

# The state of LAGOS Housing Market 2 0 0 9

## Contents

|     |   |
|-----|---|
| 2   | Glossary  |
| 3   | Why Are We Doing This?  |
| 4   | A Most Welcome Development  |
| 5   | Appreciation  |
| 6   | Lagos State: Mega City Vision   |
| 7   | Project Team  |
| 10  | The Executive Summary   |
| 35  | 1. Introduction   |
| 37  | 2. Lagos State: Macroeconomic Overview  |
| 45  | 3. Overview of Housing/ Real Estate Sector in Lagos                                 |
| 60  | 4. Housing Demand Analysis  |
| 92  | 5. Housing Supply Analysis  |
| 144 | Assessing the State of Lagos Housing Market in the wake of the global credit crunch |
| 156 | 6. Conclusion   |
| 160 | My Point  |
| 164 | Reference   |

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The foundation will focus on advocating sectoral framework and policy for the housing supply chain dynamics and challenges; developers; the state of infrastructure and the housing market outlook in the country. This is aimed at providing data and attracting investment into the housing sector.

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## Glossary

**GDP** Gross Domestic Product

**VAT** Value Added Tax

**GSP** Gross State Product

**DBOT** Design, Build, Operate and Transfer

**BOOT** Build, Own, Operate and Transfer

**ROT** Rehabilitate, Operate and Transfer

**JDA** Joint Development Agreement

**OM** Operation and Maintenance

**LSDPC** Lagos State Development and Property Corporation

**NEEDS** National Economic Empowerment Development Strategy

**NHP** National Housing Policy

**SEEDS** State Economic Empowerment Development Strategy

**FHA** Federal Housing Authority

**PPP** Private Public Partnerships

**UACN** United African Company of Nigeria

**NTDA** New Towns Development Authority

**CHOIS** Cooperative Home Ownership Incentive Scheme

**FMBN** Federal Mortgage Bank of Nigeria

**NHTF** National Housing Trust Fund

**CBN** Central Bank of Nigeria

**PMIs** Primary Mortgage Institutions

**REITs** Real Estate Investment Trusts

**SSF** Skye Shelter Fund

**UK** United Kingdom

**CAGR** Compound Annual Growth Rate

**HND** Higher National Diploma

**NBS** National Bureau of Statistics

**SAN** Senior Advocate of Nigeria

**LGAs** Local Government Areas

**NIC** Neighbourhood Improvement Charge

**LASURA** Lagos State Urban Renewal Authority

**LASPPDA** Lagos State Physical Planning and Development Authority

**OSIC** One Stop Investment Centre

**NIPC** National Investment Promotion Council

**RRS** Rapid Response Squad

**TPA** Ten Point Agenda

**MTEF** Medium Term Expenditure Framework

**LASEEDS** Lagos State Economic Empowerment Development Strategy

**MPEB** Ministry of Economic Planning and Budgeting

**FG** Federal Government

**UBA** United Bank for Africa

**VGC** Victoria Garden City

**FFE** Furniture, Fittings and Equipment

**NCE** Nigeria Certificate in Education

**OND** Ordinary National Diploma

**CMAN** Cement Manufacturers Association of Nigeria

**LECA** Lightweight Expanded Clay Aggregate

## Chair's Statement



# Why are we doing this?

Shelter, it is said, ranks second in the hierarchy of human needs, being most important after food. Nigeria, most populous country in Africa, and eighth most populous in the world (2009 estimate by the United Nations Department of Economic and Social Affairs – Population Division) faces a serious housing challenge. Available statistics show that 87% of the total household population in Nigeria lives in rented apartments. In Lagos, in particular, 60% of residents are tenants and housing demand is estimated to be approximately 2.17 million. Most of the existing accommodations are provided by private landlords, and tenants have to pay rent as high as 50-70% of their monthly incomes.

A residential real estate report at a time like this comes in most useful in capturing the actual picture of the housing dynamics in Lagos State. It is important to follow the different stages in the development of the housing sector, not only for present use by industry players and stakeholders, but also for future reference purposes. Literature and detailed research specifically devoted to the mechanics of the Nigerian housing sector are hard to come by, and oft times when obtainable are grossly obsolete and inadequate, offering little or no service to the interested user. Hence, the need for an aggregate of the most current and up-to-date information.

