THE ROLE OF PRIVATE SECTOR IN THE PROVISION OF AFFORDABLE HOUSING TO THE PUBLIC

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Introduction
The housing sector plays a more crucial role in the country’s welfare as it directly affects not only the well-being of the citizenry, but also the performance of other sectors of the economy. In recognition of this, the Nigerian government has over the years initiated policies and programmes to address the housing challenges, but with little/no success. Experts have put the housing shortage in Nigeria as at 2005 at between 12million to 14 million (Adejumo, 2008: Oluwaluyi, 2008). According to Babade (2007), to adequately house the urban population in Nigeria, a conservative figure of 409,227 housing units should have been constructed in 1990. Due to neglect, the figure rose to 783,042 units in 1995; 1,333,176 units in the year 2000; 1,543,318 units in 2003 and 2,171,603 units in 2010. This is serious considering the poor showing of the housing sector.

For instance, out of the 202,000 housing units target in the 1975-80 plan period, less than 15 per cent was achieved (FGN, 2004). Equally, in 1979-83 civilian administration, a total of 40,000 units were to be constructed annually nationwide, but the overall achievement rate was put at 20 per cent (FGN, 2004). Ironically, several housing units are wasting away, especially in many federal government’s low-cost housing estates, such as Ikot Ekpo low-cost housing estate in Calabar. The present administration contemplated to build 20,000 housing units nationwide over four years (but this is the last year) at the rate of 5,000 units per annum. The implementation can be better imagined.

It should be noted that the poor performance of the housing sector to meet the housing need of the people can be blamed on both the public and private sectors. On the part of the public sector the factors include bad governance, failure of our national documents such as the Land Use Act of 1978, FGN, National Housing Fund, Federal Housing Authority, State Housing Corporations, Federal Mortgage Banks as well as the Primary Mortgage Institution. For instance, in the almost 40
years of creating the Federal Housing Authority, it has only succeeded in building about 40,000 housing units nationwide (Adediji, 2009) which translate to 1,000 units per annum. Although the history of housing development in the country is that of the private sector driven, it has also failed to provide affordable housing to the public. The key elements lacking in the private sector initiatives are that of affordability, end-user driven and value management.

Housing constitutes one of the fundamental human rights as enshrined in the 1999 Constitution of the Federal Republic of Nigeria, but more visible in its violation than in compliance. The essential elements of the right to housing, however, have a number of components including the right not to be evicted without due legal process (Olatubara, 2007). In fact, Nigeria is the worst violator of the housing rights in the world. For instance, over 2 million people have been forcibly evicted from their houses in different parts of the country since 2000 (Adejumo, 2008) through bulldozer approach. This has also help in compounding housing problem in the country.

A viable housing market exists in the country considering the abysmal under performance of the housing sector. There is a tremendous opportunities waiting to be tapped. It is a fact that the government alone cannot fill this gap, hence need for the private sector to take active role in housing the people. Hence, the focus of the presentation is to evaluate the role of the private sector in affordable housing delivery to the public through cost reduction (value management). Specifically, the paper is structured into three main sections. In the first section, an overview of the Nigerian housing market is presented. This is followed by discussion on the rationale for involving the private sector in affordable housing delivery. In the last section, implications of private sector involvement through value management are proposed.

The Nigerian Housing Market
The housing market in Nigeria is composed of two distinct markets – the private sector market and the public sector market. The market is differentiated by tenure such as private owner occupation, private rented accommodation and public sector housing. The housing market in Nigeria could be equally differentiated by structural design (bungalow, flat, duplex etc); by density (high, medium and low); or by specialty (hostels, quarters, barracks). Conventionally, housing market is divided according to certain key characteristics such as income, type of structure, types of rights or tenure, price or rental, quality, size of household, social class (Agbola & Olatubara, 2007). It is important to understand the housing market classifications so as to know which of these submarkets do the private sector operates. We all talk about the poor who cannot buy, build, rent or borrow money for housing development. Can the private sector cater for
this category of sub-market? What is the total housing need of the Nigerian populace by categories? How many of these are being produced by the private sector?

