



## Meeting Housing Needs in Lagos

Housing is an integral element of a nation's economy. Its backward and forward linkages with other parts of the economy closely bond people's needs, demands and social processes with the supply of land, infrastructure, building materials, technology, labour and housing finance. These linkages allow housing to act as an important engine for sustainable development and poverty reduction in both society and economy. This *EIU Policy Brief* highlights the housing needs as well as current initiatives on housing in Lagos State. It looks at the challenges of access and recommends policy options for meeting the housing needs of Lagosians.



Although housing is a universal need, its provision has assumed diverse approaches – in terms of policy instruments and institutions in different parts of the World. Housing issues and policy problems are both global and inherently local-specific to a given time and place. One of the major responses to the housing challenges is affordability. In 2011 the Lagos State Government signed the Tenancy Bill into Law. The law was put in place in order to regulate the rights and obligations under tenancy agreements and the relationships between the landlord and tenants,

including the procedure for the recovery of premises and for other connected purposes in the state

### The Problem



#### What is affordable housing?

*Affordable housing is a term used to describe dwelling units whose total housing costs for either rented or purchased unit are deemed affordable to those that have a median household income*

Source: Wikipedia



Nigeria's commercial capital and economic nerve center, Lagos has an estimated population of 20.19 million<sup>i</sup> that is growing at a rate of 3.2% per annum, while its urbanisation growth rate is 16%. In Metropolitan Lagos there are 20,000 people per square kilometer with an estimated 3,000 people from other states of Nigeria entering the state every day without leaving. The extent of the housing shortage in Lagos is enormous. The inadequacies are far reaching and the deficit is both quantitative and qualitative. According to the Lagos Household Survey (2011), about 72% of Lagos residents are tenants paying rent as high as 50% of their monthly incomes; while most of the existing accommodations are provided by private landlords. Only 18% owned the dwellings while 10% are free occupants, with no rental payment<sup>ii</sup>

In recent times, the Ministry of Housing and the Lagos Building and Investment Company (LBIC) commenced direct construction of houses in Lagos State. From Year 2000 till date, the various agencies in the housing sector had constructed 7,850 housing units. This is however a short fall from the projection of 224,000 housing units annually by the Ministry of Housing.<sup>iii</sup> Aside the direct construction approach, Ministry of housing and other government agencies adopted other options of delivering houses to the citizens, among which are public/ private partnership in housing delivery, urban renewal and establishment of new towns, provision of site and service schemes. The combined stock of all these strategies is less than 5,000 units per annum in a state requiring 500,000 units per annum to bridge the deficit of estimated 2.55 million over the next 5 years. Even, the recently launched Lagos Cooperative Home Ownership Incentive Scheme (Lagos- CHOIS), in collaboration with the private sector, is expected to deliver 10,000 units over the next four years at the rate of N11.6 million for a two bedroom apartment.

These challenges are exacerbated by the dearth of financial mechanisms to bridge the gap that will ease payment for housing units, vis-à-vis mortgage

institutions while the few available mortgage institutions charge high interest rates.

### **Tackling the Housing Challenge: Meeting the Needs**

If Lagos is to attain the status of model mega city, it is obvious that it has to tackle a number of challenges. Notably is the issue of overcrowding. According to the housing needs survey, an estimated 2.55 million new homes are required in the next 5 years to meet the housing needs of Lagos State. Of this, about 1.6 million are required to take care of the backlog arising from the needs of existing households living in overcrowded conditions or who are technically homeless. The remainder would take care of the future requirements based on population growth and minimal loss of current supply.

Perhaps the most impressive project for the Lagos of tomorrow is the Eko Atlantic, a pioneering residential and business development located on the Victoria Island, along the Bar Beach coastline. The ambitious project is being built on three and half square miles of land reclaimed from the Atlantic Ocean and is expected to provide accommodation for 250,000 people (approximately 100,000 housing units) and employment opportunities for a further 150,000. Although Eko Atlantic is expected to bring more investment opportunities to the city, with a lot of opportunity for recreational facilities as well as providing a core business center, it will cover only a small fraction of the housing needs, and more likely to focus on the upper social class of the society. There is therefore a lot more that needs to be done.

*Figure 1* below shows the house type preferences by Lagosians. Respondents stated that about half (52% or 1.3 million units) of the extra 2.55 million new homes required over the next 5 years should be 1-2 bed flats; while 43% (about 1.1 million units) should be 2-3 bed flats, and 5% (about 130,000), 4-bed houses.

Figure 1 Preferred house type by Lagosians

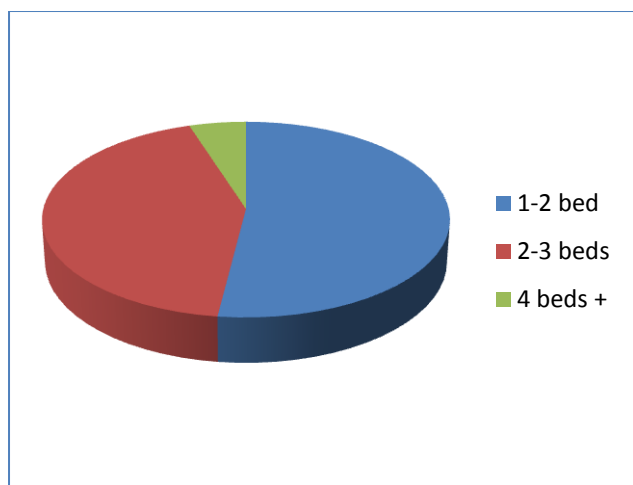


Table 1 below also show that the overwhelming house type preference in high population areas like Agege, Alimosho and Surulere are for small sized accommodation; that is, 1-2 bed flats. This suggests that housing interventions should focus on a significant proportion of these units.

