)*



## In many developed nations

houses are available, relatively adequate with access to greater percentage of the population, but they came at high prices.

That is why the challenge is of affordability in established markets against availability.



## In Malaysia

Malaysia Housing problem is not of availability but affordability

- In 2018, 30,115 housing units unsold and unoccupied worth RM19.54bn
- Unsold housing stock is more in houses with price of above RM250,000
- Developers began to offer 10% discount
- High end housing provision exclude the low and medium income group

(Ferlito, 2019; Wahi et.al., 2017; <https://dgeprop.my>)

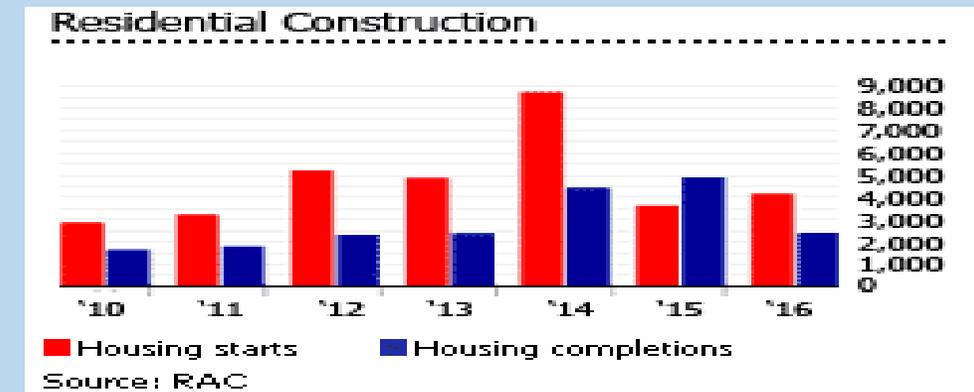
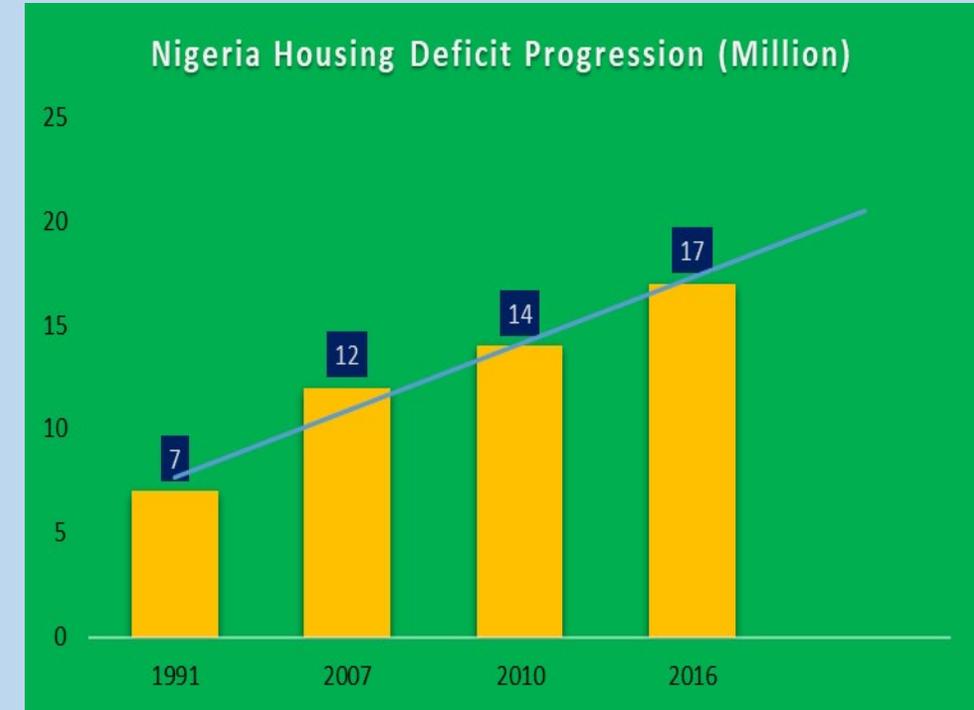


# In Nigeria

In Nigeria, access to affordable housing has largely remained an unfulfilled dream to the vast majority most especially, the middle and the lower class of the society.

Nigeria with a population of about 180 million people is currently facing a national housing deficit of about 17 million units.

