Volume 8 No. 1
June 2011
ISSN 1675-7017

Social and Management Research Journal

Research Management Institute

SOCIAL AND MANAGEMENT RESEARCH JOURNAL

Social and Management Research Journal is jointly published by Research Management Institute (RMI) and UiTM Press, Universiti Teknologi MARA, 40450 Shah Alam, Selangor, Malaysia

SOCIAL AND MANAGEMENT RESEARCH JOURNAL

Vol. 8, No. 1	June 2011	ISSN 1675-7017

Financing Affordable Housing in Niger State of Nigeria through Commercial Banks: Trend, Issues and Future Directions

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ABSTRACT

This study explored the trend in interest rates on real estate loans granted by commercial banks in Nigeria. Primary data used for the study were collected from selected real estate firms in Minna, the capital of Niger State of Nigeria, which are active in the residential property market in the city. The secondary data were obtained from the Central Bank of Nigeria (CBN) and the National Bureau of Statistics (NBS). Results of data analysis revealed that variation in interest rates on real estate loans granted by commercial banks in Nigeria in the past three years was statistically significant at 0.05 level of significance, an indication that interest rates on real estate loans granted by commercial banks in the country did not follow a similar trend. The paper examined the implications of this trend on affordable housing finance in Niger State of Nigeria and argues that more than 90 per cent of the households in Niger State could not afford real estate loans granted by commercial banks for housing development and acquisition in the area at the current interest rates. The paper concluded that greater involvement of the government at all levels in the provision of long-term real estate credit at affordable interest rates is necessary if housing finance to be made affordable for the low-income groups in Niger State, Nigeria.

Keywords: *Commercial Banks; Housing; Finance; Interest Rates; Real Estate Loans*

ISSN 1675-7017

INTRODUCTION

Inadequate affordable housing is one of the major socio-economic challenges faced by most developing countries, including Nigeria. Inadequate affordable housing has profound negative impact on the life-style, health, happiness as well as productivity of the citizens (Erguden, 2001). The Nigerian housing problem has been of concern to the government since the colonial period. Since independence in 1960, several housing programmes have been embarked upon by the government at the federal, state and local government levels. A lot of housing policies have also been formulated all geared towards solving the nation's housing problem. Despite these interventions by the government, access to affordable housing by majority of the population has remained a problem. The percentage change in state governments' expenditure in housing and other key sectors of the Nigerian economy in 2008 is presented in Table 1.

Table 1: Percentage Change in State Governments' Expenditure in Housing and other Key Sectors in Nigeria in 2008

Key Sectors	% Change	% of GDP
Education	42.9	1.0
Health	36.7	0.5
Agriculture	46.9	0.4
Water Supply	31.3	0.3
Housing	6.2	0.2

Source: *Central Bank of Nigeria (2008)*

The housing problem in Nigeria has quantitative and qualitative dimensions (Olayiwola, Adeleye and Ogunshakin, 2005; Udoekanem, 2009). The policy objective of the Federal Government of Nigeria over the years has been the provision of housing to all classes of Nigerian citizens but its efforts are still nipped in the bud despite the various housing programmes embarked upon by it and other tiers of government in the country. Looking at the efforts made by each successive government towards the provision of affordable housing since the country's independence in 1960 till date, General Yakubu Gowon administration established the National Housing Programme in 1972, which was the first of its kind in the history of Nigeria. This was followed by the establishment of the Federal Housing Authority

(FHA) in 1973 as the sole agency with the responsibility of executing its approved housing programmes. This authority has only succeeded in establishing its presence at some old cities in the country, including Abuja, the Federal Capital Territory.

Besides, most of its houses are meant for the high income earners which constitute a minute proportion of the homeless population. The Federal Government then sought to construct 59,000 housing units throughout the Federation of Nigeria but it failed to meet its target. The Generals Murtala and Obasanjo regimes (1975-1979) came up with its housing programme with the aim of improving the overall quantity of comfortable and affordable houses for low – income earners in the country. During this period, a total of 202,000 housing units were to be provided by the government, but only 15% of the houses were completed and delivered. Again, the government failed to meet its target during this period.

