

## **HOUSING AFFORDABILITY IN NIGERIAN TOWNS: A CASE OF IDAH, NIGERIA.**

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**ABSTRACT:** *This paper attempts to evaluate housing affordability in Idah, an old Local Government Headquarters in Kogi State. It utilized a structured questionnaire for this purpose. The result of the analysis of this questionnaire reveals among other things that, greater percentage of the people in the study areas spend above 30% of their monthly income on housing. This is at variance with the 30% affordability benchmark set by scholars such as Andrew( 1998 ), Cox and Pavletich 2010) as well as Adedeji(2006). The paper therefore concludes that the greater percentage of the people in the study area cannot afford adequate housing while others pay not just over 30% but over 50% of their monthly income on housing which is cost-burden. This has adverse effect on their standard of living as what is left is insufficient to cater for other needs such as food, clothing, and medical bills and so on. The paper finally made the necessary recommendations.*

**KEYWORDS:** Affordability, Cost-Burden, Housing, Housing Adequacy, Urban Areas.

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### **INTRODUCTION**

Housing is one of the three basic needs of man and it is the most important for the physical survival of man after the provision of food (Turner, 1983; Munonye, 2009 and Olayiwola et al, 2005). It has a profound influence on the health, efficiency, social behaviour, satisfaction and general welfare of the community. Okedele et al (2009) opined that, in the evaluation of man's comfort, growth and development, it is inevitable that housing be considered as a critical element.

This issue was highlighted at the United Nations conference on Human Settlement (Habitat 1) which was held in Vancouver, British Columbia, Canada in June, 1996; during the international year of shelter for the homeless in 1987 and at the Habitat II conference held at Istanbul, Turkey in June 1996. These emphasise the importance of providing adequate and affordable houses in every human society and dispensation. The United Nations Organisation (UNO), (1996) affirms this by declaring that housing is very crucial to the survival, welfare and health of individuals.

Consequently, serious attention has been given in many developing countries to housing problems and housing policies to address the problems. Nigeria ranks among the rapidly urbanising countries in Africa and the challenges therein, especially in the provision of adequate housing and basic services (FMR&UD, 2003).

With a population of 140 million people plus (preliminary census, 2006) Nigeria is the most Urbanized country in population in black Sub-Sahara Africa The United states Census Bureau projects that population of Nigeria will reach 264 million by 2050 and that Nigeria will be the 8<sup>th</sup> most populous country in the world (Wikipedia, 2007).

Over the years, governments had embarked on several housing intervention programmes, with the objective of making housing available and affordable to the majority of the population. These housing interventions are reflected in the annual budgetary provisions for housing urban development, and in the establishment of institutional framework for housing development (Diogu et al, 2006). According to Aribigbola, (2009) despite the various efforts of government, individuals and agencies both locally and internationally to improve housing provision in Nigeria, housing problems particularly shortage and affordability still persist. This lends credence to the growing international concern over the issue.

According to the national Rolling plan, the national housing requirement is between 500,000 and 600,000 units, considering the prevailing occupancy ratio of three and four per room (Ojenuwah,2006). As Muoghalu (1999) puts it, the rapid population increases coupled with rate of urbanization have contributed in no small way to the shortage of urban housing in Nigeria.

The income of the average Nigerian is usually not adequate to meet his needs to own a house of his choice or rent an apartment of his taste. Some other challenges faced by Nigerians on housing affordability as enumerated by Onyike, (2007) are cost of land and building materials, high interest rates on mortgages, poorly developed mortgage finance system, administrative bottlenecks that makes the processing and securing of approvals for building plans, certificates of occupancy and other necessary government permits a nightmare, and the unmitigated corruption in the allocation of government land within the framework of Land Use Act, Cap 202 LFW, 1990.

The increasing urbanization in major cities of Nigeria as occasioned by rural urban migration has led to the over population of these towns and cities including Idah, a local government headquarters in Kogi State. This has constituted the focus of many studies. Only a few focused on affordability of housing that is a serious problem in these centres.