Table 1: Preferred homes across Lagos LGAs

LGA	1-2 beds	2-3 beds	4+ beds
Agege	70,420	73,416	4,495
Ajeromi-Ifelodun	112,410	85,348	10,408
Alimosho	142,506	139,537	14,844
AmuwoOdofin	29,694	43,399	4,568
Apapa	43,185	28,032	4,546
Badagry	31,449	20,966	2,759
Epe	28,163	15,959	2,816
Eti-Osa	81,306	58,484	2,853
IbejuLekki	8,229	4,620	2,021
Ifako-Ijaye	64,771	38,863	3,239
Ikeja	48,925	40,457	4,704
Ikorodu	51,966	42,972	4,997
Kosofe	75,908	55,576	4,067
Lagos Island	57,365	61,107	7,482
Lagos Mainland	38,344	44,734	6,391
Mushin	93,916	88,166	11,500
Ojo	53,256	71,007	12,290
Oshodi-Isolo	88,856	65,819	11,518
Shomolu	83,259	59,471	5,947
Surulere	105,351	73,930	7,193

Source: Lagos Housing Needs Assessment Survey 2012

## Needs versus Affordability

The Lagos Housing Needs Survey undertook an assessment of the preferred tenure and purchase options by Lagosians, and showed that at least 22% are unable to purchase their own homes because their household income is less than N25,000 a month. Overall, an estimated 550,000 **low income rented units** are required in Lagos State over the next 5 years in order to meet the needs of this segment of the population. A little over half of the population (54%) lies in the 'housing twilight' zone, where they do not earn enough to fully acquire their own homes but earn enough to meet more of their own housing costs than the low income group. About 1.38million homes are required to meet the needs of this category under an **intermediate housing tenure** which allows them to acquire as much initial equity in their homes, and then purchase further equity as their incomes increase.

About 24% of the population is categorised in the **medium income category** and are able to purchase their own homes with a mortgage subject to those homes being priced at an average of N6.5million. It is expected that about 612,000 new homes are required to meet the needs of this category.

## Policy Recommendations

A number of policy options can be pursued to meet the needs for housing. Such options should take into account the challenges around affordability, land availability as well as financing, underpinned by consideration for the income strata, housing tenure and housing choices of the population.

### Affordable options

An assessment of current Lagos State Housing offers in table 1 above shows that most of the housing units are selling for more than double the optimum price that people are willing to pay<sup>iv</sup>. The selling prices for these apartments are not affordable for low and medium income earners. Notably, most of these housing units have largely not been purchased due to cost. Therefore a major policy thrust should be hinged on affordability as well as housing choice of the population.

Table 2: Existing housing units on offer by Lagos State and prices

Housing Units	Acceptable Price Range	Optimum Price	Selling Price
Room and Parlour at Odorangunshin, Epe	1m – 1.68m	1.2m	N2.95m
2 bedroom flat at Odorangunshin, Epe	1.5m -3m	2m	N6.24m
2 bedroom flat at Igbogbo, Ikorodu	3m - 4.3m	3.5m	N7.62m
3 bedroom flat at Ojokoro, Ijaiye	6m – 8.5m	7.3m	N13.4m
3 bedroom flat at Iloro, Agege	6.5m – 8.5m	7.3m	N13.4m

Source: Lagos Housing Needs Assessment Survey 2012

The acceptable prices of different housing units by type are also presented in the table above; therefore the state should adopt innovative strategies to bring down the cost of housing units which could include direct sourcing of building materials from manufacturers, adopting a social marketing approach tied to taxation benefits, enforcement of Tenancy laws and long-term renting options.

### Urban planning

In addition to the Eko Atlantic City, the government should consider the establishment of new neighbourhoods and satellite towns which would include necessary social and physical infrastructure. The housing needs survey suggest that 95% of the projected housing needs in Lagos over the next 5 years can be met in apartment type housing developments. This house types could be built efficiently| cost effectively using modern methods of construction. Indeed the government can benefit from good practice in places like Kuala Lumpur, Malaysia; Bangkok, China; and emerging developments like Addis Ababa and Nairobi, where high density, high-rise housing complexes are successfully meeting the housing needs without significant pressures on land supply.

Within the urban planning framework, a robust strategy is required to deliver the additional affordable homes. Apart from government direct participation in delivery, it should put in place a strategy to encourage other players such as housing cooperatives, private sector development companies, non-profit organisations including religious organisations, as well as charities in provision of affordable houses, innovative strategies such a Private Sector home rentals.

### Housing Financing

The housing needs survey showed that about three-quarters of the population are unable to purchase a house outright, although about half are in the intermediate category where they rent, but are able to buy as income improves. In order to ensure adequate demand therefore, a public financing strategy is required that will subsidise housing, taking into consideration the tenure preferences of the population. Although intermediate housing tenures are largely unused in Nigeria, the housing needs survey suggest that it is likely to be the most economically efficient delivery model for Lagos State, given the income profiles of the population. Further research is therefore required in order to develop the most appropriate tenure arrangements which might include shared equity schemes and lease purchase schemes, etc.

<sup>i</sup>UN Habitat (2012)

<sup>ii</sup>LBS Household survey report 2011

<sup>iii</sup>Alausa Alert: Vol. 6, No 5. Oct 2011

<sup>iv</sup>Lagos Housing Needs Assessment Survey 2012.