The provision of houses for the people as a priority continued during the President Shehu Shagari Civilian administration (1979 – 1983). The target group was still the low – income group and a total of 410,000 housing units were to be constructed annually nationwide by the government, but only 32,000 housing units which represents about 7.8% of the estimated housing units required was achieved. This time, the government also failed to meet its target. The General Muhammadu Buhari regime (1983 – 1985) continued from where the Shagari administration stopped, yet no impact was created nor felt. The struggle for affordable housing for the masses continued with the General Ibrahim Babangida regime (1985 – 1993). It came up with a new national housing policy for the country in 1991 with the goal to ensuring that all Nigerians own or have access to decent housing at affordable cost by the year 2000. To meet that deadline, the government in 1991 planned to develop 850,000 housing units yearly. The government then failed to meet its target as it did not develop more than 5% of the estimated housing units before the end of the administration in August, 1993. Other successive governments including those of General Sani Abacha (1993-1998), General Abdulsalami Abubakar (1998-1999) and President Olusegun Obasanjo (1999-2007) also joined the struggle for solving the nation's acute housing problem with very little achievement.

Quantitatively, the available housing stock is inadequate for the country's population and qualitatively, most of the houses occupied by the low - income earners are unsafe. In Niger State, most households cannot afford the rents for flats, maisonettes and other single - family residences and as such prefer to occupy tenements which are let on single-room basis. The percentage distribution of households by type of housing units occupied in Niger State for the period 2007 – 2008 is presented in Table 2.

Table 2: Distribution of Households by Type of Housing Occupied in Niger State, 2007 – 2008

Type of Housing Unit	% Distribution	
	2007	2008
Single Room	79.9	72.4
Flat	1.9	5.4
Whole Building	18.1	22.1

Source: *National Bureau of Statistics (2009)*

Experts in housing development in Nigeria, including Ajanlekoko (2001) believe that the deteriorating housing situation in Nigeria especially at the urban centres is too critical to leave for government to redress alone. However, greater private sector involvement is required in solving the Nigerian housing problem. As presented in the Vision 2020 report on housing, the informal sector is by far the largest sector of the Nigerian housing market (NTWG, 2009). In Niger State, most of the buildings developed in the past two years are residential; an indication that people need place of residence more than any other space .The percentage distribution of persons by types of building embarked upon in Niger State for the period 2007 – 2008 is presented in Table 3.

Table 3: Distribution of Persons by Types of Building Embarked Upon in Niger State, 2007 – 2008

Building Type	% Distribution	
	2007	2008
Residential	95.4	96.8
Commercial	4.6	3.2
Industrial	0.0	0.0
Other Types	0.0	0.0

Source: *National Bureau of Statistics (2009)*

Besides shortage of houses, affordability of the existing housing stock is a critical component of the Nigerian housing problem. This paper examines the trend in commercial banks' interest rates on real estate loans in Nigeria for the period, 2008 – 2010 and the implication on affordable housing finance in Niger State, Nigeria.

HOUSING FINANCE IN NIGERIA

Finance is the engine of any sector of the economy, including the real estate sector (Asaju, 1993). Housing development or acquisition is finance – driven. In other words, housing requires huge capital for its successful implementation. Experts in housing finance, including Adibua (1979); Uduehi (1985); Asaju (1993); Ajanlekoko (2001) and Ebie (2005) have argued that provision of housing for most of the income groups in Nigeria depends on the availability of capital, particularly long-term loans at reasonable interest rates. Housing finance in Nigeria today is based on two principal sources. These have been identified as formal and informal sources (Nubi, 2000). Formal housing finance in Nigeria dates back to 1956 when the Nigerian Building Society was established (Oni, 2005). The Nigerian Building Society was a joint venture between the Commonwealth Development Corporation, the Federal Government of Nigeria and the then Eastern Regional Government. It was later changed to the Federal Mortgage Bank of Nigeria (FMBN) by the Federal Government in 1977 via Act No. 7 of 1977. The initial capital base of the FMBN was ₦ 20 million and in 1979, it was increased to ₦ 100 million. The Federal Government enacted the Mortgage Institutions Act No. 53 in 1989 to provide for the establishment and licensing of Primary Mortgage Institutions (PMIs) under the supervision of the FMBN. In 1992, the Federal Government also established the National Housing Fund (NHF) through the National Housing Fund Act No. 3 of 1992. The NHF was established to provide long-term funds for housing delivery by mandating employers of labour, both in the public and private sector to deduct 2.5 per cent of the monthly basic salaries for staff earning ₦ 3,000 and above for contribution to the fund. As at August, 2005, the cumulative collection of NHF stood at ₦ 17,750,755,885 while the contributors' base stood at 2,799, 302 (Adeniji, 2005). However, the lofty objectives of the NHF have not been achieved almost two decades after the fund was established due to some constraints bedeviling the administration of the fund.