The United States Department of Housing and Urban Development (HUD) policy makers stated that for a housing scheme to be affordable, the family should pay nothing more than 30% of its total income on rent and utilities, where they own their own house, not more than 30% of their mortgage payment, insurance, taxes and utilities. This definition recognizes the fact that every household have additional essential expenses to keep. Housing is thus affordable only if it meets this 30% test.

Affordable housing, according to Andrew (1998) is that housing which does not cost more than 30% of the income of the occupant household. And that any family that pays 50 percent or more of house hold income are under severe housing burden. Families that pay more than 30 percent of their income on housing are considered cost burden and may have difficulty affording other necessities, such as food, clothing, transportation and medical care (HUD, 2005). Cox and partelich (2010) are of the opinion that for metropolitan area to rate as affordable and ensure that housing bubbles are not triggered, housing prices should not exceed three times gross annual house hold income. In plain terms, AHURI, (2004) states that housing affordability refers to the capacity of households to meet other basic cost of living. Thus it will be seen that the housing affordability issue is a crucial determinant of quality of life of people.

It is crucial to state that while the state governments built estates are more or less allocated to civil servants on owner occupier basis, the ones built by private developers are sold at exorbitant rates. This situation is explained by Adejumo(2008) when he asserted that, in all

cases the houses are not for rent, but for sale, because these developers have taken large loans from banks to finance their building projects, their objective is necessarily to get a quick return on their money; hence they prefer to sell these houses, usually at high prices, to ensure that they have a minimum of 50% profit. After completion of the sale, they usually have 100% profit, if not more. This leaves Nigerians who are not civil servants and are not rich in cold in matters of adequate shelter.

The cost at which the house reaches the market will go a long way to determine affordability. The income of an employee determines his ability to afford a house. Where per unit cost of building is abnormally high as we have today, the simple implication is that few people will be able to afford it (Bello, 2008). The limited finance available will not be able to spread around the potential home owners. The gap between income and shelter cost in Nigeria is very wide. This has eliminated the low-income earners from the housing market. According to Bello (2008), high cost had been attributed to the following: Rising cost of building materials, inflation rate in the economy, high space and quality standards adopted by designers, fees of professionals involved in designs and construction, excessive profit of contractors.

The average income of Nigerians is too low to support the construction of buildings within a short or even medium time span (Opaluwa, 2010). Many even find it difficult to cope with regular and prompt rent payment. This makes the aspiration of the average Nigerian to own a house or occupy adequate rented apartment almost elusive. Ademiluyi and Raji (2008) explains that a recent World Bank report noted that two of the most critical urban development issues facing Nigeria are the financing of urban infrastructure and the institutional arrangements for housing delivery in urban centres. The provision of basic utilities and services particularly housing is partly the responsibility of the government, which has been handicapped in recent times by declining political will and many more factors.

Ajanlekoko (2001) posit that, housing finance by its very nature is capital intensive venture which if it is to be financed through personal finance resources will require slow and tedious accumulation of savings. However, since housing provides benefits over many years, long term credit financing is a more logical option as it will spread the repayment burden. But this requires the availability of long-term funding, and for which there must be institutional capacity, structure and mechanism that will allow a convenient and effective linkage between the savers/ investors and the consumer of such funds.

The concept of the National Housing Fund or proposed in the National housing policy is to ensure a continuous flow of long-term funding for housing development and to provide affordable loans for low income housing.

The promulgation of the National Housing Fund Decree heralded the emergence and establishment of a battery of mortgage finance institutions in Nigeria. Quite a number of them had been in operation in Nigeria. Good as the intention of the scheme appear, the technicalities and modalities of releasing the loan to the mortgage institutions to lend to the members of the public have not been worked out and as such most potential clients have been frustrated by the high interest rate and cost of funding.

Most of the mortgage institutions on their own have been mobilizing funds by accepting deposits and savings at very interest rate in highly competitive marketing environment. Most customers on the other hand are prepared to wait for the National Housing Fund than take loans at high interest rate which is presently being dictated by the money market condition.

It is pertinent to note that Aribigbola(2008) observed that the National Housing Policy does not want any Nigerian to spend more than 20 percent of his income on housing expenditure. This is a welcome development that the realities of the present day Nigerian living condition will not permit. It is therefore obvious that if housing affordability will be within the reach of the average Nigerian, government must be prepared to do more by way of creation of enabling environment for private sector participation that will encourage the coverage of the entire country rather than focusing on big cities alone where their monetary interests will be protected.