No doubt, Nigeria is a viable investment destination for local and foreign investors, given the mammoth size of her population. Lagos happens to be the economic nerve centre of the nation, boasting of a population of 17 million people, which confers on it the status of one of the world's largest cities. This report, with subsequent editions, aims to offer reliable information that will profit all categories of users.

Land Reform is one of the items on President Umar Musa Yar Adua's seven-point agenda for the transformation of Nigeria, and one of the ways this is being addressed is via the proposed amendment to the Land Use Act. The main thrust of the amendment is that the requirements for the consent of state executives and officials in land transactions be restricted to Assignments, thus making it easier to execute such transactions as mortgages, subleases and other land transfers, and by so doing eliminating the bureaucratic delays that surround the process of obtaining these consents. Another high point of this Proposed Land Reform Act is the legal provision that allows the use of land anywhere in Nigeria as an instrument of commercial equity.

In this regard, Lagos is of utmost significance as the real estate market in the state is one of the most viable and developed in the country. The state government, in its commitment to make the legal processes involved in land registration less cumbersome, reduced the number of days required to obtain the Governor's Consent document. This report carefully will examine the issues that affect the easy realization of affordable housing in Lagos.

Publishing this report is a strategic investment in the development of the real estate sector of Lagos state, and Nigeria as a whole. It lends support to the existing body of knowledge on the real estate industry in the country, highlighting what achievements have been made as well as the grounds that are yet to be covered. It draws attention to the many lapses in the real estate and housing finance sectors, showing how the paucity of long-term funds, the inclination of the banking sector to shy away from financing home ownership, as well as the archaic and unprogressive laws that govern the legal and regulatory environment have all combined to suppress growth and development in this sector. It is evidently a proactive effort which aims at acting as a catalyst to positive change in the sector.

A comprehensive residential real estate report that delivers accurate representation of the Lagos state housing sector will provide direly needed information and analysis that will enable the state plan effectively. This report and subsequent editions intend to do that and keep pace with the ever evolving developments in our housing sector. Good government practice requires that there should be a continual measure of fiscal effectiveness. This report will seek to give a clear description of the federal and state resources spent on affordable housing in Lagos.

This report also creates an avenue for practicable recommendations to be made from a highly dependable source. The author of this work not only has to his credit several years of hands-on experience in the housing finance market of Lagos State, but also has extensive exposure to the housing finance sectors of other countries of the world, having gained insight into the reasons for their successes and failures. He has equally been on a good number of committees set up to make enquiry into the housing sector of the country and can be relied upon to make highly informed contributions to current discourse on housing in Lagos State, and Nigeria as a whole.

We wish all stakeholders in the property development sector a pleasant reading.

**Dr. Newton Jibunoh; OON, FNIQB, D. Sc.**

Chair, Roland Igbinoba Real Foundation for Housing & Urban Development

## Co- Chair's Statement



# A Most Welcome Development...

A residential real estate report for the city of Lagos is long overdue. The State of Lagos Housing Market 2009 report is therefore a most welcome development. Housing reports are available for many major cities of the world such as New York, London and Boston but are yet to be compiled for many countries in sub-Saharan Africa. This report is therefore unique. It fills a gnawing gap in the market.

The choice of Lagos State is deliberate. Lagos State has attained mega city status with her present population of over 16 million, and is projected to become the third largest city in the world by the year 2015, with a population over 20 million. Lagos State is the undisputed financial, commercial and in a wider context the industrial center of Nigeria with over 2000 manufacturing industries and 200 financial institutions. What better time than now to release this highly relevant and pivotal report on the state of the Lagos Housing Market? It is a well researched informative report beautifully presented in an easy to read format.

The ultimate goal for this residential real estate report is to measure the over all progress of Lagos State towards providing housing opportunities for all of its citizens. It is well know that years of neglect as well as the pressure of rapid urbanization have taken their toll on the provision of housing in the state. The Lagos State government estimates that about \$185 million (about N30 billion) is required to provide new housing stock. The report shows what efforts are being made by both the public and private sectors in addressing the housing need of residents of Lagos State. Specifically, it establishes a base line for housing production and resource commitment and addresses the question of the value of the federal and state resources spent in financing affordable units vis a vis private investment initiatives over a period of years. It also takes a look at the number of affordable units the State has financed in recent times. The report summarises key trends in the Lagos State housing market including prices, affordability and new housing constructions.

