

Analyses of Land and Housing Price Inflation in Nigeria, A Study of Federal Capital Territory Abuja from 1999 to 2009

OKAFOR, B. N.¹ ONUOHA, D. C.²

1. Department of Estate Management, Faculty of Environmental Sciences, Nnamdi Azikiwe University, P.M.B. 5025, Awka, Nigeria
2. Department of Environmental Management, Faculty of Environmental Sciences, Nnamdi Azikiwe University, P.M.B. 5025, Awka, Nigeria

Abstract

The aim of this study is to critically considered inflation in the prices of land and housing in the Abuja property market from 1999 to 2009, and it is limited to residential property in the phase one of the Abuja property market. This research work was carried out to determine if actually there has been a persistence increase in the prices of residential accommodation in the study area, and also to determine the factors responsible for such increase. Data for the study were collected through observations, personal interviews, and library studies. The data so collected were analyzed using measures of central tendency, graphs and simple percentage table. The result of the study shows that there is inflation in the Abuja property market within the period under investigation. It also shows that the prices of land and housing are increasing at an average inflation rate of 50.1% for lease property and 39.3% for sale property. The work thus recommended the following: that the Government should provide mortgage insurance to first time home buyers who do not have credit history and to low-to middle income families in order to achieve our aim of providing affordable housing; the Federal government should de-centralize government offices from the city centre to other parts of the state to help reduce the demand of land and housing in the study area, in effect reducing the continuous-increase in the prices of land and housing, as people will have to shift to take abode in residential properties close to their offices; the government should go into mass housing development and also corporate with private developers in a bid to make different types of residential housing units available, thereby increasing the supply of the housing unit to meet demand for them. This will help reduce the continuous increase in the housing prices.

Keywords: Land, Housing and Price Inflation.

1.0 INTRODUCTION

1.1 BACKGROUND TO THE STUDY

It has become increasingly glaring that most urban population according to Nubi (2000), live in dehumanizing housing environment, while those that have access to average housing do so at abnormal cost. Housing has remained independent phenomenon that affects every facets of mankind. It constitute a significance index for man's wealth (Renaud 2004; Emoh and Nwachukwu, 2011). Boykin (1979) cited by Adjekophori (2014), explained that the real estate touches the economics lives of all individuals and families. It is the cornerstone of community life, the center of family activities and reference point for societal esteem, as well as the most important financial asset most household will ever acquire (Nevota, 2010).

The effect of inflation on the value of properties: Whenever there is an increase in the prices of commodities in a country, there is a direct and indirect effect on property value. When the cost of building new homes increases, the cost of renting older ones will definitely increase. This will also affect the number of new homes that are erected, thus causing a reduction in supply and more competition to rent or buy both older and newer homes. And because of the several dynamics of the real estate, it often increases beyond the rate of inflation. This is one more reason to invest in real estate; it often absorbs inflation effectively and takes its value beyond its reach (Abiodun, 2013).

61% of Nigerians lived on less than a dollar a day in 2010, up from 52% in 2004, according to the Nigerian National Bureau of Statistics (NBS). Nigeria's fast-expanding urban population is ill-housed. In major centres such as Lagos, Abuja, Ibadan and Kano housing demand is growing at about 20% per year. Yet Nigeria's housing and construction sector only accounts for only 3.1% of GDP, according to Finance Minister Ngozi Okonjo-Iweala.

Demand outstrips supply even in Nigeria's high-income housing market. The country has limited lots under formal title and even quality housing can often not be mortgaged, so that the formal housing market serves only the minority, according to Centre for Affordable Housing Finance in Africa (CAHF).

Housing construction is about 100,000 units per year for a country of over 170 million – the largest population in Africa. According to the World Bank, the country has a housing deficit of about 17 million units and needs about 700,000 additional units each year for the next 20 years.

1.2 STUDY AREA

Abuja occupies on area of about eight thousand square kilometers (8000 sq km) which is about two and half times

the size of the Former Federal Capital Territory (Lagos), Abuja is bounded on the north by Kaduna State, on the west by Niger state, on the East and South East by Plateau State, on the South West by Kogi State. It falls within latitude 8° 25'N and 9°20'N of the equator and longitude 6045¹ and 7030 (Okeke, 2011).