### **Statement of the Problem**

The rate of urbanisation in Nigeria has witnessed tremendous increase in the last two decades. Census in the early fifties showed that there were about 56 cities in the country and about 10.6 of the population lived in these cities. This rose dramatically to 19.1% in 1963 and 24.5% in 1985 Ajanlekoko(2001). Today, the national population is now estimated to be about 120 million with the urban consisting about 30%. The rapid growth rate of urban population in Nigeria since the early seventies was mainly due to immigrating induced by the concentration of the gains from oil sector in the urban areas.

Given the expected increases in urban population, the magnitude of housing problem in the country is enormous. According to the national Rolling plan (NRP) the national housing requirement is between 500,000 and 600,000 units considering the prevailing occupancy ratio of between three and four persons per room (Ojenuwah, 2006; Moughalu, 1999). If this estimated annual requirement was to be provided at an average of N500, 000 per unit, the cost would be enormous and indeed unrealisable. The cost of providing housing alone would be between N250 Trillion and N300 Trillion (excluding the cost of infrastructural development). This is to say that the Government and Mortgage institutions will need this much as capital base to effectively tackle the housing the housing situation.

The phenomenal rise in population, number and size of cities over the past few years have manifested in the acute shortage of dwelling units which resulted in high rents and other ills such as poor urban living condition, high crime rates, low infrastructure services and so on. On the micro- level, it has been observed that house ownership is one of the first priorities for most households and it represents the largest single investment for most (between 50% and 70% of household income). This observation becomes very significant when it is realized that per capital income in Nigeria has been on the decline (currently N3, 000.00) as well as the real income of the average Nigerian. The rapid up-swing in the prices of building materials in the last five years has further reduced the affordability for most Nigerians. Relating annual requirements for housing with the Gross Domestic product of N82.53 billion in 1988 and 85.82 billion estimates for 1989, and over 88 billion in 1991 as well as per capital income of N3,000.00, financing becomes a major factor of the problem especially long term funding. Except the problem of how to finance the construction of housing for all income groups is effectively addressed, the housing affordability problem is bound to further escalate.

### **Aim and Objectives**

The aim of this research is to determine housing affordability in Idah with a view to recommend ways of making it affordable if necessary. The specific objectives are:

- i) To determine the quantity of housing occupied by different sizes of households.
- ii) To determine the percentage of income spent on housing.

## THE STUDY AREA

The study area is Idah town, the Headquarters of Idah Local Government Area of Kogi State. It is the traditional seat of Igala Kingdom with Attah Igala as the King. Idah is located between latitude 7° 05'N and longitude 6° 45'E. Idah has a total land mass of 39.79km<sup>2</sup> and a total population of 289,566 people (NPC 2006). Idah is lying between altitudes 300 – 500 metres above sea level. The vegetation is the typical Guinea savannah. The climate of Idah is tropical. The wet season is from May to October when the south west wind blows across the area from Atlantic Ocean. The dry season is from November to April and characterized by harmattan. During the period, the North-East trade wind blows from the Sahara Desert across the area, while the hottest period of the year is from February to April.

## RESEARCH METHODOLOGY

The study utilized a structured questionnaire to collect the necessary data. This was administered in eleven randomly selected neighbourhoods of Idah town. These are Ubomu, Ubiegbe, G.R.A., Angwa, Sabon-gari, Eda- alaba, Ede-adejoh, Mission, Ukwaja, Igala-ogba and Egah. The questionnaires were systematically administered to the household heads in every sixth residence in the selected major streets in these areas. A total of 35 questionnaires were administered in each of the eleven selected areas totalling 385. Out of these, 320 were returned for analysis. In addition, relevant data and information relating to this study were obtained from secondary sources and observations. The variables considered in this work are, house type of the respondents, income of the respondents and the percentage of income spent on accommodation by the respondents. The data for this study was analysed using descriptive statistical tools such as mean, percentages and averages.