The unpleasant phenomena of overcrowding, slums proliferation and substandard housing in the state all underscore the need for proper planning and organization in the housing sector. With its mega city status and potential to become the third largest city in the world, Lagos State stands the risk of finding itself trapped in the maze of chaos and uncertainty of an unplanned city where anything goes unless it takes appropriate measures now to tackle future challenges. In this regard, this report certainly is a highly recommended text for government and private sector decision makers.

Finally, the development of affordable housing increasingly requires complex financing structures, making use of a variety of f state and local resources to leverage private investment. This complex financing system makes it difficult to measure the state's efficiency in its use of these resources. This challenge is one of the impetuses for putting together this real estate report.

I commend this report to policy makers, taxpayers, political leaders, developers, investors and finance providers. A timely publication poised to make a difference. It is indeed my pleasure to present to you the 2009 report on the "State of Lagos Housing Market".

**Mrs. Alero Ayida-Otobo**

Co-Chair, Roland Igbinoba Real Foundation for Housing & Urban Development

## Appreciation

Newton JIBUNOH

Alero OTOBO

Omolola IGBINOBA

Tunji OGUNWUSI

Wale AKINMUSIRE

Yemi IDOWU

Kunle TINUBU

Hareesh KESWANI

Niyi OYEDELE

Kola SOWANDE

Kunle OMOTOLA

Dele FAROTIMI

Kelechi MBAGWU

Joseph TEGBE

Femi OSEMWEGIE

Jide ODUSOLU

Kayode LAWAL

Abdel-Nasser QUADRI

Sonny EBHOLIMIEN

Olumide ELESIN

Kola OLADUNMOYE

Bobby OKOINYAN



His Excellency  
**Mr. Raji Babatunde Fashola (SAN)**  
 Governor of Lagos State

## Lagos State: **The Mega City**

A megacity is usually defined as a metropolitan area with a total population in excess of 10 million people (source: wikipedia). Some definitions also set a minimum level for population density (at least 2,000 persons/square km). Megacities can be distinguished from global cities by their rapid growth, new forms of spatial density of population, formal and informal economics, as well as poverty, crime, and high levels of social fragmentation. A megacity can be a single metropolitan area or two or more metropolitan areas that converge upon one another.

Lagos State sure fits the above definition. Lagos is the largest city in Nigeria and former capital city of Nigeria. It is located at 6°34'60"N; 3°19'59"E. Lagos was the capital of Nigeria from 1914 – 1976 and lost its status to Abuja on December 12, 1991. Lagos lost this title/position when the Federal Capital Territory was established at the purpose-built city of Abuja. Lagos comprises several islands such as Victoria Island, Ikoyi and Isale-Eko. It harbors Nigeria's leading port, the Port of Lagos, which is made up of three main sections: Lagos Port, Apapa Port and Tin Can Port, all located on the Gulf of Guinea and run by the Nigerian Port Authority.

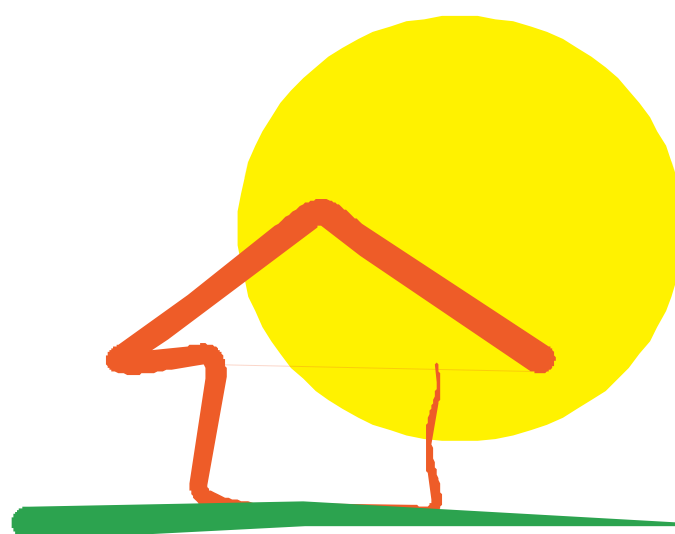
However, Lagos is a state that has suffered within the last three decades (or more) a serious neglect of infrastructure. Now the state seems to have

