

# Rental Housing Affordability: A Case Study of Millennium Estate, Ifako-Ijaiye, Lagos.

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*Abstract— Housing forms one of the basic needs of human beings. Maslow's Theory on Hierarchy of Needs sees that housing forms the foremost important needs, in addition to security, food and others, at the lowest among the five levels. It has been observed that housing is one of the first priorities for most households and it represents the largest single investment for most people, taking up between 50% and 70% of household income. Housing affordability has been widely recognized by many authors to be influenced by the levels and distribution of home prices, household incomes and the structure of financing costs. Against this background, the aim of this study is to analyse the affordability of housing units in Millennium Estate, Ifako - Ijaiye, Lagos State. Questionnaires were administered to 150 households living in the study area. The questionnaires were analysed using the Statistical Package for Social Sciences (SPSS) and results presented in frequency tables. The findings of this study established that a majority of respondents pay less than the benchmark of 30% of their income as rent. The study concluded that the housing units in the estate are relatively affordable. The Government was encouraged to maintain affordability of housing units in the estate.*

**Keyword—**, Affordability; Housing; Housing Affordability; Income; Rental Value

## 1 INTRODUCTION

Housing forms one of the basic needs of human beings. Maslow's Theory Hierarchy of Needs sees that housing forms the foremost important need. The housing condition of a country is a pointer to the health motivation, economic well-being and the social circumstances of her citizens. To most groups, housing means shelter but to others it means more as it serves as one of the best indicators of a person's standard of living and his or her place in the society. Rental housing on its part makes up a critical segment of a nation's housing stock, providing a home for families and individuals unable to afford the cost of ownership or whose life circumstances simply make renting a better option (Cohen et al, 2010).

A report released by EFINA (2010) noted that 85% of urban population lives in rented accommodation, spending more than 40% of their income on rent. Affordability has become the key term in housing policy in both developed and those in transition. According to Aziz et al, (2010) affordability is mainly defined by the relationship between household's housing expenditure and income. The affordability of housing has become a common problem of summarizing the nature of housing problem in many market-based housing systems. Affordability problems can be viewed as operating at different levels, ranging from the narrower direct experience of severe problems of poverty and homelessness, through an intermediate level of risk, to a broader problem of access to market. Many authors argued that housing affordability is influenced by the levels and distribution of home prices, household incomes and the structure of financing costs, (Aziz et al, 2010).

According to Daramola and Aina (2012) house rent in major cities in Nigeria is about 60% of an average worker's disposable income. This, when compared to the 30% benchmark can be said to be too high. Such a worker is

referred to as being cost burden. This dilemma is however more pronounce in Lagos. The rise in rent has worsened inaccessibility to affordable housing. Increasingly, concerns have been expressed about affordability outcomes for working households, especially for low and middle income households, who are finding it difficult to rent or purchase private sector housing that is accessible to their place of work and who, as a result, bear the burden either of significant housing costs or of significant transport costs (Aziz et al, 2010).

For the purpose this study, focus would be on household income. More than 80% of Nigeria's live in rented housing with the low and middle income families representing 65% of Nigeria population which in turn represents about 85% of housing demand for the nation. (Alitheia Capital, 2012). Hence the study aims at analyzing the rental affordability of various housing units in the study area by ascertaining the proportion of annual income that is paid as annual rent.

## 2 LITERATURE REVIEW

A survey of literature reveals a lack of consensus among academics and housing development experts on how housing affordability should be defined and measured. This may be attributed to the fact that housing affordability is a contested issue in which different groups struggle to impose their own definition and solution to the problem. Feldman (2002) looked at the affordable housing shortage: the problem, its cause and solution. The study which was conducted in the US, adopted the 30% benchmark, stating that a unit is unaffordable if a household has to spend more than 30% of its income on it. The author identified irregularity of income as largely being behind the affordability problem. He however restricted this analysis to the rental housing market as he noted that housing crisis is heavily saturated among

