In 2018, the National Population Commission (NPC) estimated Nigeria's population to be 198 million, with just over half of the population (99 million) living in urban areas. Nigeria is undergoing rapid urbanisation at a rate of 4.9 percent, with an overall population growth rate of 2.6 percent. It is anticipated that 75 percent of the population is expected to live in urban areas by 2050.

According to the Federal Government of Nigeria, the current housing deficit is estimated at 17-22 million housing units with the bulk of demand in the urban areas of Lagos, Port Harcourt and Abuja. Furthermore, the housing deficit is increasing annually by 900,000 units and will require N6 trillion (USD 16 billion) of annual investment, calling for the private sector to play a significant role alongside government in order to tackle the housing deficit.

In response, major housing industry players, including mortgage banks, financing institutions and developers, are working together in a more structured fashion to strengthen the housing finance sector in Nigeria. Since 2014, the Nigeria Mortgage Refinancing Company (NMRC) has led efforts to promote the creation of a strong legal framework and standards to support the activities of key players in the mortgage market. This includes the development of uniform underwriting standards for both the formal and informal sectors of the economy. The standards set clear industry guidelines that mortgage banks are expected to comply with.

Credible issuers in the private sector have been able to successfully tap the DCM to access stable long-term finance to fund key activities that ultimately support the development of the Nigerian economy. With reference to the housing sector, the FMDQ partnered with the International Finance Corporation (IFC) and Family Homes Funds (FHF) as part of its DCM-deepening effort, to hold a Housing Roundtable at the end of November 2018 in order to assist with developing the Nigerian Housing Market.

Additional initiatives underway to strengthen financial markets should also have a positive impact on the housing sector. In 2019, there has been increased recognition of the importance of data which has culminated in the establishment of the National Real Estate Data Collation and Management Programme. This initiative is as a result of steps taken by the Real Estate Developer's Association of Nigeria (REDAN) in collaboration with the Central Bank of Nigeria (CBN), the Federal Ministry of Power, Works and Housing, Federal Mortgage Bank of Nigeria (FMBN), NMRC, National Bureau of Statistics (NBS), NPC, Mortgage Banking Association of Nigeria (MBAN), and Pison Housing Company amongst other institutions.

These initiatives are evidence of a concerted effort by public and private stakeholders to address the shortage of affordable housing. However, the greatest challenge remains enhancing access to finance to the lower end of the market. This newsletter gives a
with in originating and processing mortgages that can be refinanced by the NMRC.

With respect to the wider finance sector, the FMDQ OTC Securities Exchange (FMDQ or the OTC Exchange) has progressively championed and effectively supported initiatives aimed at boosting the growth and development of the Nigerian financial markets, with a focus on the debt capital market (DCM). Consequently, broad overview of housing and housing finance markets in Nigeria, drawing on the Nigeria country profile, which was written by Roland Igbinoba, in the Housing Finance in Africa Yearbook 2018 (9th Edition). In addition, the newsletter highlights research relevant to Nigeria, and provides links to available resources and organisations working within the housing finance sector in Nigeria.

OVERVIEW OF NIGERIA’S HOUSING FINANCE MARKET

According to Enhancing Financial Innovation & Access (EFINA) in collaboration with the Nigerian Bureau of Statistics, financial inclusion declined between 2014 to 2016, as growth in the adult population over the period outplaced growth in the banked population. This was despite an increase in the number of adults formally banked (36.9 million or 38.3 percent in 2016) or otherwise formally included (another 10 million adults, or 10.3 percent of the adult population). In 2016, 41.6 percent of the adult population, or 40.1 million adults, remained financially excluded. This posed a challenge to the Central Bank of Nigeria (CBN)'s target of reducing the number of financially excluded Nigerians from 46 percent in 2010 to 20 percent by 2020. In 2018, the CBN licensed mobile money operators and super agents known as the Shared Agent Network Expansion Facilities (SANEF). SANEF is aimed at an aggressive roll-out of a network of 500 000 agents offering basic financial services.