a hope and a dream with the megacity status and its support from the presidency. This dream of a new, modern Lagos State came alive again sometime in 2007 at THISDAY Summit in New York, United States, where the Lagos state Governor, Mr. Babatunde Fashola, SAN, unfolded his plans to a crowd of influential political and business leaders from Nigeria and abroad.

The Governor has declared that Lagos State would become the third largest mega city in the world by 2015. He is aware this prediction means huge deliverables and responsibility for the leadership and people of the state.

With recent visits and trips to investment meetings abroad, the Lagos state government is wooing investors from all over the world to come and invest and be a part of the new Lagos. Lagos State boast of investment windows in almost all areas of the economy including transportation, real estate and housing finance, roads and infrastructure, waste management, water supply, energy, tourism, light rail systems, etc.

An astute sales man and marketer, the governor is poised and set to create an enabling, attractive and friendly environment for investors and partners in the mega city project.



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 URBAN DEVELOPMENT

■ Social Capital

■ Advocacy

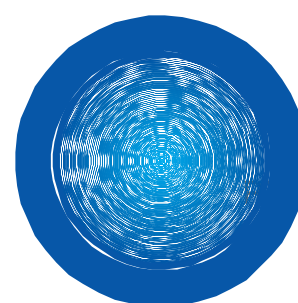
■ Policy



KPMG Professional Services worked with the team for the survey requirements, framework definition, macro-economic and industry review, analysis and initial reporting of this study.



Apart from project managing the entire study, Pison Housing Company worked with KPMG in survey requirements, framework definition, analysis and initial reporting of this study. The firm also worked with Research International in the qualitative and quantitative research and data capture for the entire study.