(World Bank, 2018, CAHF, 2018)



## In South Africa

The South Africa housing delivery report of 2014 by Fuller Housing Centre corroborated the non-affordable houses across African cities, the government has been unable to deliver adequate housing (since the abolition of apartheid era). The ANC led government built 3.3 million low cost housing which could only become insignificant for the population growth by 13 million.



# Literature – Social Housing

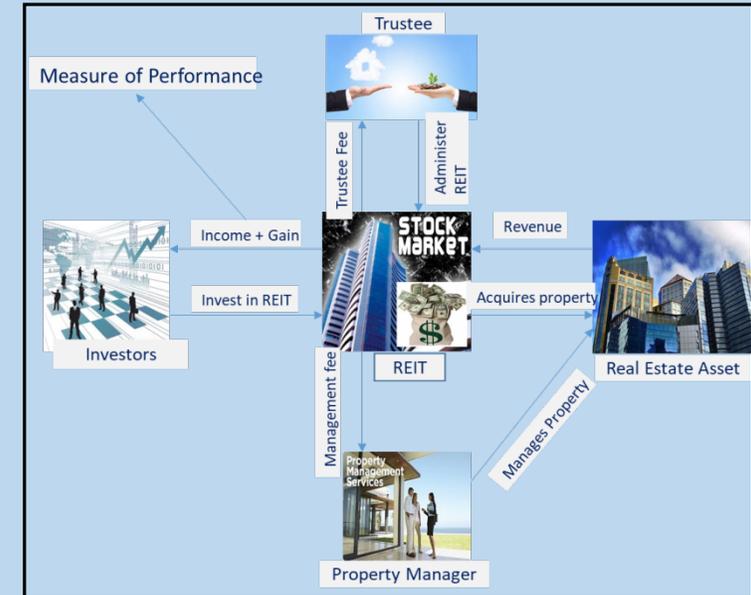
<b>Authors</b>	<b>Reflections</b>
Ayala and Geurts (2013)	“the provision of a formal housing solution....with sufficient potential and adequate government incentives or interventions”
Said et al. (2014)	Social housing in Malaysia provides rented housing for Malaysians and subsidised the first house purchase of other citizens. Developers mandate to make provision for low income units in every project for a price not more than MYR300,000 per unit
Addo (2014)	housing should be recalled back to its social policy programme status
Jolaoso et al. (2017)	integrative informal housing and social housing as strategy towards addressing the housing needs and supply for different categories. Thus, a viable option for increasing housing supply
Wahi et al., (2017)	Failure of housing project is a result of lack of knowledge of residential satisfaction in term of space Quality, comfort, social, cultural and religious need
McCollum & Milcheva (2019)	Affordable housing programme in the United Kingdom (UK) encompasses social rented and intermediate housings provided for specified eligible households whose needs could not be met by the market.. The announcement to abolish section 21 eviction notice in England and Wales (UK) can be seen as a social protection for home renters – A social housing strategy.

# Literature – Social Housing (cont'd)

Authors	Reflections
Jolaoso et al. (2017)	described as a solution to housing provision and supply, as well as a formal housing solution, in principle, which has sufficient potential to be attractive to the market when government provides adequate incentives or interventions.
Moss, 2003; SHF/Development works, 2004; Gilbert, 2004; Moskalyk, 2008; Calavita and Mallach, 2009; Social Housing Foundation, 2010; Ibem, 2011; UN-Habitat, 2011;. UN-Habitat and Gilbert 2011; Ayala and Geurts 2013; and Czischke, 2017.	<p>The above submission of Jolaoso et al. (2017) is in agreement and corroborates their respective positions.</p> <p>Its acceptance, viability and participation is largely driven by social responsibility, ability and willingness to pay,</p> <p>It can be made more effective through PPP while the government plays transitory roles from provider to regulator as social responsibility or right.</p> <p>It also underscores the need for dynamic and responsive policy in the area of needs assessment before embarking on any development and investment in social housing projects</p>

# Literature – REIT

Authors	Reflections
(Monlezuma, 2004)	The growth in real estate market is progressively becoming more significant part of the financial markets. Real Estate is now structured as a collective investment scheme (CIS) or special purpose vehicle (SPV) which involves the pooling of capital by a group of investors and utilizing same in the acquisition of a select portfolio of income generating real estate.
Oreagba (2010) and Moss & Prima, 2014	REIT is a capital market investment instrument for both individual and corporate investors. Co-operative societies, institutional investors and retail investors are potential investor base, for the uptake of REITs instruments.
Olanrele et al. (2018)	Fund raised through capital market subscription can be invested in housing development to increase housing stock of a market. It is in this light that real estate financing is directly or indirectly associated with structuring viable REITs or other real estate portfolio assets as a prime source for funds to housing development.