At the end of 2018, the CBN published the list of 34 entities which are licensed primary mortgage banks and 882 entities as licensed microfinance banks. In total there are 58 financial service providers that provide financing for housing demand and supply. Amongst these are 47 active mortgage providers which comprise six commercial banks, 34 primary mortgage banks, and seven microfinance banking (MFB) institutions.

Despite these gains, it is clear that the mortgage finance industry in Nigeria is still in its infancy, targeting primarily high income earners and largely excluding middle and low income earners. For the majority of Nigerians, mortgage finance is not an option due to the lack of a robust land tenure and financial system, and because loan repayment costs remain prohibitively high. Mortgage finance therefore remains a very small percentage of Nigeria's GDP, at 0.58 percent in comparison to the UK (80 percent), USA (77 percent), and South Africa (31 percent). Several secondary market institutions provide services intended to expand Nigeria's mortgage sector, beginning with the Federal Mortgage Bank of Nigeria (FMBN), Nigeria's apex mortgage institution, which promotes mortgage lending and manages the Nigerian housing policy.

The FMBN raises capital through the National Housing Fund (NHF)[1], which obtains funding mostly from salaried employees earning N3 000 (US$8.33) and above monthly, who are required to contribute 2.5 percent of their salary. Although the scheme is open to all, the recruitment structure has previously mostly targeted larger companies, recruiting middle income earners and hitherto ignoring the low-income earners in small and medium enterprises (SMEs). However, in a policy shift in 2018, FMBN has not only created uniform underwriting standards for the informal market and SMEs to augment the uniform underwriting standards for the formally employed market, but they have reduced required equity contributions for borrowers in different house price categories. For example, the downpayment for house prices of up to N5 million (US$13 889) is now zero percent (from 10 percent) and the downpayment for house prices of N5.01 million (US$13 889) and up to N15 million (US$41 667) is now 10 percent (formerly ranging between 10 percent and 30 percent).[2] FMBN offers one of the lowest mortgage rates on its products – 6 percent, compared to other banks which range from 16 to 28 percent. Maximum tenor of loans is 30 years, although most are granted with shorter terms. Between January to June 2017, the bank received N9.5 billion (US$26 million) in capital through the NHF and disbursed a sum of N1.1 billion (US$3 million) to borrowers.

The NMRC is also licensed to provide long-term secondary market refinancing. As at the end of 2016, the NMRC had refinanced mortgages amounting to N8 billion (US$22 million) – the amount of its inaugural bond issue. In June 2018, the company successfully issued N11 billion (US$30.5 million) 13.80 percent series 2 bonds to refinance eligible mortgage loans originated by the lending institutions in its network. The amount is part of NMRC's bond issuance under its N440 billion (US$1.2 billion) medium term note programme. The bond issuance was rated 'AAA' by both Global
Credit Rating Co. and Agusto & Co. and fully guaranteed by the Federal Government of Nigeria.

Furthermore, the Mortgage Warehouse Funding Limited (MWFL) was created and launched in late 2017. The MWFL aims to ease the current lack of liquidity for mortgage origination in the market by providing a source of short-term funding for primary mortgage banks. MWFL’s operations are designed to support the mandate of the NMRC’s refinancing focus.

[1] National Housing Fund is a Federal Government introduced scheme, to which all public servants and employees in the organised private sector within the country are expected to contribute 2.5 percent of their monthly salary to the Federal Mortgage Bank of Nigeria, managers of the fund.


**KEY FIGURES**

<table>
<thead>
<tr>
<th>Key Figures</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main urban centres</td>
<td>Lagos</td>
</tr>
<tr>
<td>Exchange rate: 1 USD = [ ] 17 Jul 2018</td>
<td>305.3 Nigerian naira</td>
</tr>
<tr>
<td>PPP Exchange rate: 1 local currency (PPP) to 1 Nigerian naira</td>
<td>102.7</td>
</tr>
<tr>
<td>Inflation rate (H): Urban population size (H)</td>
<td>12.77</td>
</tr>
<tr>
<td>Population growth rate (H): Inflation rate (H)</td>
<td>6.56%</td>
</tr>
<tr>
<td>Percentage of the total population below National Poverty Line (H)</td>
<td>10.0%</td>
</tr>
<tr>
<td>Unemployment rate (Q3 2017) (H)</td>
<td>10.0%</td>
</tr>
<tr>
<td>GDP (Current US$3.1): GDP growth rate annual (Q3 2017) (H)</td>
<td>US$175.500 million</td>
</tr>
<tr>
<td>GDP per capita (Current US$3.1)</td>
<td>US$492</td>
</tr>
<tr>
<td>Gov’t excess budget</td>
<td>US$2100</td>
</tr>
<tr>
<td>Cost of living (H): HOI country index score (H)</td>
<td>152</td>
</tr>
</tbody>
</table>