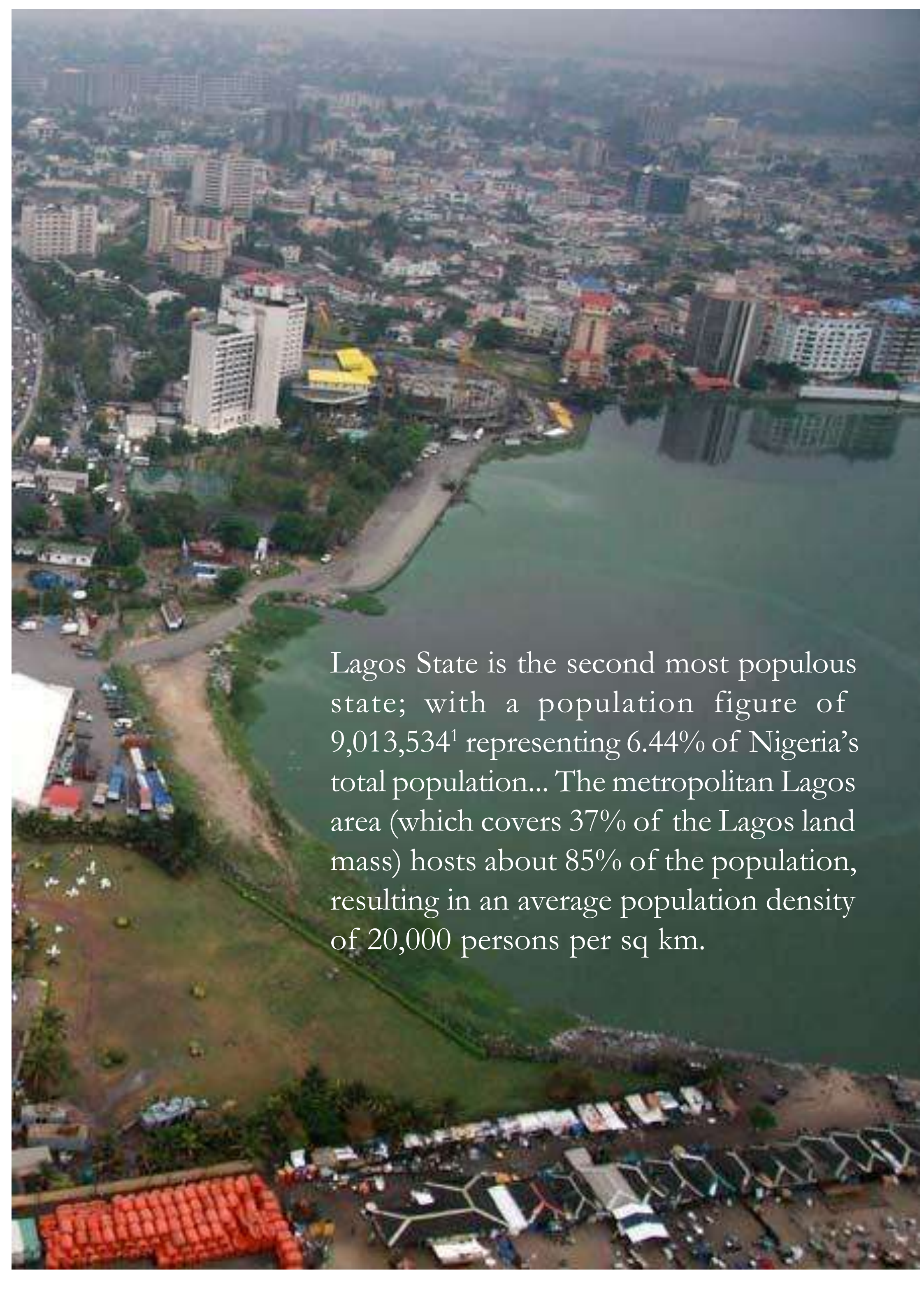


RESEARCH INTERNATIONAL

Research International worked with Pison Housing Company on the qualitative and quantitative research and data capture for the entire study.







Lagos State is the second most populous state; with a population figure of 9,013,534<sup>1</sup> representing 6.44% of Nigeria's total population... The metropolitan Lagos area (which covers 37% of the Lagos land mass) hosts about 85% of the population, resulting in an average population density of 20,000 persons per sq km.

# The Executive Summary

Lagos State has a vibrant political environment, and is currently governed by the Action Congress Party. In terms of demographics, Lagos State is the second most populous state; with a population figure of 9,013,534<sup>1</sup> representing 6.44% of Nigeria's total population and a gender distribution of 51.9% males and 48.1% females. The metropolitan Lagos area (which covers 37% of the Lagos land mass) hosts about 85% of the population, resulting in an average population density of 20,000 persons per sq km. Population growth is estimated at about 275,000 persons per annum.<sup>2</sup>

In 2005, Lagos State accounted for 11.7%<sup>3</sup> (N1, 700.97 billion) of the national GDP placing the economy as the second largest behind Rivers State. In 2007, Lagos State recorded a monthly external debt deduction to monthly statutory allocation ratio of 0.08; the highest in the country.

Lagos State is the least dependent in terms of federally allocated funds with projected revenues for 2008 at about N212 billion (71.2% of this being internally generated). Value Added Tax VAT also represents a significant contributor to the State revenue and in 2007 the monthly average of VAT contribution to the State's net allocated funds was 47%<sup>4</sup>.

Table I presents a summary of economic activities in Lagos State.

## Economic Activity in Lagos State (2008)

| <i>Economic Indicators in Lagos State (2008)</i> |                     |       |             |  |
|--|---------------------|-------|-------------|--|
| Activity Sector                                  | Output (\$ Billion) | % GSP | % of Sector |  |
| Wholesale and Retail Trade                       | 21.27               | 54.93 | 48.39       |  |
| Crop Production                                  | 0.027               | 0.07  | 0.03        |  |
| Financial Institutions                           | 8.656               | 22.35 | 50.70       |  |
| Real Estate                                      | 0.54                | 1.41  | 3.53        |  |
| Building & Construction                          | 2.37                | 6.13  | 48.39       |  |
| Manufacturing                                    | 3.81                | 9.85  | 39.75       |  |
| Fishery  | 0.096               | 0.25  | 2.62        |  |
| Solid Minerals                                   | 0.79                | 2.04  | 48.38       |  |
| Livestock  | 0.56                | 1.46  | 8.13        |  |
| Business Services (excl. Health and Education)   | 0.37                | 0.97  | 48.39       |  |
| Insurance  | 0.20                | 0.53  | 50.70       |  |
| Forestry   | 0.0038              | 0.01  | 0.19        |  |
| Gross State Product                              | 38.73               | 100   | 15 (Approx) |  |