2.0 METHODOLOGY

The research instrument used was the interview and observation approach. Interview was carried out on respondents. The interview was oral and structured, this labeled vital information needed for the study to be readily available. Most of the respondents were visited in their offices, some contacted on phone and while others were met in informal settings during the office break.

This study gives a subjective and statistical view on inflation of prices of houses in the Abuja property market. It produces answers to the reasons of escalating prices of houses, and also gives an overview of the persistence increase in the rental and capital value of property in Abuja phase 1. Therefore, for the purpose of this work, the population of this study includes all Estate Surveyors, Real Estate Developers, Landlords, Tenants and Quantity Surveyors within Abuja phase 1. Judgmental sampling technique was used which assumed that a sample size of 40 stakeholders in the real estate sector of the Abuja property market will be appropriate.

Table 1: Table showing the distribution of respondents

RESPONDENTS	NO SELECTED FOR THE STUDY
Estate Surveyor And Valuers	15
Real Estate Developers	5
Landlord	7
Tenant	8
Quantity Surveyors	5
Total	40

Source: Authors Field Work, 2012

2.1 DATA PRESENTATION AND ANALYSIS

Using indices for weighing the various year taking 1999 as the base year. The formular is thus:

$$\text{Index} = \frac{X_i}{X_2} \times 100\%$$

Percentage (%) increase = 100% - Index

Where, Xi = Price at the beginning (base year)

X₂ = current price. **Research Question One**

Is there any land and housing price inflation in the Abuja property market between 1999 to 2009.

Table 2: Rental Values for 5-Bedroom Duplex Maitama and Asokoro Wuse And Garki Districts.

Year	Mean Annual Value (N)	Index	Percentage Increase	Mean Annual Value (N)	Index	Percentage increase
1999	2,300,000	-	-	1,400,000	-	-
2000	2,5000.00	92	8 26	1,800.000	77 56	23
2001	3,100,000	74		2,500.000		44
2002	3,500.000	66	34	3,000.000	47	53
2003	4,000.000	58	42	3,300,000	42	58
2004	4,300.000	53	47	3,500,000	40	60
2005	4,800.000	48	52	4,000.000	35	65
2006	5,500.000	42	58	4,400.000	32	68
200T	5,800.000	40	60	4,800.000	29	71 ;
2008	6,300.000	37	63	5,200,000	27	73
2009	6,800.000	34	66	5,200,000	25	75

Source: Estate Surveyors and Valuers, Property Magazine and bulletin

The table 2 shows that in Maitama and Asokoro district, by 2000 the percentage increase in price for 5-bedrooms duplex was 8%, by 2006, the price increased to 58%. In 2009 the percentage increased is 66%. While in Wuse and Garki in 2001 the percentage increase is 44%, by 2006 the price increased to 68% and to 75% by 2009.

Table 3: Rental Value for 4.Bedroom Duplex in Maitama and Asokoro Wuse and Garki Districts.

Year	Mean Annual Value (N)	Index	Percentage Increase	Mean Annual Value (Nj)	Index	Percentage increase
1999	1,410,000	-	-	820,000	-	-
2000	1,720,000	82	18	910,000	90	10
2001	1,970,000	72	28	1,210,000	68	32
2002	2,070,000	68	32	1,460,000	56	44
2003	2,370,000	59	41	1,670,000	49	51
2004	2,870,000	49	51	1,870,000	44	54
2005	3,100,000	45	55	2,170,000	38	62
2006	3,500,000	40	60	2,420,000	34	66
2007	3,750,000	38	62	2,920,000	28	72
2008	4,000,000	35	65	3,250,000	25	75
2009	4,350,000	12	68	3,500,000	19	77

Source: Estate Surveyors and Valuers, Property Magazine and bulletin

The table 3 shows that between 1999 and 2009, there is an increase of 68% in the prices of 4-bedrooms duplex in Maitama and Asokoro and 77% increase in Wuse and Garki.

