

Synergy, Collaboration and Improved Public Awareness for Effective Housing/Housing Finance in Nigeria

Housing is one of the fundamental needs of man; It comes next only to food in the hierarchy of man's need for survival. With about 206 million in population, housing has been a protracted issue in Nigeria. Addressing the issue of housing becomes more important because Nigeria has one of the youngest populations in the world, half of the Nigerian population are less than 19 years. If a proper and firm grip is not placed on housing, within the next decade, housing deficit will further exacerbate as over 100m people move towards independence and needs their own personal places.

The government and all stakeholders in the Housing, Housing finance, building construction and affiliate sectors of the economy have committed huge resources of time, effort, materials and policy to addressing the recurring housing deficit, but without results commensurate to the effort put in. There has been numerous macroeconomic and policy initiatives across the entire housing and housing finance value chain, however, the full potentials of these interventions are yet to be achieved because it appears that stakeholders in the Housing/ housing finance subsectors are working in silos and the targeted audience for these interventions are largely unaware of the provisions of the government and private sector participants. The following strategies could be adopted to integrate housing/housing finance interventions in Nigeria:

Developing an appropriate Housing Scheme model: Home ownership alone may not be the only solution for defraying the huge housing deficit. There should be a structure to the housing market that will focus on different types of ownership/occupancy styles. The reality is that not everybody can own a house with the prevailing macroeconomic conditions in the country. So other forms of housing system should be explored. There is the need for a structured housing system that emphasizes different kinds of houses for different income groups and categories of people: for instance, Nigeria could develop a structure where people start with bungalows, graduate to town houses, move to single family residences, at empty nest and down scale to condominium in old age.

Collaboration among housing/housing finance sector stakeholders: The nation is at a critical inflection point in terms of housing and housing finance. Concerted collaboration from all stakeholders would ensure that the tide turns in a favourable direction that will result in increased supply and effective demand for housing and consequently exponential reduction in existing housing deficit. There are a number of ministries and government agencies that provide regulatory oversight to the housing and housing finance sector. Sometimes, these institutions have overlapping or competing objectives. Government should ensure that there is inter-agency relationship and a policy framework that enables these ministries, departments and agencies to work together harmoniously. There is also the need for public-private partnerships across the entire housing/housing finance value chain.

Establishing a versatile housing finance system: Housing supply, demand and by extension homeownership would greatly improve if housing finance focuses on other forms of finance apart from conventional mortgages. Balloon Mortgages could be considered for high net-worth individuals whose income are seasonal. Balloon mortgage requires that the buyer make monthly repayment on the interest only, the principal amount is paid off at the end of tenure as a lump sum. This scheme ensures that the monthly instalments are not huge enough to be burdensome and the money value of the principal is lesser at the end of the tenure. Rent-to-own Scheme and Incremental Housing Finance could also be adopted to ensure more people get access to housing finance. Where effective due diligence and careful underwriting is done, innovative housing finance schemes would yield good results, especially where they are targeted to only relevant prospective borrowers.

Increased use of technology for providing housing market infrastructure: Housing delivery and housing finance would also benefit greatly from the adoption of technology across the entire real estate and housing finance value chain. From land title and property registration to construction, deploying innovative technology will enhance value delivered. For instance, adopting the blockchain technology in Land Titling and Property

Registration could help to ease the current bottlenecks experienced in this area. Deploying technology for mobile mortgage loan origination would help to expand the scope of mortgages to the younger generations

Massive public awareness: There is the need for a paradigm shift in the conceptions that Nigerians hold about housing. For instance, an average Nigerian would not be favorably disposed to buying a flat – instead he wants a 3-bedroom bungalow. Simply put, a typical Nigerian would prefer to own the entire house all by himself. So if an appropriate housing model would be developed, then there has to be a public reorientation to housing. Another advocacy that needs to be embarked upon include the need for a savings culture. If mortgages are made available, repayment becomes inevitable, and repayment thrives on the ability to save. Further, advocacy on financial literacy and credit instruments should be embarked upon. Housing sector stakeholders should be forward looking and shouldn't wait until all necessary market changes are put in place before awareness, public enlightenment and education starts. It should start right now. Consumers should be prepared adequately for these changes so that it would be easy for them to imbibe and accept when they come.