This has made prospective home owners to source for housing finance from elsewhere, including short-term lending agencies such as co-operative societies and commercial banks.

FINANCING HOUSING IN NIGERIA THROUGH COMMERCIAL BANKS

Commercial banks are basically involved in financial intermediation. They usually lend on short-term basis and are concerned with the security, liquidity, opportunity cost and inflation hedge of their capital (Udo, 2001). An important activity of commercial banks is that, they buy funds from the investing public through deposits and sell the funds by granting loans (Chukwu, 1997). Because of the high demand on their deposits at very short notice, many commercial banks are not interested in long-term lending. This is contrary to the long-term nature of housing finance. The failure of the mortgage finance institutions in mobilizing adequate finance for housing delivery in Nigeria has resulted in increased demand for real estate loans from commercial banks in the country. In 2001, the Central Bank of Nigeria adopted universal banking practice. Thus commercial and merchant banks became Deposit Money Banks (DMBs) from this date. Real estate and construction loans granted by commercial and merchant banks in Nigeria for the period 1981-1993 and 2008 are presented in Table 4.

Table 4: Real Estate and Construction Loans Granted by Commercial and Merchant Banks in Nigeria, 1981-1993 and 2008

Year	Real Estate and Construction Loans in ₦ 'million	
	Commercial Banks	Merchant Banks**
1981	1,750.5	96.7
1982	2,085.0	196.0
1983	2,260.2	245.0
1984	2,373.8	313.7
1985	2,493.7	297.2
1986	2,840.4	335.7
1987	2,892.4	311.8
1988	3,007.9	335.6
1989	3,226.7	412.9
1990	3,210.8	527.6
1991	3,573.2	689.0
1992	4,059.4	742.8
1993	5,405.2	1162.0
2008	456,225.6*	

Source: *Central Bank of Nigeria (2005)*
**National Bureau of Statistics (2009)*
***Following the adoption of universal banking practice in Nigeria, merchant banks ceased to exist from 2001. Thus commercial and merchant banks became DMBs from this date.*

NATURE OF HOUSING AFFORDABILITY

Housing affordability simply means the ability to afford housing. Stone (1993) argued that affordability is the ability of households to pay the costs of housing without imposing constraints on living costs. It is also the ability to pay for adequate housing (Onyike, 2007). Berry and Hall (2001) adopted the Australian Government's National Housing Strategy's (ANHS) definition of affordability as the notion of reasonable housing costs in relation to income, that is, housing costs that leave households with sufficient income to meet other basic needs such as food, clothing, transport, medical care and education. Affordable housing is a measure of access which is defined as being achieved if a household can acquire use of that housing unit (owned or rented) for an amount up to 30 per cent of its household income (Miles, Weiss and Berens, 2000). As argued by Byron Shire (2002), a household is said to be suffering from housing stress when the provision for housing affects the ability of the household to meet other basic needs. Thus affordability looks at whether the form, technology and cost of housing are compatible with the income flow of the prospective consumer of housing (Onyike, 2007). In New Zealand, housing affordability is defined as the ability of households to rent or purchase housing in an area of choice at a reasonable price, the capacity of households to meet ongoing housing costs and the degree that discretionary income is available to achieve an acceptable standard of living (Working Party on Affordability Issues, 2003).