- Is there a deeds ministry? Yes
- Number of residential properties that have a title deed: No
- Landlord interest rate: 25.00%
- Mortgage interest rate: 15.00% (1 year)
- Downpayment: 25%
- Mortgage loan as a percentage of the GDP: 1%
- Estimated number of mortgages: 24,414
- Price per square foot in City Centre: Outside City Centre: 43.60
- Group Rental Yield in City Centre: Outside City Centre: 46.4%
- Construction as a % of GDP: 3.72%

- What is the cost of standard 50 kg bag of cement? US$4.42
- What is the price of the cheapest, newly built house by a local developer or contractor? 5,000,000 NGN
- What is the price of the cheapest, newly built house by a local developer or contractor? US$846
- What is the size of this house (m²)? 42m²
- What is the average rental price for this unit (US$)? 500
- What is the minimum size or plot size for residential property? 500
- Ease of Doing Business Rank (H): 145
- Number of procedures to register property (H): 11
- Time to register property (days): 70
- Cost to register property (as % of property value): No

**HOUSING AFFORDABILITY**

The graph below shows the annual income profile for rural and urban households, based on consumption. CAHF purchases this data from C-GIDD (Canback Global Income Distribution), for all African countries. The data for Nigeria is reflected in Purchasing Power Parity (PPP) dollars: 1 PPP$ = 102.7 Nigerian naira.

**Ease of Doing Business**: Many ministries, departments and agencies, led by the Nigeria Investment Promotion Commission (NIPC) and the Presidential Enabling Business Environment Council (PEBEC) are working assiduously to improve the investment climate in Nigeria.

As a result of these initiatives, Nigeria has shown a marked improvement in the World Bank’s 2018 Ease of Doing Business ranking, climbing 25 positions to 145th overall, making it one of the top ten most improved countries internationally.

The 12 procedures involved in registering a property take 105 days and cost an estimated 11.1 percent of the property value. Of these, it is the fifth procedure -- submitting the application for processing the Governor’s Consent and obtaining the title (required in terms of the Land Use Act 1978) -- that takes the longest, at 90 days.

**Cost of cement**: In 2018, the cost of a 50 kg bag of cement was estimated at US$8.42. This is below the continental average of US$10.

**Mortgage market**: Mortgages as a share of GDP stood at 1.00 percent in 2018.

**House costs**: The price of the cheapest, newly built house recorded by CAHF was US$13,888 in 2018, which is slightly more than US$8,500 recorded in 2017.
The national average annual urban household income in Nigeria in 2017 was PPP$21,235. This is below the annual household income needed to purchase the cheapest newly-built house by a formal developer, which in 2018 sat at PPP$30,120 (or 3.09 million Naira).

More than half of Nigeria's estimated population of 198 million live on less than US$1 a day. The unemployment rate increased from 10.4 percent in Q1 2016 to 18.8 percent in Q3 2017. Coupled with the high rate of unemployment, the minimum wage remains at N18,000 (US$60.28) per month, which has remained constant for the past six years, even with a high and increasing inflation rate currently at 11.6 percent.

