

THE RESURGING HOUSING MARKET: MORTGAGE REFINANCING AS A CATALYST

The government in August put up 10,000 mortgages to be subscribed to under the first phase of the new mortgage refinance scheme. This is part of the strategic plan to boost housing development and ownership by the citizenry. The offer aimed at activating the mortgage market in the country as a vehicle for housing delivery, is made on the platform of the Nigerian Mortgage Refinance Company (NMRC). Last week it announced that a total of 66,402 applications were received in response to the advertised 10,000 mortgage offers. As way out, the Minister for Finance, Mrs. Ngozi Okonjo-Iweala, under whose Ministry the scheme comes, has requested that all the applicants be prequalified by the Primary Mortgage Institutions (PMIs) apparently with a plan for them to make up for whatever shortfall after the full issue of the 10,000 mortgages

This wide gap between what is available and what is being sought for confirms the extent of housing inadequacy in Nigeria. It also reveals the readiness of Nigerians to key into the Mortgage market whose contribution to GDP is at an abysmal low; less than 1 percent compared to South Africa's 29 percent. The gap will continue to widen in the subsequent phases as people catch up in the awareness of the scheme. Industry stakeholders estimate a N56 trillion commitment will assuage the gaping 17 million housing unit deficit in Nigeria.

THE LAGOS HOMS EXPERIENCE

The Lagos State Government launched the Lagos Homes Ownership Mortgage Scheme (Lagos HOMS) in early 2014 to afford first time home owners the opportunity to achieve their dreams. This campaign may have ignited a resurgence in housing and mortgage development in Nigeria.

The management of the Lagos HOMS scheme to date is a novelty in the provision of housing for the citizenry, particularly the first time home buyers, by any state government in Nigeria. Under the scheme, a total of 4,260 housing units are being constructed in various locations all through the state. Of this number, 1,104 housing units of have been completed and allotted between March and June 2014 at the rate of 200 units per month; while a total of 3,156 units of houses are at various stages of completion.

The scheme's success may be attributed to the clear understanding of what the challenges are,

MARKET UPDATE

	15/01/13	15/12/13	12/09/14
Naira/US\$	157.65	159.94	162.90
Brent,US\$/BBL	109.78	107.84	98.30
COCOA, US\$	1487.82	2685.47	3215.33
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)	12/09/14 Price (N)	%Change in Price
OANDO	24.25	25.21	3.96
GTBANK	27.02	29.15	8.25
OKOMU	44.00	33.25	-24.93
STANBIC	21.35	30.00	40.52
DANGSUGAR	11.70	8.80	-24.79
FIDSON	2.79	3.34	19.71
TRANSCORP	4.35	6.05	39.08
CCNN	11.75	14.05	22.55

	PRICE(N)	NAV (N)
	31/01/14	12/09/14
UHOREIT	50.00	50.00
UPDCREIT	10.00	10.00

Index	31/12/13	12/09/14	% Change
NSE ASI	41,329.19	40,672.94	-1.59
GMA Index	1.50	1.69	12.68

Source: CBN, NSE and GMA Research

and the will of the government to design and implement an effective solution to the challenges. In identifying and implementing a solution to the housing challenges, the consciousness of the government centered on equalizing opportunities to home ownership through the provision of better access to capital through affordable mortgages.

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 housing development.

GROWING THE HOUSING STOCK

The Federal Governments housing initiative through the NMRC 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. 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 harmonize the policy frameworks of government with the creative input of private sector operators.

THE PROFILING STRUCTURE

The requirement for the profiling or prequalification of applicants by the PMIs also confirms the need for strategic engagement of key players in the industry particularly the PMIs and housing developers. This emphasizes the need for such private sector engagement to be based on a clearly designed structure. The structure would create a flow from primary funding of developers to creation of mortgages by the PMIs through to refinancing by the NMRC.

THE FUNDING STRUCTURE

The primary funding of developers is critical at this stage that the government wants to build a platform for housing delivery. A starting point for the government at this stage would be the floating of a special housing fund which credible developers can easily access under very comfortable terms. Assessment of that fund would be tied to the actual continued delivery of houses thereafter to the PMIs who would now create mortgages on them. This mortgages created based on approved underwriting standards would now be off-loaded to the NMRC for refinancing. Under this structure, the whole process can easily be monitored.

CONCLUSION

The opportunities for growth in the housing development and mortgage markets are immense for stakeholders as they are hinged on the need to fill up the large housing deficit which had accumulated over the years. If recent stakeholder responsibility and passion remains positive beyond the present period it wouldn't be out of place to project a sustainable growth for the housing industry and the Nigerian economy in the not too long future.

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