Adapted from Moss & Prima, 2014

# The Problem/Study Focus

The Problem of housing present itself in twofold, depending on the status and/or state of development of the country (developed/established or undeveloped/emerging)

The problem of housing availability, **Accessibility**, Affordability and **Acceptability** in the developing countries in particular, is becoming an insurmountable problem for many Africa nations.

Therefore there is a need for a holistic review of all contributing factors to housing provision.



# Methodology

Focus Group Discussion (FGD), a qualitative study approach .....(Mitlin, 2011).



Built Industry Expert	9
REDAN Members	5
Banker	1
Total Participant	15

Lagos and Abeokuta, Nigeria

# Results

## Housing Policy/Plan and Target Group

The policies towards housing in many Africa nations are most times seen as ill motivated, politically suppressed and executed with no consideration for the target group who are considered to be in dire need of the housing units (Olanrele, Jolaoso and Adegunle, 2018).



## The causes of high home prices include:

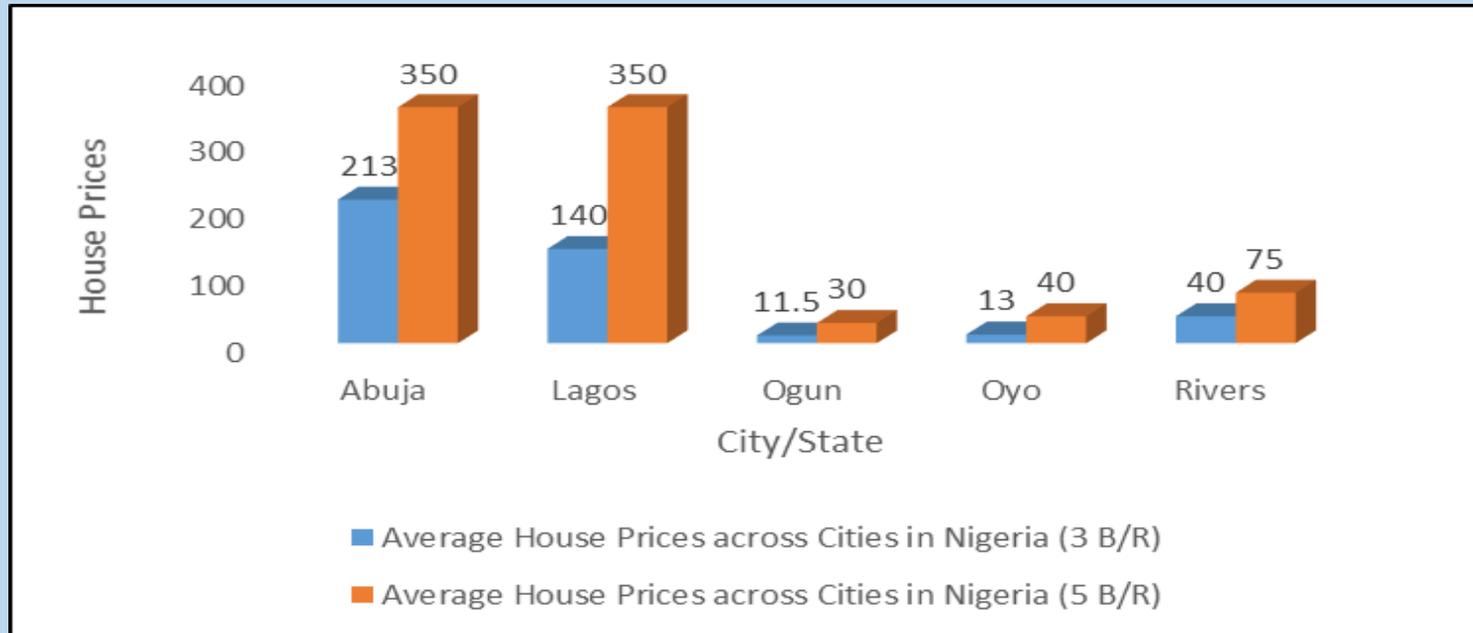
1. High Tech Engineering/State of the Art Construction
2. High Grade Building Materials, Facilities and Services – Luxury
3. High Wages/Increase Labour Cost – Increase Construction cost
4. Profit Mark up
5. Transparency - Construction Cost Inflation through Corrupt practices
6. Building Project Design – Architectural Design



