

Assessing the Impact of COVID 19 on Affordable Housing Provision in Nigeria

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Abstract:- COVID-19 has had an immediate and severe impact on low-income residents and mission-driven organizations that develop and operate housing for this population, especially affordable housing at worst. Therefore, the purpose of this study is to determine the impact of Covid 19 on affordable housing in Nigeria and the most affected housing categories. This study examines existing research on the current and potential impacts of the COVID-19 pandemic on affordable housing and the most affected housing categories, to identify cracks or gaps, fill identified gaps, and contribute to knowledge and Academics to provide additional research and contributed research. Survey results show that the construction industry and lender/investor/funder inspectors are unable to travel to construction sites to inspect projects and approve applications, as well as maintain safe spaces and distance. Some of the consequences of Covid 19 for affordable housing include slowing rental activity and traffic. While one- and two-bedroom apartments are the most prevalent housing types affected by Covid-19, it is therefore recommended that the Federal Government and stakeholders work together to ensure the establishment of this fund as an intervention to support the impact of Covid-19 on the Nigerian housing sector being affected by Used wisely and effectively to mitigate or eliminate the impact of Covid-19 on the housing sector. To this end, the government should implement a new model to help developers provide affordable housing to people of all income levels in Nigeria.

Keywords:- COVID-19, Effect, Affordable Housing, Nigeria.

I. INTRODUCTION

With a population of more than 200 million, Nigeria has one of the largest black populations in the world. Like the rest of the world, Nigeria is dealing with the 2019 coronavirus (COVID-19) pandemic uniquely. The pandemic has caused global social and economic upheaval, including the largest global recession since the Great Depression, resulting in the postponement or cancellation of sports, real estate development, and religious, political, and cultural events. However, the current pandemic has had a major impact on the real estate industry. Given the financial impact of COVID-19, as well as significant pay cuts and in some cases job losses, buying a new home is becoming less of a priority.

The World Health Organization (WHO) first declared COVID-19 a global health emergency in January 2020. Since then, the emergency has morphed into global public health and economic crisis with far-reaching implications for the global economy. See you in nearly a hundred years. As a result, COVID-19 has had an immediate and severe impact on low-income residents and the economically disadvantaged and mission-driven groups that develop and operate housing for this population, and it has gotten worse. Many tenants face job and income losses that will prevent them from paying rent, buying food, and accessing healthcare.

However, housing is one of the basic human needs and has undoubtedly been impacted by the COVID-19 pandemic, especially in housing needs, space needs, housing security, housing affordability and tenure security, housing/real estate investment, and construction. Housing provides the most basic human needs such as health, well-being, social attitudes, and economic productivity [1]. It has been pointed out that affordable housing is a necessary condition for human well-being, and social and economic well-being [2]. The branch of housing also extends to the macroeconomic conditions of wider urban economies such as cities [3]. Despite the important role housing plays as a basic need, almost all societies throughout history have lacked an adequate supply of these commodities. Despite numerous attempts by governments to provide housing over the past decade, most developing countries are now severely under-supplied. As a result, there is still a housing affordability crisis in most countries around the world. A production or capital slowdown caused by COVID-19 will only exacerbate the housing affordability challenges communities are already facing. Times like these are a reminder that affordable housing is one of the most basic human needs. The gap between demand and supply could not be starker when our collective well-being is at stake and those with limited resources find themselves least able to weather any "storm". The homeless, those struggling to make ends meet, the elderly, and others with vulnerable safety nets could fall through these nets if we don't come together to protect them. The ability of our affordable community workers to support those in need of extra help through rent and eviction relief, food support, information sharing, and service coordination will be critically tested, but will also be critical to our ability to get through this together component.

Additionally, the lack of effective housing demand and little or no access to affordable housing financing or mortgages has been a major contributor to the industry's underperformance during the pandemic. At the same time, the construction cost is extremely high, which directly affects the housing price. Developers have yet to adopt new construction techniques that help improve quality and cost efficiency. However, demand for commercial real estate is expected to remain low and many businesses can continue operating.

Therefore, the Federal Government of Nigeria, in collaboration with the Central Bank of Nigeria and with the support of Nigerian housing sector stakeholders, has launched an intervention to support the impact of COVID-19 on the Nigerian housing sector. The federal government has set aside 295 billion naira (\$758 million) for housing needs intervention. Mortgage creation will be managed by NMRC in partnership with states and primary mortgage lenders. Under the proposal, each of the 36 states would receive an average of 8 billion guilders (\$20.5 million). The 200 billion guilders (\$513.9 million) allocation means an increase in the supply of affordable housing. The Family Homes Fund will work with states and developers to implement the program. In addition, 5 billion guilders (\$12.8 million) have been allocated to establish a Special Purpose Vehicle (SPV) for a robust housing finance ecosystem. The federal government is providing support for all these interventions to mitigate the impact of Covid-19 on the housing supply in Nigeria.