Ndubueze (2009) asserted that there is lack of consensus among academics and researchers in housing development and finance on how best to conceive and define various elements of housing affordability and the differing circumstances of individual households and as such there is no common generally accepted method to measure housing affordability. He further identified the major approaches and key measures of housing affordability to include housing cost approach (comprising house price-to-income ratio and rent-to-income ratio), non-housing cost approach, quality-adjusted approach and affordability mismatch/gap approach. However, the housing cost approach has been widely used for measuring affordability in many developed and developing economies. For instance, a commonly accepted guideline for housing affordability in the United States and Canada is a housing cost that does not exceed 30 per cent of the household's gross income (Linneman and Megbolugbe, 1992). In other cases, when the monthly carrying cost of a home exceeds 30-35 per cent of a household's income, then the housing is not affordable for that household.

In Nigeria, although an official benchmark for housing affordability is presently non-existent, mortgage institutions and commercial banks grant real estate loans for housing finance based on a maximum repayment to income ratio (RTI) of 33.33 per cent, that is, not more than one-third of the borrower's monthly income is used for servicing the loan (Adeniji, 2005). Hence, the affordability benchmark for real estate loans adopted for this study is based on a maximum monthly RTI of 33.33 per cent of the monthly income of the borrower used for loan servicing.

CONCEPTUAL FRAMEWORK ON REPAYMENT OF REAL ESTATE LOANS

In determining the annual debt service for a real estate loan, the annual equivalent of the loan sum is required. The annual equivalent of the loan sum is the reciprocal of the present value of the annuity based on the interest rate and the period of repayment of the loan. However, commercial banks in Nigeria compound interest on real estate loans more than once a year and the borrowers also repay the loan more than once a year. In this case, the effective periodic rate of interest or the rate of interest per period of repayment needs to be determined (Ifediora, 2005).Thus if the effective periodic rate of interest is *d,* then

$$(1+d)^p = 1 + r \qquad (1)$$

$$d = \left\{ (1+r)^{1/p} - 1 \right\} \qquad (2)$$

where d = effective periodic rate of interest
r = effective annual rate of interest
p = number of repayments of loan in a year

But the years' purchase when compounding of interest is done once and repayment is several times in a year is

$$YP = \frac{\left\{ (1+d)^{np} - 1 \right\}}{pd(1+d)^{np}} \qquad (3)$$

The effective annual rate of interest *r* is given as

$$\left\{ (1+i/m)^m - 1 \right\} \qquad (4)$$

where m = number of times interest is compounded on the loan per year
i = nominal rate of interest
n = total number of years for which the loan will be repaid

Substituting $r = \left\{ (1+i/m)^{m} - 1 \right\}$ in equation (2) gives

$$d = \left\{ (1+i/m)^{m/p} - 1 \right\} \tag{5}$$

Also, substituting $d = \left\{ (1+i/m)^{m/p} - 1 \right\}$ in equation (3) gives

$$YP = \frac{\left\{ (1+i/m)^{mn} - 1 \right\}}{p \left\{ (1+i/m)^{m/p} - 1 \right\} (1+i/m)^{mn}} \tag{6}$$

However, most commercial banks in Nigeria compound interest on real estate loans monthly and also make the borrowers to repay monthly, particularly in the case of monthly income earners where the loans are repaid through deductions from their monthly salaries. Hence, in determining the monthly loan repayment sum of a real estate loan when repayment is made monthly and the interest on the loan is also compounded monthly, the annual equivalent of the loan sum based on this arrangement is required to ascertain the monthly loan repayment amount. The annual equivalent is the reciprocal of the years' purchase and the inverse of equation (6).

That is, Annual Equivalent of Real Estate Loan

$$= \frac{p \left\{ (1+i/m)^{m/p} - 1 \right\} (1+i/m)^{mn}}{\left\{ (1+i/m)^{mn} - 1 \right\}} \tag{7}$$

where p = number of repayments of loan in a year
m = number of times interest is compounded on the loan in a year
i = nominal rate of interest on real estate loan
n = total number of years for which the loan will be repaid

METHODOLOGY AND DATA

Data for the study were obtained from primary and secondary sources. Primary data for the study were obtained from real estate firms in Minna through field survey. These include data on market values of two-bedroom and three-bedroom residential bungalows in Minna as presented in Table 5. Secondary data for the study were obtained from the Central Bank of Nigeria (CBN), the National Bureau of Statistics (NBS) and Niger State Ministry of Finance. These include data on prime interest rates on real estate loans granted by commercial banks in Nigeria from August, 2008 to July, 2010 as presented in Table 6, data on the distribution of households' monthly income in Niger State and data on monthly salary of selected cadres of civil servants in Niger State as presented in Table 7 and Table 8 respectively.