renters. Belsky et al (2005) in measuring the nation's rental housing affordability problems in America were also of the view that households spending more than 30% are cost burdened and those spending more than 50% are labeled severely cost burdened. The authors used the American Community Survey (ACS) and the American Household Survey (AHS) as sources of data. The 30% benchmark was also identified by Aribigbola (2011), who identified housing affordability has a major problem of urban housing. The paper generated its data through a systematic survey of 1,266 household in the 9 political wards in the city of Akure, Ondo Nigeria. Structured questionnaires were administered to the households selected. The author used systematic sampling technique to select buildings at intervals of every twentieth building in the 9 political wards. The Chi-square test of independence was used to ascertain the association between monthly income and rents paid on housing by respondents of the study area. The author is of the view that households who pay more than 30 percent of their income on housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care. Aribigbola (2011) however affirms that despite the problems associated with the 30 percent threshold, it is currently the most widely accepted indicator of housing affordability. Similarly, Abimaje et al (2014) carried out a study to evaluate housing affordability in Idah, Kogi State. The authors administered questionnaires in eleven neighbourhoods of Idah town which were randomly selected. Findings of the study revealed that majority of respondents spend above 30% of their monthly income on housing. This, according to the authors, is inconsistent with the 30% affordability benchmark. The study therefore concluded that majority in the study area cannot afford adequate housing

According to Ndubueze (2009) in urban housing affordability and housing policy dilemmas in Nigeria, rent-to-income ratio measures rental-housing affordability. In his criticism of the ratio, Ndubueze (2009) observed that the ratio has a tendency to record as 'affordable' when a household consumes less than the minimal socially accepted standard of housing in favor of more non-housing consumption. On the other hand, the ratio tends to show as 'unaffordable' situations where a household chooses to consume a higher than expected standard of housing while still able to consume more than the minimum standards of non-housing consumption.

Mulliner and Maliene (2012) carried out a study in which they noted that basing housing affordability on financial attributes (housing expenditure and income) fails to tackle the wider issues involved such as housing quality, location and access to services and facilities. The study is based on a two stage approach, first stage involving the identification of the attributes while stage two determines the level of importance or significance of these attributes. Broader attributes that determine housing affordability as identified by the authors via extensive literature review and semi-structured interviews with local authorities are: house prices in relation to income, rent in relation to income, interest rates and mortgage availability, availability of private and social rented accommodation,

availability of low cost home ownership products, availability of market value home ownership properties, safety/crime, access to public transport facilities, access to shopping facilities, access to health care, access to child care, access to leisure facilities, access to open green public places, presence of environmental problems, quality of housing, energy efficiency of housing, availability of waste management facilities and deprivation in area.

Boamah (2010) explored the affordable housing situation in Ghana in a bid to determine whether rental and owner occupied units are affordable. The study randomly surveyed one-hundred and twenty (120) housing units each from Kumasi and Tamale. Findings of the study revealed that rental and owner occupied housing are unaffordable by most households. The author noted that this is as a result of low income levels and high unemployment rates which disqualify most households from getting access to credit facilities

Torluccio and Dorakh (2011) asserted that any rent would be affordable if it leaves the consumer with socially acceptable standards for both the housing and non-housing consumption after rent is paid. The authors are of the opinion that rent and income should have a long-run equilibrium relationship. In spite of its obvious limitations, rent-to-income ratio has continued to enjoy popular usage largely due to a lack of comparable alternatives that can be calculated and interpreted and understood with as much ease. Thus, it is adopted in this study.

### 3 RESEARCH METHODOLOGY

In order to achieve the aim of this research, questionnaires were administered to occupiers of properties in the study area. In this study, the sample frame is six hundred and sixty four (664) flats which is the total number of flats in the estate, this also indicates that there are a total of 664 households in the estate, this information was derived from the researcher's field survey. Nwanna (1981) advised that if a population is in few hundreds, 40% of the population or more could serve as a good sample. But if the population is in many hundreds, a 20% sample is a good representative, if a population is in a few thousands, a 10% sample will be appropriate and if a population is in several thousands, a 5% of the population will serve as a good sample. Since the number of flats in the estate is 664, the sample size is taken at 22.6% giving approximately 150 flats. One hundred and fifty (150) flats were then randomly selected and surveyed out of which one hundred and twenty three (123) questionnaires were retrieved. The surveyed flats include three bedroom, two bedroom and one bedroom flats.

Out of the one hundred and twenty three retrieved, twelve were filled by landlords hence they were disregarded. The one hundred and eleven questionnaires valid represent a total survey response rate of seventy-four percent (74%). The data and responses in the questionnaire were collected and entered on a coding sheet after which it was analysed and expressed in percentages. Statistical Package for Social Sciences (SPSS) and statistical tables were used to analyse the data. The presentation of the primary data was done with tables, frequencies and percentages to draw conclusions from the findings.

