CHALLENGES OF PRIVATE DEVELOPERS ON RESIDENTIAL HOUSING DEVELOPMENT IN ABUJA, NIGERIA

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Abstract

Housing is one of the relevant tools for the wellbeing and health of man. Housing serves as a shield for man. The study examined the challenges of private developers on residential housing development in Abuja. Data were collected through questionnaire administration. The method of data analysis was frequency distribution and weighted mean score. The major challenges of private developers on residential housing development identified by respondents include high cost of building materials, inadequate access to housing finance and high interest rate. The study recommends that government should subsidize the prices of building materials. Also the government should make policies that ease housing finance. The study concludes that finance can also be assessed through better structured innovative financing options for housing and infrastructural development.

Keywords: *Housing, Residential property, Estate developers, Challenges and Abuja*

1. Introduction

Housing is one of the most vital needs of man. It is relevant to the wellbeing and health of man (Fadamiro, Taiwo and Ajayi, 2004). Housing is generally considered as the second most important need of man. It is one of the indicators to determine person's standard of living. The performance of the housing sector is one of the yardsticks by which the health of a nation is measured (Angel, 2000; Blunt and Dawling, 2006; Charles, 2003; and Sulyman, 2000).

Gbadamosi (1991) defined housing development as series of activities through which resources such as land, labour, finance and building material (materials) are combined to produce houses. It also involves the renovation of existing housing units to meet people's demand. The author argued further that once these resources are in place; the development of housing will increase to enable more citizens to benefit from the housing projects.

The real estate developer was described as the prime mover of development process, as the glue, which holds together the various participants in the development process (Yakubu 2015). The role of real estate developer cannot be under estimate. Olayiwola et al, (2015), and Ukoje and Kanu (2014) considered the public housing delivery in Nigeria. Government have(has) attempted to increase the supply of housing by implementing policies and programmes that will enhance the provision of housing supply. Ibimilua and Ibitoye, 2015; Omolabi and Adebayo, 2017; Jolaoso, Musa and Oriola, 2012, Ndukwe and Nwuzor (2015) etc. assessed these policies and programmes (programs) and identified reasons for the failure.

Some studies also paid attention on the aspect of finance as ingredient that enhanced housing development such authors include; Charles, Fidelis, and Joseph (2017) and Yinusa, Ilu and Elumah (2017) but failed to examine challenges faced by private developers. Adekunle, Musibau and Oluwasinaayo (2018) assessed the activities of private developers' in the production of housing. The study was carried out in Lagos state and not Abuja, a similar study is also needed in Northern Nigeria particularly Abuja.

But then one might ask whether this gap has not already been filled. Have there not been studies on challenges of private developers in housing development in Nigeria? The answer would be that there are studies, but studies in Northern Nigeria, are scanty. The researchers were Aliyu, Rozilah and David (2011); Muhammad and Bichi (2014); Ukoje and Kanu (2014). A study of this nature is needed in Abuja being the fact that it is the federal capital territory and also the fastest growing city in Africa.

2.Literature review

Aliyu, Roziah and David (2011) studied the factors affecting the development of housing in Makama Jahun Area of Bauchi Metropolis, Nigeria. Data were analysed using frequency distribution. The finding shows that high cost of materials for buildings and poor source of finance are the major constraints to the residential property development in the area of study. The study focused of housing development without considering the challenges faced by the private developers in housing development

Muhammad and Bichi (2014) examined the constraints and challenges of housing provision in Kano City. The finding shows that *the low income earner is the person who suffers inadequate* housing provision. The findings also revealed that *high cost of production of the houses by government, bureaucratic procedures required accessing these facilities and the high cost of developing the plots etc. This study focused was conducted in Kano; a similar study is needed in Abuja being the fastest growing city in Nigeria.*

Okafor (2016) examined residential housing problem in Onitsha metropolis. Data were collected through primary and secondary sources. The finding shows that low income earners were the one's mostly affected by housing problems and Onitsha. The finding also shows that lack of or inadequate housing financial assistance, high cost of building materials, high interest rate and lack of interest by financial institutions to facilitate loans to investors, uncoordinated policies by the government, etc.This Study focused on housing problem, hence, there is need to examine challenges faced by private developers in housing development.