## Average House Prices across Cities in Nigeria

Cities	House Prices – 3 Bedroom		House Prices – 5 Bedroom	
	NGN'm	USD'000	NGN'm	USD'000
Abuja - FCT	213	591.7	350	972.27
Lagos – Lagos State	140	388.92	350	972.27
Abeokuta – Ogun State	11.5	31.95	30	83.34
Ibadan – Oyo State	13	36.11	40	116.12
Portharcourt – Rivers State	40	116.12	75	208.34

Source: Global Property Guide: <https://www.globalpropertyguide.com/Africa/Nigeria/prices>



## Public Private Partnership in Housing Delivery

The invitation to the private sector (under the PPP strategy) to help and compliment government in the housing supply has not affect the prices of houses in favour of the masses especially the low and low-middle income group.

PPP and Private Finance Initiative (PFI) models have only contributed 3% of the required housing units in Nigeria.

The units provided by the private sector can only be demanded for, by the few privileged high income group and political office holders in Nigeria. Addo (2014).

Less than 30% of unit provided by the private developers are for the low income earners in Kenya (Maigua, 2014).



## Housing Finance

The challenges also include finance and cost of finance – interest on loan (Omirin, 2002 and Ogunba, 2009).

Non availability of construction fund, unstable economic; political/ policy instability and lack of political will to effectively and efficiently drive housing supply..... which usually leads to abandonment of housing construction projects.

Majority of low income earners are not eligible for mortgages due to their low earnings/low savings or disposable income for housing and lack of collateral and untitled legal right over land (De Soto, 2000) .

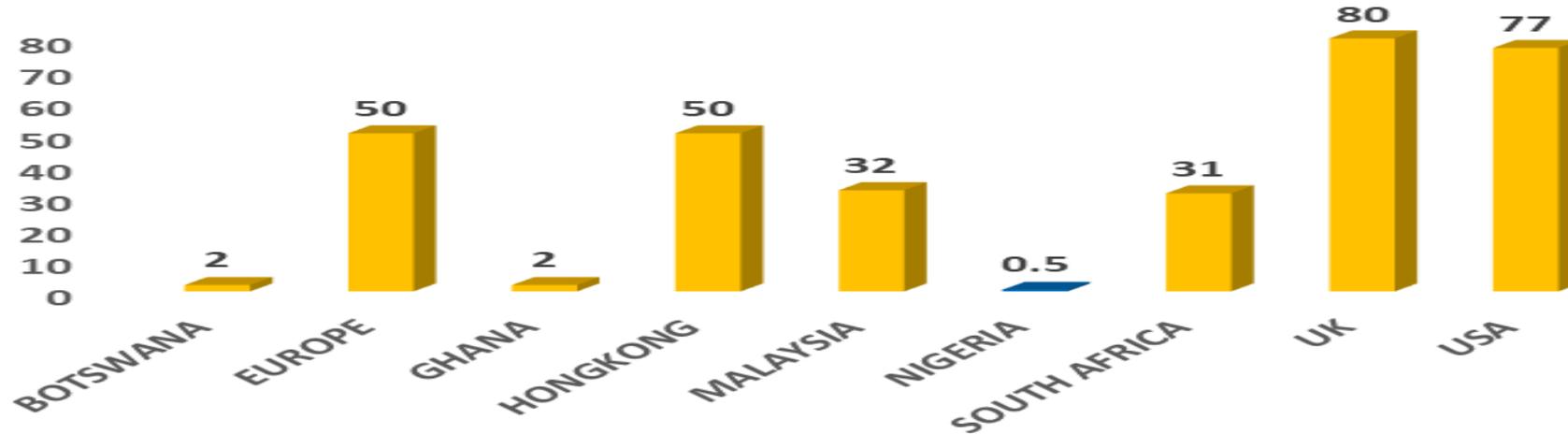


### Mortgage Loan Interest Rates



[https://www.numbeo.com/cost-of-living/country\\_price\\_rankings?itemId=106](https://www.numbeo.com/cost-of-living/country_price_rankings?itemId=106)

### Mortgage Contribution to GDP (%)



Source: Walter Emiedafe (2015) - <http://sapienvendors.com.ng/housing-in-nigeria/>

## Self Help in Housing Delivery

Individual households in most African countries resorted into self-help, building houses on incremental building development model (Olanrele et al, 2018). Ninety percent of the housing stock in Ghana are from individual effort of the household (Boamah, 2014).