Table 5: Average Market Values of 2-Bedroom and 3-Bedroom Residential Bungalows in Minna, Niger State, Nigeria

Residential Neighbourhood	Average Market Value in ₦ ' million	
	2 - Bedroom	3- Bedroom
Bosso	3.5	4.0
Tunga	3.75	4.25
Chanchaga	1.3	2.35
F – Layout	4.0	6.0
Kpagungu	1.75	2.0
Maitumbi	1.2	2.0
Maikunkele	0.9	1.3
Farm Centre	3.75	5.5

Source: *Field Survey (2010)*

Table 6: Prime Interest Rates on Real Estate Loans Granted by Commercial Banks in Nigeria, 2008 – 2010

Banks	2008					2009							2010			
	Aug	Sep	Oct	Nov	Dec	Jan	Mar	Apr	May	Sep	Oct	Nov	Jan	May	Jun	July
Access	17	17	17	17	17	24	22	22	18	18	24	18	19	19	19	19
Afribank	13	13	13	13	17	17	21	18	18	18	18	18	19	19	18	18
Diamond	18.5	18.5	18.5	18.5	18.5	18.5	18.5	18.5	20	20	20	20	20	20	20	17
Eco	14	14	16.5	20	20	20	20	24	22	18	18	18	18	16	17	17
ETB	-	-	-	-	-	-	-	18	18	-	18	18	18	18	18	10
Fidelity	15	15	15	15	15	15	15	15	15	15	15	17	19	19	19	19
FirstBank	14	14	14	14	14	14	22	22	22	22	22	22	22	14	14	14
FCMB	16	17	17	17	17	19	20	20	18	18	18	18	17	17	17	17
FINBank	18	18	18	21	21	14	21	21	21	21	21	21	21	20	20	20
GTBank	17	17	17	17	17	18	19	19	18	20	18	18	19	18	18	18
St-IBTC	18.5	18.5	19.5	19.5	20.5	20.5	20.5	20.5	22	22	22	22	17	14	14	14
Interc'l	14	14	14	14	14	14	21	19	19	22	22	22	22	22	22	22
Citi	12	12	12	13	13	13	15	15	18	18	18	18	18	13	13	13
Oceanic	14	14	14	14	14	14	16	14	14	18	17	19	25	22	16	16
BankPHB	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19
Skye	19	19	19	18	22	22	22	20	22	22	22	22	22	17	17	17
Spring	19	17	17	23	23	23	23	22	22	19	19	19	19	21	21	21
Sd-Chtd	17	17	17	17	17	18	18	17	18	18	18	18	19	16	16	14
Sterling	21.25	21.25	21.25	23	23	23	23	19.5	19.5	20	20	20	20	16	16	16
Union	18	18	18	18	18	23	23	20	20	20	20	20	20	18	16	16
UBA	19	13	13	13	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5
Unity	18	18	18	18	20	22	22	22	22	20	24	22	22	26.25	26.25	18
Wema	18	18	18	18	18	18	18	18	18	18	18	18	18	16	16	16
Zenith	17	17	17	17	17	20.75	18	19.25	18	17	17.5	17.5	13	13	13	13

Source: *Central Bank of Nigeria (2010)*

Table 7: Distribution of Households' Monthly Income in Niger State, Nigeria

Monthly Income in ₦ ' 000	% Distribution
1 – 20	77.7
21- 40	16.7
41 – 60	3.9
61- 80	1.1
81- 100	0.4
101-120	0.0
121-140	0.0
141-160	0.0
161-180	0.0
181-200	0.1

Source: *National Bureau of Statistics (2009)*

Table 8: Monthly Salary and Maximum Amount from Salary for Repayment of Real Estate Loan for Selected Cadres of Niger State Civil Servants Based on Loan Affordability Level of One-Third(33.33%) of Monthly Salary