Home purchase and rent prices have grown ahead of general inflation. A standard three-bedroom, middle-income apartment in urban locations currently commands a rent of approximately US$5,000 per annum and a purchase price of US$100,000. Overall, both at the state and federal level, there is a strong push by the administration to focus interventions on lower income earners who are aspiring to be homeowners and have been traditionally sidelined by the property market which is predominately controlled and used by the elite. However, new housing construction remains limited in supply and prohibitively expensive for middle and lower income households. Building materials make up 50-60 percent of total construction inputs. Although the Naira-USD exchange rate has stabilised considerably within the last year, it is expected that the price of construction will continue to increase as many construction items remain on the government's list of 44 items disqualified from getting foreign exchange from the Central Bank of Nigeria (CBN), forcing importers to source materials from a scarcer and often more expensive black market. In an effort to ensure that land transactions are carried out with minimum difficulty, in January 2015, Lagos State cut down land use charges from 13 percent to 3 percent of the property's value. The Federal Government is also pushing for a reduction in land transaction fees from 16 percent to 3 percent.

As a result of the high cost and limited production of affordable housing in Nigeria, 51 percent of Nigerians live in rented accommodation, 40 percent of whom are paying between N20,000 (US$55.56) and N100,000 (US$222.22) yearly. With the majority of the population forced to rent and low regulatory monitoring regarding rentals, landlords and estate agents dictate the market. To curb this, the Lagos Tenancy Bill of 2011 was promulgated as a law. Amongst other aspects, it states that landlords can only charge for one year's rent in advance. However, the law is not being enforced and people seeking rental accommodation still face issues of landlords requesting payments of two or more years.

Agency fees are another expense which the Lagos Tenancy Law has been unable to govern, and they are high in Nigeria, ranging from 5 to 10 percent, in comparison to countries such as Ghana (5 percent), and Kenya (1.25 percent). This is fuelling the rise of innovative schemes by property developers such as rent-to-purchase, in which you pay a larger rent than usual, but have the option of purchasing the home at the end of the rental period.

---


---

PROPERTY MARKETS

The real estate sector which accounts for 5.63 percent of the Nigerian economy in GDP terms has been plagued with market uncertainty and declining demand, reflective of the underperformance in the mortgage and consumer lending sectors. Additional drivers to the sector's underperformance
include the slow economic recovery rate since the last recession and rising house production costs. The economic slowdown has severely impacted the demand side of the market, which has led to high vacancy rates, especially in the prime and luxury property markets.

Abuja is beginning to witness some marginal increase in house prices following a significant drop in 2017. Lagos has seen a marginal increase especially in mid-market property segments. Property markets in the North East, affected by political instability and security issues, have seen a significant drop given a high level of uncertainty; while the neighbouring markets to the North East have seen a marginal increase in property values as a result of migration to these regions.

A review of house prices in four major towns in Nigeria by The Roland Igbinoba House Price Index (RI Index) in the second quarter of 2018 suggests that the housing sector is consistently recovering from the effect of the recent recession. Between April and June 2018, most places in Lagos recorded increases in prices compared with Q4 2017 and Q1 2018. There was a significant rise in prices from Q4 2017 to Q2 2018, across all house types (2, 3, 4 and 5-bedroom houses) in most areas in Lagos, especially Ajah, Agege, Ikoyi Lekki, Gbagada, Ibeju-lekki, Isolo, and Surulere axis of Lagos. Movements of house prices were also on the increase in Abuja in the second quarter of 2018. Areas such as Dakwa, Kaura, Lokogoma, Mbora, Utako, and Wuse recorded an increase in prices of all house types (3, 4 and 5 bedroom) with the smallest increase seen in the 3-bedroom houses. Prices however was erratic across all house types in Apo, Asoko, Guzape, Gwainpa, Jabi, Karsana, Karshi Katampe, Kubwa, Lugbe, Mabuchi and Maitama. In Port Harcourt, several areas also experienced an increase in house prices with reference to the last quarter of 2017. In Kaduna, movements of house prices seemed to reflect the changes experienced in other parts of the nation. Overall, the RI Index for the second quarter of 2018 suggests that there is significant improvement in house prices in all the four major towns: Lagos, Abuja, Port Harcourt and Kaduna. The slow but improving economy no doubt impacted on house prices.