Table 4: Rental Value for 3 Bedroom Bungalow In Maitama, Wuse and Garki Districts

Year	Mean Annual Value (N)	Index	Percentage Increase	Mean Annual Value (N)	Index	Percentage increase
1999	670,000	-	-	550,000	-	""
2000	1000,000	67	33	700,000	79	21
2001	1,300,000	52	48	950,000	61	39
2002	1,500,000	45	55	1,050,000	52	48
2003	1,750,000	38	62	1,150,000	48	52
2004	2,000,000	34	66	1,300,000	42	58
2005	2,250,000	30	70	1,450,000	38	62
2006	2,550,000	26	74	1,550,000	35	65
2007	2,750,000	24	76	1,850,000	30	70
2008	2,900,000	23	77	1,950,000	28	72
2009	3,000,000	22	78	2,300,000	24	76

Source: Estate Surveyors and Valuers, Property Magazine and bulletin

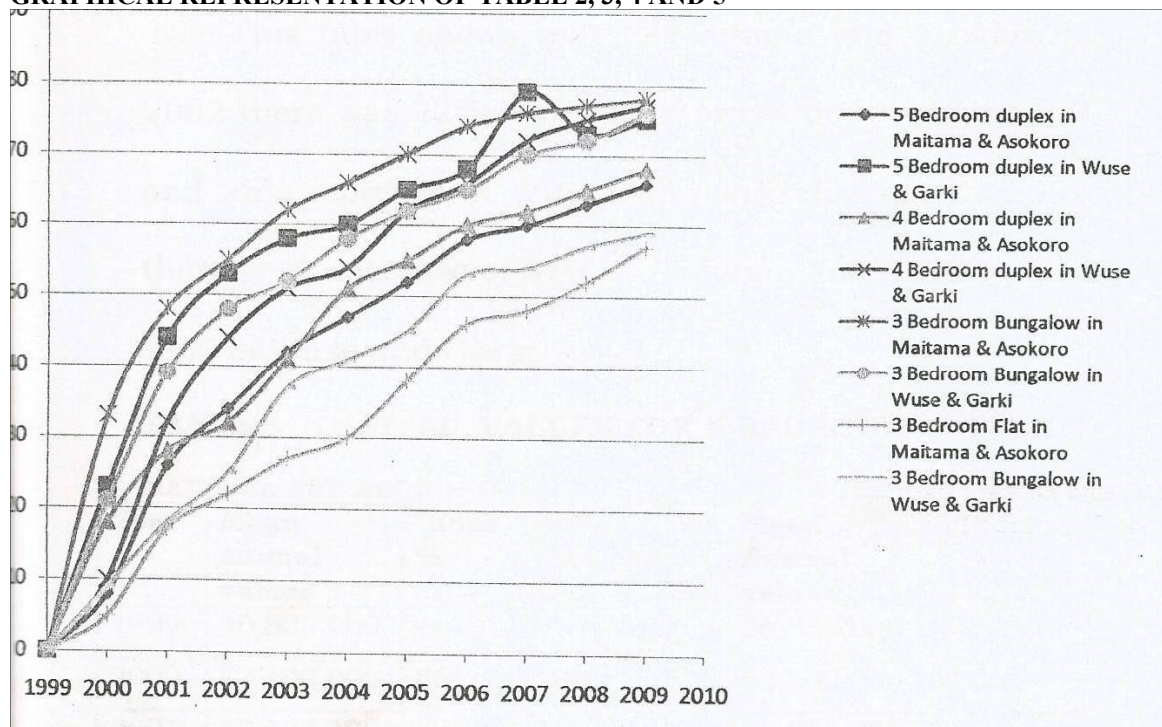
Table 4. Shows that by 2003, there is an increase of 62% in price of 3-bedrooms bungalow on Maitama and Asokoro and 52% increase in Wuse and Garki. In the year 2009, there is 78% increase in Maitama and Asokoro 76% in. Wuse and Asokoro.

Table 5: Rental Value for 3.Bedrooms Flat in Maitama and Asokoro Wuse and Garki Districts.

Year	Mean Annual Value (N)	Index	Percentage Increase	Mean Annual Value (N)	Index	Percentage increase
1999	620,000	-	-	410,000	.	-
2000	650,000	95	5	450,000	91	9
2001	750,000	83	17	500,000	82	18
2002	300,000	78	22	550,000	75	25
2003	850,000	73	27	650,000	63	37
2004	890,000	70	30	700,000	59	41
2005	1,000,000	62	38	750,000	55	45
2006	1.150,000	54	46	870,000	47	53
2007	1.200,000	52	48	900,000	46	54
2008	1.300,000	48	52	950,000	43	57
2009	1,450,000	43	57	1,000,000	41	59

Source; Estate Surveyors and Valuers, Property Magazine and bulletin

GRAPHICAL REPRESENTATION OF TABLE 2, 3, 4 AND 5



The graph above slopes upward from left to right showing that there is a continuous increase in the rental value of residential accommodation between 1999 to 2009 in the Abuja property market.