Salary Grade Level	Monthly Salary(₦)[a]	One-third(33.33%) of Monthly Salary (₦)[b]
8	16,436.7	5,478.35
9	19,374	6,457.35
10	22,808.1	7,601.94
12	26,596.5	8,864.61
13	29,735.3	9,910.78
14	32,888.8	10,961.84
15	36,174.2	12,056.86
16	40,010.4	13,335.47

Source: [a] *Niger State Ministry of Finance (2007)*
[b] *Calculated from column a*

The single-factor Analysis of Variance (ANOVA) was used to determine whether differences in interest rates on real estate loans granted by commercial banks in Nigeria for the period 2008 – 2010 are statistically significant. The calculated F- ratio was compared with the Critical F-value at 0.05 and 0.01 levels of significance and at appropriate degrees of freedom. The annual equivalents of real estate loans based on the average prime interest rate and expected repayment periods were determined using equation (7). These annual equivalents were used to determine the monthly loan repayment for the purchase of 2-bedroom and 3-bedroom residential bungalows in Minna based on the market values of the properties in Table 5. The monthly loan repayments for the purchase of the houses in each of the residential neighbourhoods in Minna, based on the expected loan repayment periods were determined. These were compared with the households' monthly income in Table 7 and monthly salary of selected cadres of civil servants in Table 8 to examine whether such real estate loans are affordable, based on loan affordability requirement of one-third (33.33%) of the borrowers' monthly income.

RESULTS AND DISCUSSION

The Calculated F-ratio obtained from the Analysis of Variance (ANOVA) of interest rates on real estate loans granted by commercial banks in Nigeria for the period 2008 – 2010 is 5.289 as presented in Table 9.

Table 9: Analysis of Variance (ANOVA) of Prime Interest Rates on Real Estate Loans Granted by Commercial Banks in Nigeria, 2008 – 2010

Source of Variance	Sum of Squares	Degree of Freedom	Mean Square	**F- ratio**
Between groups	450.89	15	30.059	5.289*
Within groups	2046.03	360	5.683	
Total	2496.92	375		

**significant at 0.05 and 0.01 levels*
Source: *Computed from Data in Table 6*

This implies that differences in interest rates on real estate loans granted by commercial banks within the period are statistically significant. Results of the analysis of the volatility of the interest rates as presented in Table 10 reveal that interest rate risk on real estate loans within the period under study was lowest in Bank PHB and highest in First Bank. The average prime interest rate on real estate loans charged by all banks within the period is 18.14%.

Table 10: Volatility of Prime Interest Rates on Real Estate Loans Granted by Commercial Banks in Nigeria, 2008 – 2010

Bank	Average Interest Rate (%)	Interest Rate Risk	Interest Rate Risk Ratio
Access Bank	19.19	2.377	0.124
Afribank	16.94	2.436	0.144
Diamond Bank	19.06	0.899	0.047
Ecobank	18.28	2.586	0.141
Equitorial Trust Bank	17.00	2.646	0.156
Fidelity Bank	16.13	1.728	0.107
First Bank	17.50	3.969	0.227
FCMB	17.69	1.102	0.062
First Inland Bank	19.81	1.878	0.095
GTBank	18.00	0.866	0.048
Stanbic- IBTC Bank	19.06	2.794	0.147
Intercontinental Bank	18.56	3.657	0.197
Citi Bank	14.63	2.421	0.165
Oceanic Bank	16.31	3.176	0.195
Bank PHB	19.00	0.000	0.000
Skye Bank	20.13	2.027	0.101
Spring Bank	20.50	2.031	0.099
Standard Chartered	17.19	1.130	0.066
Sterling Bank	20.17	2.355	0.117
Union Bank	19.13	1.965	0.103
UBA	15.25	1.369	0.090
Unity Bank	21.16	2.701	0.128
Wema Bank	17.63	0.781	0.044
Zenith Bank	16.56	2.272	0.137
All Banks	18.14	2.806	0.155

Source: *Computed from Data in Table 6*

Annual equivalent of real estate loans based on the average prime interest rate and expected repayment periods are presented in Table 11. The monthly loan repayments for the purchase of 2-bedroom and 3-bedroom residential bungalows in Minna based on the market values of the houses are presented in Tables 12 and 13.