Oloke et al (2017) examined the challenges of forward sale in the Nigerian housing market. The study sampled the developers, buyers and estate surveyors and valuers in the Metropolitan Lagos State. Data were obtained with the use of questionnaire. Data were analysed with frequency distribution. The finding shows that private developers prefer to harness the benefits of forward sale optimally while buyers are reluctant to use the method. This study focused on the method of selling the property developed

Iwedi and Onuegbu (2014) examined the challenges in funding housing deficit in Nigeria. The challenges identified in the study include outdated mortgage laws, poor funding, and unfriendly compliance with the National Housing Fund Scheme etc. The study observes that viable mortgage system, adequate funding via appropriation or international aid and policy implementation are disposable tools for the bridging of housing deficit in this sector of the Nigeria economic. The study considered the challenges encountered in sourcing for housing finance.

Gbadebo and Olanrewaju (2015) examined the challenges hindering the delivery of housing in Nigeria. The challenges include land acquisition, huge cost of housing, building materials and construction cost, housing finance, security of tenure, land use decree of 1978, inflation rate, effect of weather, land settlement, effect of population, individual earning power, environmental management, immobility of housing, types of relationships, race and culture and environmental suitability. The author argued further that housing challenges is a global phenomenon confronting developed and developing, rich and poor nations. The study considered housing delivery in Nigeria, there is a need to examine challenges from the perspective of the private developers. About 90% of the total housing provision has traditionally been certified to the private sector (Ajanlekoko, 2001).

Stephen (2014) examined access to land for housing development in Accra, Ghana. The study adopted questionnaire survey approach. The study found out that Ghana landregistration process is expensive and cumbersome, legislation enacted had numerous pieces in recent year and aimed at improving the accessibility to land, result in higher registration frequencies which is incapable for the system to deal with by not compromising on the certainty and accuracy that characterizes registration of title. The study was conducted in Ghana housing development and not on housing development in Nigerian particularly Abuja.

Ajanlekoko (2001) identified some factors hindering private developers as high cost of building materials, difficulty in obtaining title to land, a feeble mortgage financing sector, scarce infrastructural facilities, and delay in obtaining building permit. The author generalizes the findings to Nigeria. Moreover the paper was based on a qualitative assessment; there was no evidence that the author administered questionnaire in cities across Nigeria

Omolabi and Adebayo (2017) assessed housing policy performance towards housing provision of public low income housing mortgage in Lagos state. The study employed interview and assessment of secondary data of the past and present program performance of low income housing. The study found out that factors militating against the attainment of the development of sustainable housing for the low income groups who constitutes earning less than 2 US Dollar per day are usually seen in the formal and informal sectors which is characterized by low productivity and income. This study focused on the assessment of the policies without considering the challenges encountered in housing development

Yinusa, Ilo, and Elumah (2017) examined housing development and mortgage financing in Nigeria. The study used the secondary data Central Bank of Nigeria for the period of 1992-2015. Which were collected from central bank of Nigeria (CBN) and National Bureau of statistic (NBS). The method of ordinary least square was employed and urban population growth was used as the dependent variable while primary loans to mortgage, microfinance bank loans from mortgage and government housing allocation, were used as independent variable. The study found out that microfinance loans from mortgage on housing development has a negative impact, whereas, primary mortgage loans to mortgage development have a significant positive influence in Nigeria. The study looked at mortgage financing and housing development in Nigeria at large and not placing emphasis particularly to Abuja.

Gbadeyan (2011) examined the contribution of Private sector in housing provisions in Nigeria. The study sampled landlord (landlords), tenant(tenants) and private developers data were gathered through questionnaire administration. Data were analysed with Chi-square Statistics and Mean Score. The finding shows that estate agents appeared to be making the most significant contributions to the development in the Nigeria Housing Market. The major problem encountered is finance. This study considered the contribution of private developers without the challenges faced by the developers

Abimilu and lbitoye (2015) found that policy instrument is one of the ways of tackling housing problems. The author further argued that housing policy was promulgated in 1991 in order to address housing problems. The programmes (programs) of action in the policy include construction technology, housing finance, land and infrastructure, building materials, labour management, housing allocation, monitoring and review.