1 National Bureau of Statistics – 2006 population census

2 <http://en.wikipedia.org/wiki/Lagos>

3 Lagos – Nigeria's Investment Gateway

4 Federal Ministry of Finance – Distribution of Revenue Allocation to State Governments 2007





Left:  
Private Development

In terms of economic development, the state is in the process of implementing a new Lagos State Mortgage Scheme in conjunction with five banks, aimed at injecting N40 billion toward the provision of facilities to enable people make payments for their homes over a 25 year period at moderate interest rates<sup>5</sup>. The scheme aims at providing a multiplier effect on several other sectors of the economy, particularly the building and construction; household equipment and furniture industries; while boosting trade in the state<sup>6</sup>.

The Lagos State Government in recognizing the effect of the mortgage scheme on housing demand in the state intends to contribute to this housing demand through partnerships with private property development companies and the more traditional approach of government construction in areas like Ikorodu, Badagry, Igbogbo, Lekki II, Abijo and Epe.

Infrastructural development in Lagos state is one of the most advanced in the country; however the combination of years of under-funding in maintenance, pressures of increasing population growth rate and rural-urban migration has left the infrastructural facilities largely inadequate. The state also has a legal framework for private sector financing of certain infrastructure encapsulated in the Lagos State Roads, Bridges and Highway Infrastructure (Private Sector Participation) Development Board Law.

Furthermore, under the Infrastructure Concession Regulatory Commission (Establishment, etc) Act 2005, infrastructure includes among others, power plants, highways, seaports, airports, dams, irrigation, telecommunications, railways, interstate transport systems, industrial estates, housing, information technology networks and database infrastructure, satellite and ground receiving stations, and land reclamation projects. There are various types of Concession

Agreements defined under the Infrastructure Law. These include:

- Design, Build, Operate and Transfer (DBOT);
- Build, Own, Operate and Transfer (BOOT);
- Rehabilitate, Operate and Transfer (ROT);
- Joint Development Agreement (JDA);
- Operation and Maintenance (OM)<sup>7</sup>.

It is expected that with the enactment of the Infrastructure law and the Infrastructure Concession Regulatory Commission Act, there would be increasing availability of private sector funding for the expansion of existing and provision of new public infrastructure in the state.

On an overall basis, the macroeconomic environment of Lagos State remains positive as the State attracts 65% of Nigeria's commercial activities and controls about 60% of the country's total industrial investments and foreign trade<sup>8</sup>. Lagos State also accounts for approximately 40% of manufacturing value added in Nigeria, 48% of Nigeria's business services sector, 48% of building and construction, 55% of wholesale and retail trade and 77% of all financial institution activities<sup>9</sup>.

### Overview of the Housing/ Real Estate Sector in Lagos State

The Housing/ Real Estate sector in Lagos State is highly active and involves a significant degree of participation from both the Government and private sector companies. On the part of the Government the Ministry of Housing in Lagos State has identified more than 30 sites for housing purposes in the past 7 years. The State government through the Lagos State Development and Property Corporation (LSDPC) has to date delivered a total of 18,668<sup>10</sup> housing units in several housing schemes across the State.

The Lagos State Ministry of Housing estimates the State's annual housing needs to be 224,000 housing units and has adopted amongst other strategies the following, with the aim of filling this gap:

- Involvement of direct labour;
- Contractor financed project implementation;
- Private sector participation schemes (this includes the Ewu – Elepe scheme, Gbagada II scheme and Ikeja II scheme).

However, comparison of the number of housing units developed by the State Government vis-à-vis the number required, presents a picture of inadequacy of the State's efforts to resolve the housing gap in Lagos. The subsection in the ensuing page describes the key players in the Lagos housing market and their development initiatives.