Table 11: Repayment Periods and Annual Equivalent of ₦ 1 of Real Estate Loan

Loan Repayment Period	Annual Equivalent of ₦ 1 of Real Estate Loan
3 years	0.434672
4 years	0.353378
5 years	0.305636
6 years	0.274644
7 years	0.253199

Source: *Computed from Data in Table 6, using Equation (7)*

Table 12: Monthly Loan Repayments for the Purchase of 2-Bedroom Residential Bungalow in Minna based on Commercial Banks' Weighted Average Interest Rate on Real Estate Loans

Residential Neighbourhood	Average Market Value of Property in ₦ ' million	Duration of Loan and Monthly Repayment Amount in ₦				
		3 years	4 years	5 years	6 years	7 years
Bosso	3.5	126,779.33	103,068.72	89,143.77	80,104.52	73,849.92
Tunga	3.75	135,835.00	110,430.78	95,511.18	85,826.27	79,124.91
Chanchaga	1.3	47,089.47	38,282.67	33,110.54	29,753.11	27,429.97
F- Layout	4.0	144,890.66	117,792.83	101,878.60	91,548.03	84,399.91
Kpagungu	2.0	72,445.33	58,896.41	50,939.30	45,774.01	42,199.95
Maitumbi	1.2	43,467.20	35,337.85	30,563.58	27,464.41	25,319.97
Maikunkele	0.9	32,600.40	26,503.39	22,922.68	20,598.31	18,989.98
Farm Centre	3.75	135,835	110.430.78	95,511.18	85,826.27	79,124.91

Source: *Computed from Data in Tables 5 and 11*

Table 13: Monthly Loan Repayments for the Purchase of 3-Bedroom Residential Bungalow in Minna based on Commercial Banks' Weighted Average Interest Rate on Real Estate Loans

Residential Neighbourhood	Average Market Value of Property in ₦ ' million	Duration of Loan and Monthly Repayment Amount in ₦				
		3 years	4 years	5 years	6 years	7 years
Bosso	4.00	144,890.66	117,792.83	101,878.60	91,548.03	84,399.91
Tunga	4.25	153,946.33	125,154.88	108,246.01	97,269.78	89,674.90
Chanchaga	2.35	85,123.26	69,203.29	59,853.68	53,784.47	49,584.94
F- Layout	6.0	217,336.00	176,689.24	152,817.89	137,322.04	126,599.86
Kpagungu	2.0	72,445.33	58,896.41	50,939.30	45,774.01	42,199.95
Maitumbi	2.0	72,445.33	58,896.41	50,939.30	45,774.01	42,199.95
Maikunkele	1.3	47,089.47	38,282.67	33,110.54	29,753.11	27,429.97
Farm Centre	5.5	199,224.66	161,965.14	140,083.07	125,878.54	116,049.87

Source: *Computed from Data in Tables 5 and 11*

FINDINGS

A comparison of the monthly repayment amounts in Tables 12 and 13 and the distribution of households' monthly income in Table 7 reveals that over 90 per cent of the households in Minna cannot afford real estate loans granted by commercial banks in the city. Also, civil servants in the city including those on high grade levels cannot afford commercial banks' real estate loans for housing finance as the maximum amounts they can repay through their salaries (i.e. one-third or 33.33% of monthly salary) are far below that required to be repaid for a loan that can enable them to acquire at least 2-bedroom residential bungalows in residential neighbourhoods within the suburb of Minna such as Maikunkele, Maitumbi and Chanchaga (see Tables 8, 12 and 13). The monthly loan repayment to income ratio is far higher for 3-bedroom residential bungalows in all residential neighbourhoods in the city.

CONCLUSION

Real estate loans granted by commercial banks based on the current interest rate regime are unaffordable for low-income housing finance in Minna. For these loans to be affordable and accessible for low-income housing finance, the repayment period for the loan should be extended to 15- 25 years. This would be difficult for commercial banks due to the demand on their deposits at very short notice. Also, reducing interest rates on real estate loans below the prevailing interest rates in the financial market would make real estate lending more unattractive to commercial banks. To make housing finance affordable for the low-income groups, greater involvement of the government at all levels in the provision of long-term real estate credit at affordable interest rates is necessary. Due to their wider network and coverage, the government can grant such credit through commercial banks, based on effective monitoring and supervision by the Central Bank of Nigeria.

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