Therefore, the purpose of this study is to determine the impact of Covid 19 on affordable housing and the most affected housing categories in Nigeria.

II. LITERATURE REVIEW

A. Housing

Housing is a permanent structure for human habitation [4]. However, it is more than a shelter, as it contains the social services and utilities that make a community or neighborhood a livable environment [5]. Housing is a vital and integral part of the social, economic, and health fabric of any country [6], and the inseparability of housing and the environment makes it possible to be influenced by health, efficiency, social behavior, personal and Group taste, satisfaction, productivity, and well-being [7]. Housing can be classified according to use: market housing, non-market housing, multi-family housing, above-ground housing, emergency shelters, secondary/attached housing units, single-family housing, transitional housing, and social housing. Since urbanization evolves, there has been a new shift in housing from sparsely dispersed to large-scale housing in more populated areas, resulting in the concept of urban housing, that is, housing developed in urban areas [8]. Given the positive correlation between population density and 1918 flu mortality, mortality rates may be higher in urban areas than in rural areas [9]. Many people assume that the risk of contagion from COVID-19 increases with density (number of people per unit of land), but this is not necessarily true; risk is related to crowding (number of people in an enclosed space, such as a vehicle or house) [10]. Today, however, urban and rural areas are more

closely linked, which may narrow the mortality gap between urban and rural areas. These uncertainties make it imperative to understand the impact COVID-19 may have on the housing sector of the economy.

B. Affordable Housing

Generally speaking, housing is considered affordable if the family at home has sufficient returns to meet other basic requirements. Likewise, affordable housing is the one used to interpret the home price of a family unit that is considered affordable within the specified income range of the dwelling unit. While this period typically applies to renting housing in the lower income brackets of a geographic area through subsidized facilities, the concept applies to renters and buyers across all income brackets. In the U.S. and Canada, the generally accepted guideline for housing affordability is for home prices to be no more than 30% of monthly income. Home prices measured in this guide generally include owner levies and warranties and often include utility charges. When a family's monthly transportation costs exceed 30 to 35 percent of the family's salary, the housing is considered too expensive.

III. IMPACT OF GOVERNMENT RESTRICTIONS ON HOUSING DELIVERY

The impact of the COVID-19 pandemic on the Nigerian economy has harmed housing production. COVID-19 has not completely made housing projects impossible to complete at this stage, however, it will delay project completion due to supply chain disruptions. Where some projects were discontinued, there were intentions to continue at a later time [11]. During the lockdown period, state-owned residential land supply and housing loans from mortgage agencies and commercial banks ceased, land use rights were not guaranteed, construction plans were not approved, and housing construction and upgrades were negatively affected. The plans of construction companies and property developers that rely on imported materials or foreign labor may be disrupted by international travel restrictions, so the development process will slow down [11]. These slowdowns due to constraints will leave critical development deadlines unmet, raising further questions about costs and investment sustainability [11]. Also, when governments reduce movement restrictions and allow people to go back to work, construction workers rarely do so due to the difficulty of having to observe physical distancing and hand washing while working, leaving them vulnerable to the disease. As long as there is no cure yet the viral approach, the new way of living and working becomes the (new) normal that must be firmly adhered to. For example, Triacta Construction Company, Dantata & Sawo Construction Company, and Julius Berger Construction Company located in the Federal Capital Territory (FCT) of Nigeria, Abuja, have multiple housing construction units that were due in 2020. But unfortunately, the COVID-19 outbreak has hampered project completion and contractually due delivery, and the project delivery date is just a dream.

A. *Impact of COVID-19 on Affordable Housing*

Constructio Company	Location of the Project	Number/Unit of the Housing Project	Supposed Completion Date	Inspection of Completed Project Date	Proposed Commissioning/ Delivery Date
Triacta CC	Apo Village Abuja	World-class standard Neighborhood ICT Centre	March 2020	June 2020	September 2020
Dantata & Sawo CC	Prince and Princess Estate, Abuja	250 units of 2 and 3 bedroom bungalow	June 2020	August 2020	September 2020
Julius Berger CC	Gwarinpa Estate Extension, Abuja	57 units of 4 and 5 bedroom duplex, prototype	June 2020	September 2020	November 2020

Table 1: Evidence of hindered or uncompleted housing projects as a result of COVID-19 Source: [16]

The full impact is still unfolding, but so far we have seen the following:

- A generation. Increased labor and material shortages slowing construction projects, creating the risk of meeting commissioning deadlines and potential cost overruns;
- Construction project closures due to government action and/or COVID-19 quarantine events
- The challenge of employees maintaining personal health and safety while traveling to and supporting construction sites
- Employees are challenged to travel to and support construction sites while maintaining personal health and safety
- Construction department and lender/investor/funder inspectors are unable to arrive at construction sites to inspect projects and approve applications;
- Slowdown in rental activity and traffic;
- Intense pressure on property management and resident services personnel to comply with shelter-in-place and other personal health and safety measures while meeting occupant needs and managing/maintaining properties;
- Delays in Competitive Financing Rounds for Housing Projects;
- Rights process delays and other events requiring public approval; and
- Potential financial risks associated with loss or delay in rental income, capital calls to cover construction costs and developer fees, and potential delays in new transactions.