#### 4. DATA PRESENTATION AND DISCUSSION OF FINDINGS

##### 4.1 Overall Fitness Assessment of Housing Units/Occupants Perspective

From analysis it can be deduced that majority (52%) of the respondents are of the opinion that the overall fitness of the units is fair. This is followed by 25.4% who believed it was in good condition. This implies that the housing units in the estate can yield its full rental value in the open market.

##### 4.2 Proportion of Income Paid as Rent

Tables were employed to show the prevailing rental values of 1, 2 and 3 bedroom flats as well as the income of respondents in the study area.

**Table 1: Average Annual Rent Paid by Respondents**

Property type	Average rent	Frequency	Percentage %
1 bedroom	150,000	22	19.8
2 bedroom	250,000	55	49.6
3 bedroom	350,000	34	30.6
<b>Total</b>		<b>111</b>	<b>100</b>

Source: Field Survey, 2018

The average annual rent paid by respondents occupying 1, 2 and 3 bedroom flats are shown in Table 1. The table shows that the average rent paid by respondents occupying 1 bedroom is N150, 000, respondents occupying 2 bedroom flats pay average rent of N250, 000 while occupiers of 3 bedroom flats pay average rent of N350, 000 per annum. Majority of respondents in the study area occupy 2-bedroom flats.

**Table 2: Average Annual Income of Respondents**

Property type	Average Income	Frequency	Percentage %
1 bedroom	800,000	22	19.8
2 bedroom	1,525,000	55	49.6
3 bedroom	2,550,000	34	30.6
<b>Total</b>		<b>111</b>	<b>100</b>

Source: Field Survey, 2018

From the table above it is revealed that there are three income levels in the estate. The average income shows a ratio of 2:5:3, which can be interpreted as low-income earners, higher middle-income earners and lower middle-income earners. The study area can then be said to be dominated by middle-income earners.

Property type	Average Income	Average Rent	% of Rent to Income
1 bedroom	800,000	150,000	18.75
2 bedroom	1,525,000	250,000	16.39
3 bedroom	2,550,000	350,000	13.72
<b>Total</b>		<b>111</b>	<b>100</b>

**Table 3: Percentage of Rent to Income**

Source: Field Survey, 2018

The rent of each housing type was compared with income levels of residents to come up with the affordability levels. For the 1 bedroom flat, respondents with average income of N800, 000 per annum paid 18.75% of their income as rent, while for occupants of 2-bedroom flats, 16.39% of their income was paid as rent. For 3-bedroom, respondents paid 13.72% of income as rent. The analysis shows that all surveyed respondents paid below the 30% benchmark for affordability identified in literature. It is also within range of the 20 percent benchmark set by the United Nations. This finding conforms to the Nigerian housing policy which does not want any Nigerian to spend more than 20 percent of his/ her income on housing expenditure.

Investigation shows that apart from paying for rents, householders also pay other ancillary charges like electricity bills, water, sanitation, security, refuse disposal bills etc. However these ancillary charges were not included in the comparison as it is not part of basic rent.

#### CONCLUSION

This research has taken a critical look at conditions of housing as well as the affordability of housing units in the study area. Affordability expresses the challenge faced by households in balancing the cost of its housing, on the one hand, and its non-housing expenditures, on the other, within the constrictions of its income. Since the Nigerian housing policy does not want any Nigerian to spend more than 20 percent of his/ her income on housing expenditure, it can be concluded that the housing units in the estate are relatively affordable for middle-income earners who dominate the study area.

It is however imperative to note that this study focused just on rent in relation to income, other housing expenditures such as, electricity bills, security, refuse disposal charges and water were not considered in the study. Hence further research to address this limitation is highly recommended.

Lagos State Development and Property Corporation (LSDPC), Federal Housing Authority (FHA) and all other major stakeholders in the housing sector are encouraged to emulate the affordability of the housing rents in the study area which is below the 20% standard set by the United Nations as well as the 30% benchmark identified in literature review. Rent of the housing units should be monitored to ensure that prices do not rise beyond the reach of the low and middle-income earners, who the estate is originally intended for.

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