**RESEARCH: NIGERIA HOUSING ECONOMIC VALUE CHAIN**

Understanding how developing economies build housing, and how housing contributes to the growth of developing economies, is a key requirement for implementing evidence-based economic, housing and housing finance policy. Yet, in many developing nations, insufficient macroeconomic and housing sector data exists to quantify how, where and to what extent housing influences economic growth.
The Comparing Housing Economic Value Chains in Four African Countries research paper by David Gardner and Keith Lockwood outlines the findings from a pioneering methodology developed by CAHF that has been used to describe, quantify and compare the impact of housing on the economies of South Africa, Rwanda, Kenya and Nigeria. Published in March 2019, this paper analyses the impact that housing construction and housing rental have on developing economies, and which sectors of the national economy are most impacted by these activities. The paper found that Nigeria’s total residential housing construction and housing rental domestic production was US$10.9 billion in 2016, contributing 5.8 percent gross value add to the country’s GDP.

In July 2019, CAHF will be updating the Housing Economic Value Chain research on Nigeria with more recent data and publishing a report in August which compares the 2016 analysis to 2018 data. To access our reports on the housing economic value chain in Nigeria and other countries, visit our Housing and the Economy Project Page.

ABUJA INTERNATIONAL HOUSING SHOW

The Abuja International Housing Show (AIHS) is an annual event that took off over a decade ago and the latest 13th edition is scheduled for the 23rd-26th July 2019. This year’s theme is “Driving Sustainable Housing Finance Models in the Midst of Global Uncertainty.” With over 40,000 participants every year, the AIHS is widely acknowledged as the prime destination for global stakeholders in housing and finance for impact conferences, panels, policy development, product exhibition and making of sales. Over 30 speakers from at least 15 countries will be speaking at this year’s event including Kecia Rust, CAHF’s Executive Director.

USEFUL RESOURCES

To access blogs, documents and other useful publications on the housing finance system in Nigeria:

VISIT OUR NIGERIA PAGE

Other useful resources include:

Nigeria Mortgage Refinance Company

- NMRC is a private sector-driven mortgage refinancing company with the public purpose of promoting home ownership for Nigerians while deepening the primary and secondary mortgage markets.
- In 2017, the NMRC and CAHF jointly committed to deepening understanding of the housing finance market in Africa, and in Nigeria in particular, through the signing of a Memorandum of Understanding (MoU). The strategic intent of the partnership between NMRC and CAHF is to collaborate in support of effective, data-driven policy and decision-making in Nigeria's housing market.
Federal Ministry of Land, Housing and Urban Development

- The Federal Ministry of Land, Housing and Urban Development (FMLHUD) is the umbrella policy arm of the federal government charged with the responsibility of ensuring adequate and sustainable housing delivery and maintenance of a conducive living environment that meets the needs and aspirations of the Nigerian Citizens.

Nigeria’s Federal Ministry Power, Works and Housing.

- The mandate of the Ministry is primarily to formulate and implement the policy of the Federal Government of Nigeria (FGN) with respect to the generation and distribution of power, provision of infrastructure and affordable housing for Nigerian citizens.
- The Federal Housing Authority (FHA) is supervised by the Federal Ministry of Power, Works and Housing and is tasked with the preparation and submission of National Housing Programmes, provision of site and service schemes to all income groups and execution of approved housing programmes.
- FHA currently provides a list tracking the number of past, ongoing, future and upcoming housing projects which includes the location, number of units delivered and additional information on the specific arrangements for each project.
- The FHA regularly provides news updates on housing projects that have been commissioned, are being undertaken or initiatives upon which the federal government is involved in.

Federal Mortgage Bank of Nigeria

- Federal Mortgage Bank of Nigeria supplies the Nigerian mortgage market with sustainable liquidity for the advancement of home ownership among Nigerians anchored on mortgage financing. FMBN provides long term credit facilities to mortgage institutions in Nigeria.
- The FMBN website provides a list of the accredited primary mortgage banks and gives detail on the legal framework, eligibility, registration and refund procedures of the National Housing Fund.

Nigeria’s Federal Bureau of Statistics

- Nigeria’s Bureau of Statistics (NBS) is the apex statistical agency for all the three tiers of government and provides socio-economic statistics on all facets of development in Nigeria.
- The NBS website hosts a web-based data platform that contains five components of maps, data analysis, reports, dashboards and a resource center. The NBS data warehouse allows the user to access, analyse and manipulate data covering the sectors that comprise of Nigeria’s economy.