Gbadebo and Olanrewaju (2015) examined the strategies for rapid housing delivery in Nigeria include accommodation or provision of shelter,reduction of government taxes, availability of materials in the local market, credit availability, investment, public and private participation, source of social prestige, security of materials, provision of collateral for loan security, reduction on the rate of interest on bank loan on labour, cost on bank loans of materials for building and also reduction of the rate of interest on bank loan for the completion of projects.

Israel and Bashiru (2018) identified strategies through which houses could be provided in urban centre. This includes use of indigenous materials and technology, provision of habitable home at subsidize rate, modification of some parts of 1978 Land Use Act and accessibility of developers to land and mortgage loan at a low rate will go a long way in assisting developers in housing delivery in the country.

In summary, majority of these studies focused on the assessment of the housing policies and programmes (programs) and even some that considered challenges of housing provision focused in the Southwestern and East and few considered Northern Nigeria. There is a need to consider the challenges faced by private developers in FCT Abuja, being one of the prominent cities in Nigeria; hence, this study will examine the challenges encountered by private developers in residential property development.

3.Methodology

The targeted population for this research was the private developers who are with registered Real Estate Developers Association of Nigeria (REDAN) in FCT, Abuja. The total number of registered private property developers in Abuja is 51. A total enumeration survey of the 51 Real Estate Development Company in FCT, Abuja was used for this study. The method of data analysis was frequency distribution and weighted mean score. All tables are sourced from a field survey conducted in 2018**.**

4. **Findings**

4.1 Profile of the Respondents

This section gives details of the respondent’s profile which include gender, academic qualification, years of experience, number of branches owned by the firm, years of involvement in the development of residential property, the staff strength, factor (factors) that determine the development of residential properties.

Table 1 Profile of Respondents

Demographic characteristics	Options	Frequency	Percentage
Gender	Male	37	82.2
	Female	8	17.8
	Total	45	100
Academic Qualification	OND	2	4.4
	HND/BSc	14	31.1
	MBA	10	22.2
	MSc/MPHIL	5	11.1
	PhD	14	31.1
	Total	45	100.0
Years of Experience	1-5	16	35.6
	6-10	11	24.4
	11-15	9	20.0
	16-20	6	13.3
	21 Above	3	6.7
	Total	45	100.0
Number of Branches Owned by the Firm	1	18	40.0
	2	14	31.1
	3	7	15.6
	4	2	4.4
	5	4	8.9
	Total	45	100.0
Factors that Determine the Development of Residential Properties	Market Forces	18	40.0
	Clients	13	28.9
	Investors	14	31.1
	Total	45	100.0

The table 1 revealed(reveals) that 37% of respondents were Male and 8% were Female. It can be deduced that there were more Male respondents than the Female.

The table also revealed (reveals) that the respondents had OND, HND/BSc, MBA and MSc/MPHIL with the following response rate of 4.4%, 31.1%, 22.2%, 11.1% and 31.1% respectively. Majority of the respondents have HND/B.Sc. Thus, the respondents are expected to have understood the needs for carrying out the research and in turn supplied reliable information needed for the research.

Table 1 further revealed (reveals) the years of experience of the respondents which shows that 35.6% of the respondents have been in practice between the range of 1-5 years, 24.4% of the respondents have been in practice between the range of 6-10 years, 20% of the respondents have been in practice between the range of 11-15 years, 13.3% respondents have been in practice between the range of 16-20 years and also 6.7% have been in practice from 21 years and above. It can then be deduced that 35.6% of the respondents with the majority response rate are in practice within the range of 1-5 years were experienced registered private property developers capable of providing needed information for this research.

Table 1also shows the numbers of branches owned by the firm which shows that firms with 1 branch have a range of 40.0%, firms with 2 numbers of branches range 31.1%, firms with 3 branches range 15.6%, firms with four branches range 4.4% and firms with 5 branches range 8.6%. It can be deduced that majority of the respondents had only one branch.