The table 6 shows that in Maitama and Asokoro by 2002 there was 22% increase in prices of 3 bedroom flat, and 25% increase in Wuse and Garki district. By 2009, there is an increase of 57% in Maitama and Asokoro, and 59% in Wuse and Garki.

TABLE 6: Capital Values for 5 Bedroom Duplex Maitama and Asokoro

Year	Mean annual values	Index %	Percentage Increase	Mean Annual values	Index %	Percentage
1999	40,600,000	-		26,750,000		-
2000	47,100,000	86	14	32,500,000	82	18
2001	52,100,000	78	22	36,000,000	74	26
2002	55,100,000	74	26	38,500,000	69	31
2003	57,000,000	71	29	40,000,000	67	33
2004	60,000,000	67	33	43,000,000	62	38
2005	65,000,000	62	38	48,000,000	56	44
2006	70,000,000	58	42	50,250,000	53	47
2007	75,000,000	56	44	55,000,000	49	51
2008	78,000,000	52	48	57,000,000	47	53
2009	80,000,000	51	49	60,000,000	45	55

Source: Estate Surveyors and Valuers, Property Magazine and bulletin

This table shows that the capital value of 5-bedroom duplex both in Maitama and Asokoro as well as Wuse and Garki districts rising persistently. Prices in Maitama and Asokoro by 2009, had risen from 14% in 2000 to 49% . In Wuse and Garki in the year 2009 if had increased from 18% in 2000 to 55%.

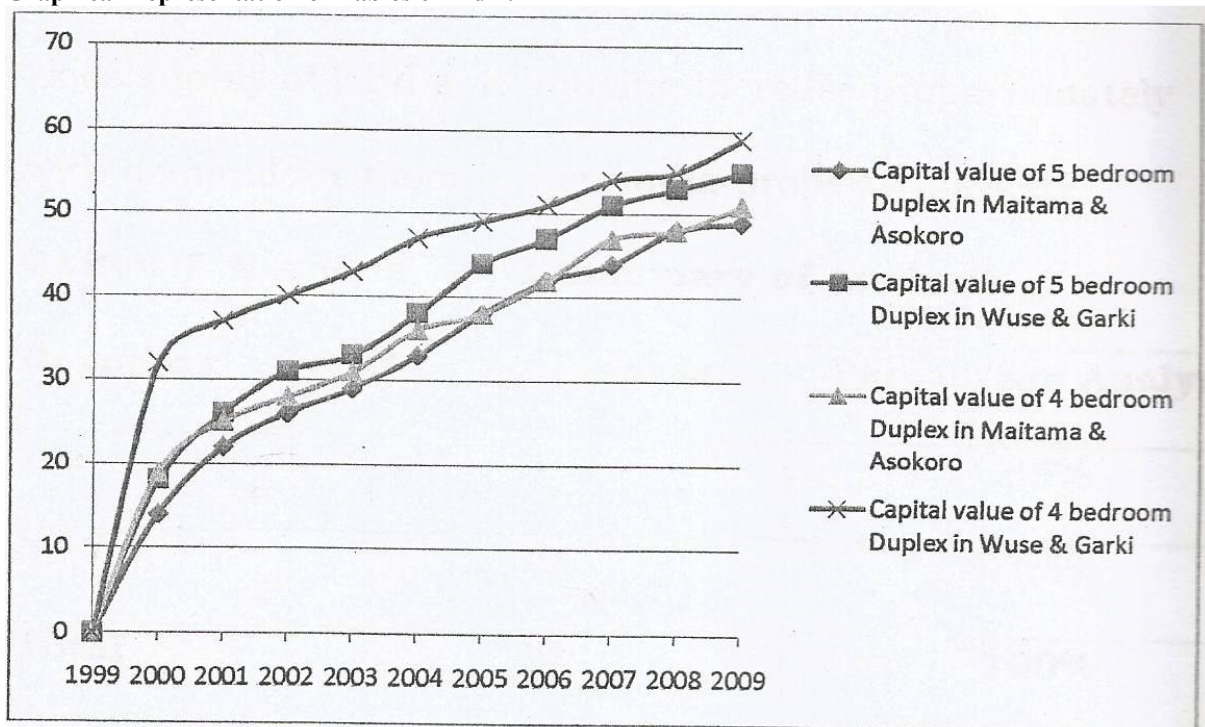
Table 7: Capital Values for 4 Bedroom Duplex in Maitama and Asokoro Wuse and Garki Districts.