MIX Market - Financial Inclusion Data, Analytics and Insight

- MIX Market is a data hub where microfinance institutions (MFIs) and supporting organizations share institutional data to broaden transparency and market insight.
- MIX Market provides instant access to the data, analysis, and tools that deliver key insights into the financial inclusion sector in Nigeria through the
dissemination of publications and news articles.

World Bank Nigeria

- The World Bank provides data and research on a country basis. The World Bank’s focus in Nigeria is currently on revenue diversification and mobilization, addressing the binding constraints for attracting private financing, and improving social services delivery for building the human capital needed for inclusive economic growth, in alignment with the Economic Recovery and Growth Plan.
- The WBG support for Nigeria is structured around the implementation of the Country Partnership Strategy period (FY2014-2019).

Enhancing Financial Innovation & Access

- EFInA is a financial sector development organization that promotes financial inclusion in Nigeria. Efina aims to provide credible market information on the Nigerian financial sector.
- EFInA has developed its flagship research tool (Efina Access to Financial Services in Nigeria Survey) which is a survey that provides relevant and reliable data on the demand for and use of financial services by the adult population in Nigeria.

Making Finance Work for Africa

- The Making Finance Work for Africa Partnership is an initiative to support the development of African Financial Sectors.
- Making Finance Work for Africa has formulated a financial sector overview for Nigeria, publishes news and articles on Nigeria’s financial sector and has recently published articles that cover topics on financial inclusion and the needs of smallholder households in six countries that include Nigeria.

DASHBOARDS PRESENTING NIGERIAN DATA IN AN AFRICAN CONTEXT

Down to Brick Level: Benchmarking Housing Construction Costs in Africa

To begin to explore and benchmark the cost of housing construction across South Africa, CAHF developed a detailed breakdown of housing construction costs in sixteen African countries including Nigeria. Using a standard house design and Bill of Quantities, we asked a professional Quantity Surveyor in each country to provide a quotation for building the house in the main city and in a secondary city--for Nigeria, Abuja and Port Harcourt were included in the study. The dashboard allows you to explore the variation across countries and cities while also drilling down to cost components, exposing highs and lows and raising questions around the differences. The cost of the house varies by more than 100
percent from the country in which it is the most expensive to build, through to the country in which it is the most affordable.

Calculating Mortgage and Housing Affordability in Africa: 2018

We have taken mortgage lending data that we collected from major banks and lenders across Africa, and household income estimates using consumption data in PPP$ from C-GIDD, and used these to calculate an estimate of housing affordability by country. These calculations make use of: the average costs of an affordable housing unit in each country, prevailing minimum mortgage rates, typical mortgage terms, and the distribution of household incomes in both urban and rural areas. The house costs, down payment and household incomes are all valued in PPP dollars using exchange rates drawn from the World Bank database.

Housing and Construction in Africa: 2010-2018

This dashboard explores some of this data as it relates to affordability and what it means for access to housing across the continent. CAHF has been collecting data on house prices, construction costs, and income across Africa for the past eight years and publishing this in its Housing Finance in Africa Yearbook. The data gives us a rough indication of the range of house prices and sizes being provided by the private sector, as well as some insights on affordability across the continent. We are in the process of collecting additional data on the scale of construction, as well as the relationship between supply and demand of housing in African countries.

Residential Real Estate Investment Trusts in Africa: Findings in 5 countries

Residential Real Estate Investment Trusts (REITs) have emerged as an innovation in housing finance that has the potential to increase housing delivery as well as access to housing finance products. The Centre for Affordable Housing Finance in Africa, through its REITs project, has been tracking the impact of REITs on the housing finance markets of Africa since 2017. This includes a partnership with REBEL Group to conduct research on the potential of REITs to increase investment in and access to affordable housing in Africa.
dashboard displays information on the REITs that we identified in Nigeria, Ghana, South Africa, Tanzania, Kenya, Rwanda and Morocco, including regulatory frameworks, legislation, and portfolio categories.