Table 1 also revealed(reveals) the factors that determine the development of residential properties which shows that market forces range 40.0%, clients range 28.9% and investors range 21.1%. It can then be deduced 40.0% of the respondents with the majority response rate shows that market forces determine the development of residential properties.

Table 2Challenges Encountered by private developers on Residential Housing Development

Challenges	Frequency	Weighted mean score	Ranking
High cost of building materials	226	5.02	1
Inadequate access to housing finance	222	4.93	2
High interest rate	218	4.84	3
Insufficiency of fund	215	4.78	4
Delay in obtaining building permit	209	4.64	5
High cost of title registration	208	4.62	6
Lack of infrastructural facility	200	4.44	7
Absence of long term loan	194	4.31	8
Mandatory governor’s consent in all land transaction	193	4.29	9
Inflation rate	190	4.22	10
Uncoordinated policies and implementation	188	4.18	11
Insufficient land management system	181	4.02	12
Non implementation of housing policies	176	3.98	13

Inadequacy in Land Use Act	176	3.91	14
Development control	175	3.89	15
Effect of weather condition	166	3.69	16
Population increase due to urbanization	166	3.69	16
Scarcity of trained manpower in the industry	156	3.47	18
Race and culture	145	3.22	19
Limited access to land	142	3.16	20

The analysis in Table 2showed(shows) the respondents opinion on the challenges encountered on residential housing development. The most common challenges identified by the private developers is high cost of building materials which is ranked 1sthaving weighted mean score (WMS) of 5.02, this finding agrees with earlier study of Gbadebo and Olanrewaju (2015); Yakubu, 2015 where it is identified as the challenges faced in housing development. The other challenges identified include in order of their ranking include inadequate access to housing finance, high interest rate, insufficiency of fund and delay in obtaining building permit having weighted mean scores of 4.93, 4.78, 4.64 respectively. High cost of title registration, lack of infrastructural facilities, absence of long time loan and mandatory governor's consent in all land transactions ranked 6th, 7th, 8th, and 9th respectively.

4.2 Solutions to the challenges of Private Developers on Residential housing development.

This section provides the solutions to the identified challenges of private developers on residential housing development.

Table 3 Solutions to the Challenges of Private Developers on Residential Housing development.

Identified Solutions	Frequency	Weighted mean score	Ranking
creation of an enabling environment for property investment	220	4.89	1
Availability of construction material in the local market	219	4.87	2
A creative and effective partnership between the government and the association	214	4.76	3
Reduction on the rate of interest	212	4.71	4
Reduction of government taxes	211	4.69	5
Reduction in the cost of building materials	208	4.62	6
Credit availability	208	4.62	6
Government should provide a good policy instruments	208	4.62	6
Accessibility of developers to land	187	4.16	9

Accessibility of developers to land	187	4.16	9
Provision of collateral for loan security	198	4.4	11
Use of indigenous materials	184	4.09	12
Modification of some parts of Land Use Act	181	4.02	13
Transparency of land seller	176	3.91	14

The findings in table 2reveals the opinions of the respondents on how the challenges faced by private developer could be reduced or eradicated. The solutions identified include creation of an enabling environment for property investment which ranked first having weighted mean score of 4.89, followed by availability of construction in the local market, a creative and effective partnership and the association, reductions in the rate of interest and reduction of government taxes with weighted mean score of 4.87, 4.76, 4.71 and 4.69 respectively.

5.Conclusion and Recommendation

Private developers are one of the major providers of housing development in Nigeria. Some of the challenges encountered in residential housing development include high cost of building materials, in adequate access to housing finance, high interest rate, delay in obtaining building permit, lack of infrastructural facility and absence of long time loan present for the developers' situation in which there is drastically reduced opportunity in owning a house.

The study recommend the Government to be involved in private housing market by creating an enabling environment to prospective developer or owner through reduction in the interest rate and make inflation below double digits, reduction on the taxes and low interest rate on credit facility should be made available to the primary mortgage institutions. Government can also collaborate with the private developers through the private public participation for more provisions of residential property. The study concluded that private developers can also source for finance through innovative way for instance sale and leaseback and contract finance.

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