The housing market in Nigeria is dominated by the private sector stock of buildings. As at 2002, it was noted that the formal and informal private sectors have been consistently providing over 90 per cent of the housing stock in the country (FGN, 2002), but according to Olatubara, (2007), the private sector contribution is put at about 80 per cent of the total supply of housing. It is observed that the housing units produced by the private sectors are usually out of the reach of the low income families. Although, this has prompted the incursion of the government into the housing market, the performance of the government has been a monumental failure as noted in this paper. It should be noted that the housing market is made up of the two distinct activities and they are; the production and allocation of housing units. The production of housing comes from both the private and public sectors, while the allocation process differs widely between the private and the public sectors. Access to the housing units produced by the public sector is influenced by the government allocation policy, which often discriminates against the low income households. On the other hand, access to housing units produced by the private sector is left entirely to the price system working through the interaction of demand supply to allocate housing between competing users. In the private sector housing market, where the price is the determinant of access, it has automatically excludes the low income earners (Agbola & Adegoke, 2007).

There is a wide gap between the housing need and supply. This is due to slow response of supply to demand. According to Rottenburg & Edel (1972), the housing market often suffers from lags in supply adjustment. This is so because it takes a long time to complete building a new house. The question is: how do we measure supply of housing? Do we take inventory of approved building plans from the local planning authority in the area? How reliable would that be? as many approved building plans never translates to completed building. Moreso, as so many new houses in the market are without approvals. In short, housing market is always at disequilibrium, since so much of aggregate stock is not of recent construction.

Housing market is unique, for it has a number of features that distinguishes it from other markets. The features are:
- Immobility of housing units: this makes housing site specific, that is, the supply in one location can only meet the demand in such a location alone.
- Durability: The durable nature of housing makes supply to be relatively fixed over a long period of time and prices of the standing stock and its
allocation are determined by changes in demand condition (Balchin & Kieve, 1977).

- **Heterogeneity:** Housing is heterogeneous since it comes in different types, shapes, size and structural designs.
- **Huge capital outlay:** Which in most cases, cannot be purchased in smaller units like stocks and shares and the cost cannot be incurred from one’s own pocket.
- **Capital appreciation:** Housing investment is an hedge against inflation for its value increases as the cost of living increases.
- **Externalities:** Housing investment always leads to spill-over effect, such as overcrowding, traffic congestion, slums and blighted environment.
- **The filtering process:** Where houses are vacated by those in higher income groups, they are made available to those in the lower income groups (Newell, 1977).

### The Rationale for Private Sector involvement in Housing Delivery

In this section, it shall be necessary to examine the following; (a) why should the private sector be involved in housing delivery? (b) what are the factors that militate against private sector level of performance in housing delivery?

The history of housing development in Nigeria is that of the private sector driven. In short, the private sector contributes a larger proportion of housing stock in the country. The private sector in the housing delivery consists of the individuals and corporate organizations. The sector provides houses for their direct use, their staff, for rental or sale. **The sector has been more efficient in the production of housing. That is why scholars have suggested that the government should only create the enabling environment for the private sector to meet the housing need of the people.** For instance, the UN (1976), observes that if the national housing goals are to be met, government should encourage, orient and if necessary, supervise the private housing sector. In the same vain, Freedman (1969), suggests that housing delivery should be left to the private sector to manage. The private sector involvement goes beyond direct housing construction to manufacturing of all types of building materials, supply of labour and capital (Windapo, 2007). What is the involvement of the Nigerian Society of Engineers in housing delivery in Nigeria?

