

ENGAGING THE PRIVATE SECTOR IN HOUSING DELIVERY

Huge amount of investment is required to significantly deliver on the housing requirement for the country. Obviously there is little the government can do without engaging and trapping the private sector investments. A major strategy in this regard will be the creation of the right market environment to enable the introduction of products with the capacity to galvanise investments into the real estate sector for the development of mass housing.

About 10,000 mortgages were recently launched by the government, bringing to 30,000 the total number of mortgages currently. This is commendable, but it is still highly contended that for any reasonable result to be achieved in the area of housing using the mortgage window, there must be a strategic and sustainable plan to grow the stock of housing. Mortgages are created on housing units; implying that focus should be on boosting development on a long term basis.

This is more so when viewed against the population of the country and the huge housing requirement. With a population of about 170 million, it is estimated that not less than 18 million housing units will be required to address the gross deficit for housing accommodation in the sector. This is a monumental challenge in the face of paltry 20,000 existing mortgages. It therefore means that the right structure has to be put in place to address this. Such structure must harmonise the policy frameworks of government with the creative input of private sector operators.

Increased efforts by State Governments to create an efficient platform for procuring land title and reducing transfer costs on property will further stimulate the development of real estate as well as encourage existing holders of real estate assets to transfer their portfolio into such products as Real Estate Investment Trusts (REITs), Mortgage Backed Securities (MBS) etc. as means of unlocking capital.

Though the Nigerian Real Estate Industry may be described as one of the fastest growing sectors of the Nigerian economy, it is still viewed as unorganized and characterized by various factors that impede coordinated dealing such as non-availability of favourably priced long term bank financing, high interest rates and exorbitant transfer taxes.

The launch of the Nigerian Mortgage Refinance

MARKET UPDATE

	15/01/13	15/12/13	05/09/14
Naira/US\$	157.65	159.94	162.05
Brent,US\$/BBL	109.78	107.84	93.57
COCOA, US\$	1487.82	2685.47	3196.04
MPR%	12.00	12.00	12.00
INFLATION RATE %	10.3	7.9	8.3
MORTGAGE RATE %	22.0	23.0	23.0

STOCKS CONSTITUTING GMA INDEX

STOCKS	31/12/13 Price (N)	05/09/14 Price (N)	%Change in Price
OANDO	24.25	25.85	6.60
GTBANK	27.02	29.82	10.36
OKOMU	44.00	34.50	-21.59
STANBIC	21.35	30.40	42.39
DANGSUGAR	11.70	8.15	-30.34
FIDSON	2.79	3.69	32.26
TRANSCORP	4.35	6.40	47.15
CCNN	11.75	14.40	22.55

	PRICE(N)	NAV (N)
	31/01/14	05/09/14
UHOREIT	50.00	50.00
UPDCREIT	10.00	10.00

Index	31/12/13	05/09/14	% Change
NSE ASI	41,329.19	41,160.62	-0.14
GMA Index	1.50	1.71	14.00

Source: CBN, SEC and NSE

Company (NMRC) was of great interest to operators in the real estate industry, particularly the PMIS. However, of greater concern was the level of impact it will have given the shortage or outright unavailability of housing stock that will drive its operations. The effectiveness of mortgage refinancing is a function of a large pool of housing on which mortgages have either been created or can be created.

At inception, the NMRC is projected to set a growth process in motion that will deliver up to 75,000 homes per annum, generate and sustain at least 300,000 direct jobs and 488,000 indirect jobs after its initial project period. The launching of the 10,000

mortgages by the Government as part of efforts towards realizing the objectives of the NMRC is a major step towards affordable housing delivery and home-ownership in the country. The 10,000 mortgages jointly launched by the ministries of Finance, Lands, Housing and Urban Development is the first tranche of the 200,000 mortgages targeted for the NMRC scheme by the Federal Government.

At the launch of the scheme in January this year, the government announced that the number of mortgages in the country would be increased to 200,000 from its present 20,000, with at an assurance that given the full operation of NMRC, a substantial building block would be put in place to pull down interest rate from the current spread of 20 to 23 percent to low double digits or high single digit. The right strategy to achieve this is an integrated approach that involves all stakeholders.

The Housing Ministry accepts an obligation to develop a medley of house-types that are affordable, of good quality, excellent standards, and located in viable and aesthetic communities, provided with the requisite infrastructure and services. It is equally interesting to note that most of the states are well disposed to the success of this programme and have offered to make a secured and viable land available for mass housing development.

However, it is of prime importance that the underwriting standards of pre-qualification for the mortgages are properly set. This is seen as a crucial first step to mortgage home ownership to enable interested persons benefit from the affordable houses. These standards have the effect of enhancing easy access to mortgage refinancing boosting liquidity in the sector.

The government recently commissioned several estates built in partnership with the private sector and funded by the Federal Mortgage Bank of Nigeria (FMBN).

Also, under a National Site and Services Scheme, the Housing Ministry is currently building fully serviced residential plots per site in 13 states of the six Geopolitical Zones of the Federation, and FCT. These efforts are commendable but the contribution may not be meaningful considering the large housing gap.

CONCLUSION

With the setting up of the Nigerian Mortgage Refinance Company (NMRC, and the launch of the first 10,000 mortgages out of a planned 200,000, it may be right to say that the government has set the tone for the mortgage industry to thrive and blossom. However, it is imperative that the government designs and implements a more realistic scheme that will create a lee way for the private sector investment in housing delivery.

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