Year	Mean annual values	Index %	Percentage Increase	Mean Annual values	Index %	Percentage Increase
1999	31,000,000	-	-	24,600,000	-	-
2000	38,170,000	81	19	36,000,000	68	32
2001	41,170,000	75	25	39,000,000	63	37
2002	43,250,000	72	28	41,250,000	60	40
2003	45,000,000	69	31	43,250,000	57	43
2004	48,250,000	64	36	46,000,000	53	47
2005	50,000,000	62	38	48,000,000	51	49
2006	53,150,000	58	42	50,250,000	49	51
2007	58,000,000	53	47	53,150,000	46	54
2008	60,000,000	52	48	55,000,000	45	55
2009	63,000,000	49	51	59,400,000	41	59

Source: Estate Surveyors and Valuers, Property Magazine and bulletin

Table 7 shows that by 2005, price increased of from 19% in 2000 to 38% and to 51% by the year 2009 in Maltama and Asokoro districts. In Wuse and Garki, price increased to 49% in 2005 and to 59% in 2009. This shows that price are increasing and a continuous price increase is an attribute of inflation.

Graphical Representation of Tables 6 And 7.



The graph above slopes upward from left to right showing that there is a continuous increase in the capital value of residential accommodation between 1999 to 2009 in the Abuja property market

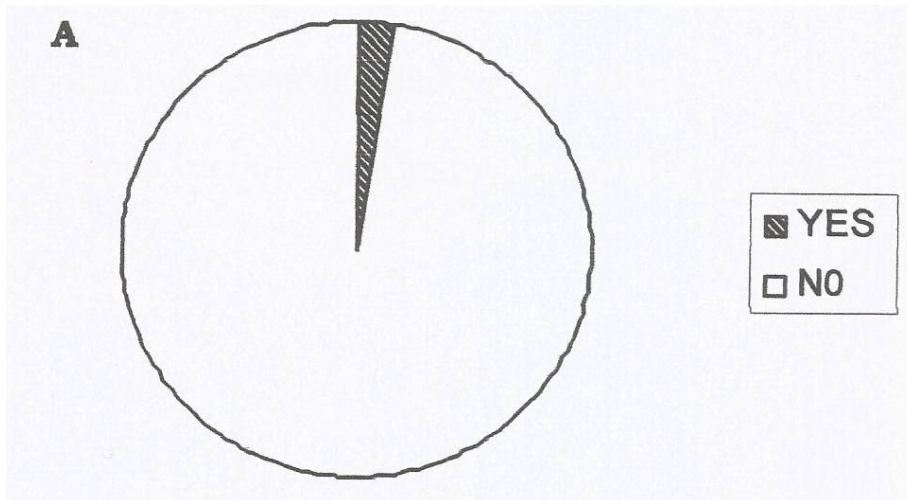
Research Question:

Does the supply of land and housing increase with the increasing demand as population increases?

Table 8: Responses and Summary of Analyses

Reponses	No of Responses	Percentage Analysis
Yes	1	2.5%
No	39	97.5%
Total	40	100%

Source: Field Survey 2012



Ratio of Yes to No 1:39

Calculation for "Yes"

$$1/40 \times 360 = 9^\circ$$

Calculation for "No"

$$39/40 \times 360 = 351^\circ$$

From table 97.5% of the respondents are of the opinion that supply of land and housing does not increase proportionately with that demand, against 2.5% of the total respondents that agreed otherwise.

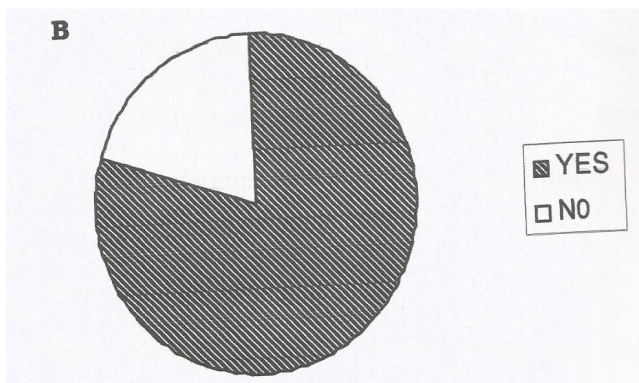
Research Question:

Does the high cost of building materials contribute to the persistence increase of the prices of houses in Abuja?