5 Lagos State Year 2008 Budget titled The Great Leap Budget

6 Source: <http://nigerianmasses.com/statenewsdetails.aspx?id=19545&stateid=Lagos>

7 Private Sector Participation in Developing Public Infrastructure In Nigeria – the Legal Framework, August 2006

8 <http://www.nigeria-law.org/Land%20Use%20Act.htm>

9 Renaissance Capital – Private Sector Participation in Nigerian Infrastructural Development, Andrew Cornthwaite Nov 2007

10 [http://lagosmegacityproject.com/statistical\\_data](http://lagosmegacityproject.com/statistical_data)

The Lagos State  
Ministry of Housing  
estimates the State's  
annual housing needs  
to be 224,000 housing  
units...

Lagos State Road  
Beautification project



## Key Players and Housing Development Initiatives

There are various players with sizeable contribution to the housing/ real estate development in Lagos State. These players have been categorized into the following groups:

- Government and Public – Sector Agencies;
- Private Sector;
- Housing Cooperatives and Associations; and
- Households.

Each category of players and their activities in housing development are presented in further detail below.

### Government and Public-Sector Agencies

On a national Level, the Federal Government's policy thrust for housing as defined in the National Economic Empowerment Development Strategy (NEEDS) is centered on providing an enabling environment and stimulating a private sector led industry with the participation of the State and Local governments as necessary.

In line with this thrust, and the National Housing Policy (NHP) 2005, State governments are expected to play the following broad roles:

- Formulation and Implementation of State-related housing policies & strategies;
- Overseeing the activities of the State's housing development corporation (where applicable); and
- Proposing and implementing the housing program and initiatives of the State

These roles are also typically performed within the context of the State Economic Empowerment Development Strategy (SEEDS).

In the Lagos State housing market, the key players in this category of housing developers are Federal Housing Authority (FHA) and Lagos State Development and Property Corporation (LSDPC) which are Federal Government-owned and State-owned respectively.

The following presents (in terms of location and number of residential units developed) some of the more recent housing developments in the State by LSDPC, some of which were executed through public private partnerships (PPP) and provided housing for various levels of income groups depending on location, size and degree of infrastructural provision.

### LSDPC Housing Developments

| Location  | No of residential units |
|---|-------------------------|
| Shitta Development Terrace Houses                   | 12                      |
| Palm View Estate Dolphin Estate II                  | 30                      |
| Isheri North  | 215                     |
| Lekki Phase I & II (4 bedroom semi detached duplex) | 233                     |
| Lekki Phase III (Femi Okunnu Estate)                | 216                     |
| Goshen Beach Estate Lekki                           | 74                      |
| Tolu Island   | 800                     |
| Lekki phase II Terrace Houses                       | 1000                    |
| Ajara Doko  | 1382                    |
| Lekki   | 2004                    |
| Ayobo scheme  | 2500                    |
| Bola Ahmed Tinubu Estate Agege                      | 162                     |
| Ikorodu- Housing Estate Odonla                      | 672                     |
| Oko Oba Estate III                                  | 144                     |
| Alapere (LSDPC medium income estate phase III)      | 19                      |
| Isolo (LSDPC low income estate phase)               | 60                      |
| Alaka Estate  | 4                       |
| Iba Low Cost Housing Estate                         | 108                     |
| Apapa ((MAIDS QTR ATTACHED)                         | 60                      |
| Amuwo Odofin Research Center                        | 24                      |
| Total   | 9719                    |
| <b>Others</b>                                       |                         |
| Isheri North II                                     | Not available           |
| Amuwo Odofin Terrace Houses                         | Not available           |
| Adeniran Ogunsanya                                  | Not available           |
| Oko Oba Phase III                                   | Not available           |
| Central Lagos                                       | Not available           |
| Palm View Estate Dolphin Estate IV                  | Not available           |

Source: Research International

the FG's policy thrust for housing as defined in the National Economic Empowerment Development Strategy (NEEDS) is centered on providing an enabling environment and stimulating a private sector led industry with the participation of the State and Local governments as necessary.

11 Using Geospatial Information Technology in Natural Resources Management: The Case of Urban Land Management in West Africa\_ Edmund C Merem, Yaw A Twumasi

12 <http://lagoseconomicsummit.org/physicalplanning.h>