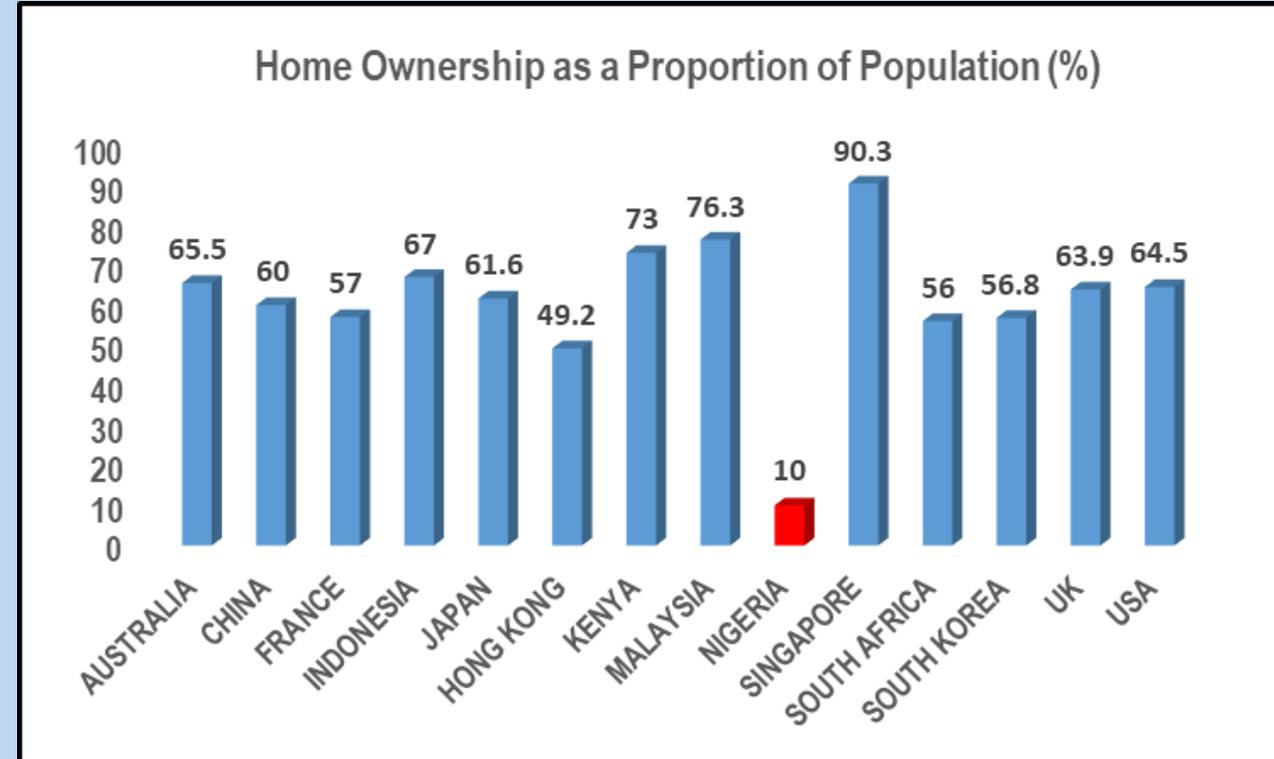


## Cooperative housing

Cooperative housing scheme has been helpful in Zimbabwe, Turkey and South Africa and Germany

It's neglect has widen the gap between housing needs and housing affordability in Nigeria.

Low income housing market prices is also expected to be created relative to the income bracket as practice in USA and France.



Source: Ferlito, 2019; Global Property Guide, 2018

# Summary

- Social housing in any form could be a solution towards affordable housing. Viewing from the context of low-cost or low income housing, affordable housing, mass housing, informal housing, slum upgrading or incremental housing will give housing solution for the poorest people, in agreement to Ayala and Geurts (2013).
- Therefore, affirming the need for the development of a practical and context-specific social housing agenda towards increasing the housing supply especially for the urban poor using the most relevant development models.
- The participation of REIT in housing development will not be out of place as there is potential to make moderate gain/profit, unlike the developers all business module approach to housing development.
- The potential housing unit subscribers can also be subscribers to the REIT fund wherein the product of REIT investment which the subscribers are ready to occupy or purchase can offer part ownership right and this could be an attraction to housing finance and affordability.



# Thank you!

## Proposal on Social Housing Agenda : Project 2019-2023 for Ogun State Nigeria



### Housing for All