TABLE 8 Responses and Summary of Analysis

Reponses	No of Responses	Percentage Analysis
Yes	32	80%
No	8	20%
Total	40	100%

Source: Field Survey 2011



Ratio of YES to No 32:8

Calculation for Yes

$$\frac{32}{40} \times 360 = 288^\circ$$

Calculation for No

$$\frac{8}{40} \times 360 = 72^\circ$$

From table 80% are of the opinion that high cost of building materials is a contributing factor to the continuous increase in the both the rental capital value of residential proportion. While 20% of the respondents agreed that the high cost of building materials does not in any way contribute to the persistence increase in prices in Abuja.

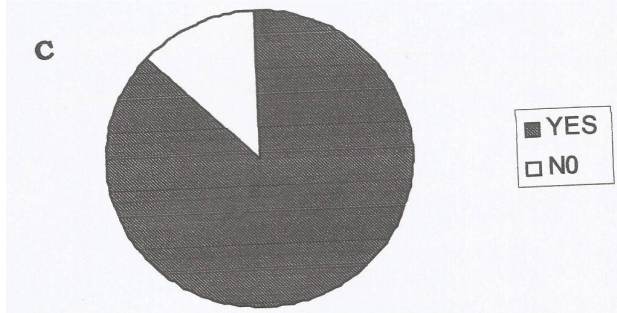
Research Question:

Does the daily influx of people for the city contribute to the inflation of land and housing prices in Abuja.

TABLE 9: Responses and Summary of Analysis

Reponses	No of Responses	Percentage Analysis
Yes	35	87.5%
No	5	12.5%
Total	40	100%

Source: Field Survey 2011



Ratio of Yes No 35:5

Calculation for Yes

$$\frac{35}{40} \times 360 = 315^\circ$$

Calculation for No

$$\frac{5}{40} \times 360 = 45^\circ$$

From table 9, 87.4% of the total respondents believes that the daily influx of people to the new capital city is the major factor of the inflation in prices of land and housing, that following the law of demand, that the higher the demand the higher the price.

While 12.5% of the respondents agreed otherwise.

Summary and Findings

The following findings are based on the analysis above:

1. It is obvious that prices have been appreciating from 1999 up to the year 2009. These rising prices are increasing at an unimaginable rate. Since rising prices is a characteristic of inflation. We can say that there is inflation in the Abuja property market.
2. Land and housing prices are increasing in the Abuja property market at an average inflation rate of 50.1% for lease property and 39.3% for sale properties.
3. The issue of land and housing supply increasing proportionately with their demand does not arise, because demand always outpaces supply. The supply of land and housing even when increased does not make significant impact in the property market.
4. Also the high interest rate charged on investors on building loan, coupled with high cost of building material, also contributed tremendously in the inflation of land and housing prices.
5. Finally, the daily migration of people to Abuja, increases the demand for residential properties against its supply thereby giving rise to inflation in the market.

Thus, the goal of providing affordable housing can be achieved, but the necessary ingredients have to be put in place. Investors can work in difficult environments in the short-term if there is convincing evidence that reforms that will improve the investment climate will be implemented as quickly as possible. The 11 housing reform legislations must be passed without further delay. We must keep working towards improving the investment climate, and this can be achieved by just studying what other countries have done and implementing international best practices. In doing this we must not miss the goal of ensuring macroeconomic stability, such as keeping inflation and interest rates down.

It is important that Government provides mortgage insurance to first time home buyers who do not have credit history and to low-to middle income families in order to achieve our aim of providing affordable housing. Like I earlier said it is an anomaly for government to take on the responsibility of building houses because experience has shown that it is unsustainable in the long-run. The Nigerian Federal Housing Authority (FHA) could be restructured to become the government sponsored entity that will be responsible for providing mortgage insurance while the Federal Mortgage Bank of Nigeria (FMBN) can pool the insured mortgages and sell them in the capital market to provide liquidity.