Table 1: HOUSE TYPE OCCUPIED BY RESPONDENTS

S/N	HOUSE TYPE	FREQUENCY	PERCENTAGE (%)
1	Single room	92	28.75
2	Room and parlour	102	31.88
3	Two bedroom flat	67	20.94
4	Three bedroom flat	43	13.44
5	Four bedroom flat	12	3.75
6	Five bedroom flat	4	1.25
	Total	320	100

Source: Authors' field work June, 2012.

Table 2: TOTAL MONTHLY INCOME OF HOUSEHOLD HEADS

S/N	INCOME OF RESPONDENT ( N)	FREQUENCY	PERCENTAGE (%)
1	0-9,999	84	26.25
2	10,000-19,999	97	30.31
3	20,000-29,999	53	16.56
4	30,000-39,999	39	12.19
5	40,000-49,999	25	7.81
6	50,000-above	22	6.88
	Total	320	100

Source: Authors' field work June, 2012.

Table 3: PERCENTAGE OF MONTHLY INCOME SPENT ON ACCOMMODATION.

S/N	PERCENTAGE INCOME SPENT ON ACCOMMODATION PER MONTH	FREQUENCY	PERCENTAGE (%)
1	5-10	1	3.4
2	11-15	19	5.9
3	16-20	18	5.6
4	19-25	15	4.7
5	26-30	39	12.2
6	31-35	71	22.2
7	36-40	84	26.3
8	41-45	53	16.6
9	56-above	10	3.0
	Total	320	100

Source: Authors' field work June, 2012.

## DISCUSSION OF FINDINGS

Table I reveals that 5.0% of the respondents live in 4 and 5 bedroom flat which is adequate; 34.4% of them live 2 and 3 bedroom flat which is fair while 60.6% of them live in single room and room and palour which are inadequate as it was observed that majority of the respondents in this last category have relatively large family and belong to the low income earners in the neighbourhoods.

Analysis of Table two reveals that, 56% of the respondents earn below N20,000.00 per month, 16.6% earn between N20,000.00 and N29,999.00, 12.2% earn between 30,000.00 and 39,999.00, 7.8% earn between 40,000.00 and 49,999.00 while 6.9% earn 50,000 and above per month. From this analysis, it is apparent that majority of the respondents are low income earners. With the present high cost of building materials, labour, land etc. Which consequently has brought about increase in cost of housing and rent, these low income earners will not be able to afford adequate housing.

In Table III, 31.8% of the respondents spend 30% and below of their monthly income on housing while 68.2% of them spend above 30%. Several scholars such as Andrew(1998), Cox and pavletich(2010) as well as the United States Department(HUD,2005) set 30% of income as a bench mark for affordable housing and that anything above this bench mark is considered cost burdened and the household may have difficulty affording other necessities such as food, clothing, transportation medical care among others.

### **CONCLUSION AND RECOMMENDATIONS**

The greater percentage of the people in the study areas have no adequate accommodation and cannot afford adequate ones where available as they pay more than 30% of their income on housing. This is above the affordability benchmark set by scholars such as Andrew (1990), Cox and Pavletich (2010) as well as HUD (2005) in Adedeji(2006). This implies that many of the people in the study area, after paying for accommodation, will not have adequate income to take care of other necessities such as food, clothing, education, transportation, medical, water, and power bills and so on. This paper therefore makes the following recommendations;

- i) Emphasis should be placed on low and medium housing units using earth blocks, burnt bricks, compressed earth bricks and intermediate technology. This will reduce the cost of housing thus making it more affordable to many people.
- ii) The National Road and Research Institute should be more empowered to do a lot of research into cheap and effective materials for housing.
- iii) Individuals specially middle and low income earners should be granted access to long-term credit facilities with very low interest rates. This can be achieved through the establishment of Construction or Development Bank.
- iv) Architects should concentrate on cost effective and functional design. Over-design should avoid as much as possible. This will be bringing about reduction in the cost of housing.
- v) Government should provide alternative strategies for house construction. For instance, the government might acquire land, lay- out and service them with basic infrastructures before making them available for sale to individuals needing them.
- vi) Government at all level should provide favourable investment climate, infrastructure and mortgage insurance to low and middle income earners.

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