Contemporary developments worldwide seem to favour the private sector driven housing development. The argument in favour of private sector is hinged on the efficiency and effectiveness of the private sector as well as the corruption and inefficiency of the public sector. The Nigerian government has identified with this view, and has in recent times introduced a number of reforms aimed at stimulating and assisting the private sector to play the leading roles in housing.
production and delivery. The reforms are in the establishment of Real Estate Developers Association of Nigeria (REDAN), Building Materials Producers Association of Nigeria (BUMPAN), the reduction of interest rates on national housing fund loan to members of REDAN and restructuring of the housing finance sub-sector to include the introduction of secondary mortgage market. Generally, in most countries of the world, the housing sector is a blend of private enterprises and government activities. The point of emphasis in this presentation is that policy on private sector participation in housing delivery has to involve identifying the factors that militate against effective private sector performance.

In assessing the performance of the private sector in housing provisions, it is necessary to look at the following

i) Cost of labour
ii) Accessibility to land
iii) Cost of building materials
iv) Accessibility to housing finance facilities
v) Hindrances posed by government policies, regulations and bye-laws;
vi) Poor infrastructural provision
vii) Inflation during the life of a project (Okupe, 2000); and
viii) Corruption/greed

Implications of Private Sector Involvement in Housing Delivery

The key elements that should guide the private sector in housing delivery to the public are

➢ **Affordability**

The main determinants of affordability are household income and price of housing. In the case of home ownership or rental, affordability is defined as owning a house with a value equal to slightly more than twice the household annual income or renting a house not more than 30 per cent of the household gross monthly income (Babade, 2007). The erroneous impression of the private sector is that poor/the low-income households cannot pay for accommodation, but researches have shown a high level correlation between low income earners and affordable housing (Olatubara & Agbola, 1992). What is the situation in this country with regards to low income earners and the rent they pay on their accommodation? What are the impediments constraining the private sector from providing affordable housing to the low income earners?

➢ **End-User Driven Initiatives**

The private sector should encourage and support end-user driven initiatives in housing delivery through the use of cooperatives or organizations. Such organizations include the Nigerian Society of Engineers (NSE), the Nigerian
Institution of Estate Surveyors and Valuers (NIESV), other professional bodies, social clubs, trade associations, etc.

- **Target Group**
  The private sector should target the low and the middle income groups in its housing provisions. These groups constitute the masses of this country and form about 90 per cent of the country’s population (FGN, 2004).

- **House Ownership/Rental Option**
  Houses should be developed on both owner-occupied and rental basis so as to promote a vibrant housing market in the country. It is erroneous and unthinkable that all households need housing in owner-occupier basis. The point is that rental housing sector has been and shall continue to be the major provider of the bulk of housing for the low-income households. Hence, the private sector should take initiative. – Nay the N.S.E. (Nigeria Society of Engineers).

- **Design/Construction**
  A realistic and functional design that minimize cost and enhance utility should be adhered to by the private sector.

- **Value Management**
  The objective of private sector involvement in housing development is to achieve value maximization in relation to the cost. Value maximization in projects such as housing could be achieved by:
  - completing the housing project within the estimated budget;
  - completing the housing project within the estimated time frame; and
  - completing the housing project according to specifications or standards required (Otegbulu, 2007).

  It should be noted that value management is all about cost consciousness and has two aspects – value analysis and value engineering. Value analysis involves a critical examination or consideration of the design or of the evaluation of procedures and materials involved to produce the same value for less cost or better value at the same cost or even less cost. It is quite different from cost reduction which involves performing a given function at a lower cost by altering the material or methods without relating it to the value derived. Value engineering applies to value analysis and involves examining the costs, methods or construction and marketing at the early stage of the project so as to identify and eliminates unnecessary cost without reducing quality. This involves a team work of professionals in the building industry.

  The private sector should apply the concept of value management in all aspects of housing development, such as:
  - Site selection/access to land
  - Design specification
- Choice of material and equipment
- Funds required/access to finance
- Labour required

Conclusion
The numerous and monumental problems that bedevil public sector housing delivery has led to a paradigm shift of involving the private sector in housing delivery, while the government should create the enabling environment. The private sector such as the Nigerian Society of Engineers must take up the challenge and justify the incentives and confidence that the public repose on it. A wise application of value management concept will reduce the cost of housing construction, create more utility, reduce running cost and above all leads to affordable housing provision to the public by the private sector.

Thank you.
References


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