Lastly reconsideration of the restriction on the importation of building materials should continue, and we

must conduct more research on how we can use local building materials. I also urge the government to think seriously about providing primary infrastructure because it should not be a developer's responsibility if we are serious about providing affordable housing. The present method of funding infrastructure projects through the annual budgets only results in having uncompleted projects when revenues fall short of expectation as has been the experience in nation's history. The capital market can be a good source of providing long-term funds through the issuance of bonds and other financial instruments to finance infrastructure projects.

Recommendations

1. The Federal government should de-centralize government offices from the city centre to other parts of the state. This will help reduce the demand of land and housing in the study area, in effect reducing the continuous-increase in the prices of land and housing, as people will have to shift to take abode in residential properties close to their offices.
2. The government should go into mass housing development and also corporate with private developers in a bid to make different types of residential housing units available, thereby increasing the supply of the housing unit to meet demand for them. This will help reduce the continuous increase in the housing prices.
3. Lastly reconsideration of the restriction on the importation on local building material should continue and we must conduct more research on how we can use local building materials. Also the government consider seriously about providing primary infrastructure because it should not be a developer's responsibility if we are serious about providing affordable housing.

REFERENCES

- Abiodun, Doherty (2013). "Factors that make property value increase" Punch News Online August 27, 2013 : <http://www.punchng.com/business/am-business/factors-that-make-property-value-increase/>
- Abioye A. (2000). *Inflationary Trend in the prices of Houses* in FCT Abuja, Today pg 25 - 27,
- Adjekophori, B. (2014). "Pension fund: a veritable source of financing real estate development in Nigeria" *International Letters of Social and Humanistic Sciences Vol. 23 (2014) pp 23-40 Online: 2014-03-02© (2014) SciPress Ltd., Switzerlanddoi:10.18052/www.scipress.com/ILSHS.23.23* SciPress
- Aminu iman (2010). *El Rufai housing Investment* in Abuja, TB Framework. Pg 12.
- Babarinde, J.A (1998). *Analysis of Industrial relocation in relation to Housing and Infrastructural Services in Metropolitan*. Lagos: The Lagos journal of Environmental Studies 1 (1): 97- 108.
- Centre for Affordable Housing Finance in Africa (CAHF): (2012).
- Emoh, F.I., Nwachukwu, C.C. (2011). Critical Issues in Real Estate Finance as an Index in Building Construction project management Success in Nigeria. *American Journal of Social and management science*, Vol. 2, No.1 pp. 76-90.
- Kuye, O. (2003). *Principles Practice of Property Valuation*. (Vol.1). c/o Climax Communication Limited.
- Nevova, T. (2010). Expanding Housing finance to the Underserved in South Asia-Market review and forward agenda. *International Bank for reconstruction/World Bank*
- Nigerian National Bureau of Statistics (NBS): (2012).
- Njuguna, A.G. (2010). *Strategies to Improve Pension Fund Efficiency in Kenya*. An Unpublished Ph.D Thesis of Nelson Mandela Metropolitan University, Port Elizabeth.
- Nubi, T.O (2000). "*Financing urban Housing*": A paper delivered in a workshop organized By Nigeria Institute of Building and Road research.
- Nubi, T.O (2002). Flying with one wing: Dilemma of mortgage banking in Nigeria without a Secondary Market. *The Quantity Surveyor*, Vol. 38, No.1, January-March, pp. 22-37.
- Nubi, T.O. (2002): *Procuring, Managing and Financing Urban Infrastructure*, Towards *Integrated Approach*. Paper Presented at a National Workshop on Land Management and Property Tax Reform in Nigeria: Organized by Estate Management Department, University of Lagos, Akoka. July.
- Okeke, F.D. (2011). "A Critical Review Of The Land And Housing Price Inflation In Fct Abuja" Unpublished BSc. Project Work, Estate Management Department, Nnamdi Azikiwe University, Awka.
- Omuojine F.O (1998) *High rent weigh down on Abuja Residents*, Journal, of The Nigerian Institution of Estate Surveyors and Valuesr Pg 15.
- Renaud, B.M (2004). Mortgage Finance in Emerging Market: Constraints on feasible development paths, paper presented at USC FBE/LUSK Real Estate Seminar.
- Stephen, L. H (2008): *The Etymology of Infrastructure and The Infrastructure of the Internet*. Hag Pak Sak Publishers, U.S.A.