So far, our investors/lenders/public funders have been very supportive and responsive to the need to keep money flowing, do checks, and work hard to keep things in order. We haven't seen a major delay in funding existing deals or a move to reinvest in pipeline project equity. It is important to maintain open communication with all team members and have a clear plan to assess and manage the impact of delays and cost overruns.

IV. IMPACT OF COVID-19 ON RENTERS AND THE CATEGORIES OF HOUSING THAT ARE MOSTLY AFFECTED

Housing is affordable when households do not pay more than 30% of their income to rent or buy a home that includes utilities [12]. Affordable housing is the most desirable and safe place to live during a pandemic [10] However, the impact of COVID-19 on low-income residents has been immediate and severe, especially for tenants facing job and income losses that will prevent them from paying rent, buying food, and accessing healthcare [13]. The impact of COVID-19 on employment in the form of job losses, especially for informal workers, will lead to mortgage defaults and rent arrears, which may eventually lead to forced evictions [1] An estimated \$7-12 billion in rent payment support is needed to assist workers in COVID-19-related closures per hour [14]. The impact will be unequal, as it is most pronounced in areas with large renting populations and employment concentrated in leisure and hospitality, transportation, manufacturing, and construction [14]. Research shows that around 30.5% of households in Kenya are unable to pay rent due to COVID-19 unemployment [1]. Elsewhere, residents already facing forced evictions, as some landlords are bent on raising rents or selling their housing investments, even amid the crisis and tenants at risk [15].

The study revealed unemployment during the COVID-19 outbreak, which in turn affected housing affordability for individuals, especially tenants [16]. The study shows that of the 1,950 households surveyed in Nigeria, 42% of respondents who worked before the outbreak were no longer at work in the week before the interview due to reasons related to COVID-19, with a further breakdown showing the poorest households report The highest percentage of Nigerians stopped working (45%), while 35% of the wealthiest households were also affected [16]. High inflation leads to higher prices of imported and domestic building materials, overall construction costs, new and upgraded housing prices, and housing rents. Most tenants, such as private school teachers, informal economy operators, and corporate workers, are vulnerable to forced evictions and

evictions. Some people may also be homeless, making them more vulnerable to COVID-19. The economic impact of COVID-19 on housing development also affects the following issues: housing demand, housing demand, housing

demand, and housing affordability. The table below shows recent rental schedules for properties in different locations under the management portfolio of a renowned registered real estate manager in Nigeria.

S/ N	Name of the Tenant (withheld)	Property Occupying	Rent/Amount Payable	Tenancy	Tenancy Expiration Date	Remark
1	N	2 bedrooms semidetached bungalow	₦350,000:00 (\$902.20)	Yearly Tenancy	14th July 2020	Rent not yet Paid (defaulted)
2	O	Room and parlor self-contained	₦160,000:00 (\$412.43)	Yearly Tenancy	30th March 2020	made part payment
3	P	2 bedroom detached bungalow	₦365,000:00 (\$940.87)	Yearly Tenancy	15th April 2020	Rent not paid
4	Q	3 bedroom bungalow with a room boy's quarters	₦450,000:00 (\$1,159.97)	Yearly Tenancy	25th April 2020	Rent not paid
5	R	4-bedroom duplex in a well fenced compound	₦500,000:00 (\$1,288.86)	Yearly Tenancy	20th March 2020	Made part payment
6	S	A room and parlor self-contained	₦150,000:00 (\$386.66)	Yearly Tenancy	28th February 2020	To be evicted
7	T	3-bedroom flat on two floors	₦375,000:00 (\$966.64)	Yearly Tenancy	12th June 2020	Made part payment
8	U	5-bedroom duplex with neighborhood shopping mall	₦600,000:00 (\$1,546.63)	Yearly Tenancy	30th May 2020	Requested extension through the Rent Tribunal to pay by December 2020
9	V	2 bedroom bungalow standalone housing	₦300,000:00 (\$773.32)	Yearly Tenancy	25th April 2020	Rent not yet Paid
10	W	A room and parlor self-contained	₦175,000:00 (\$451.10)	Yearly Tenancy	1st March 2020	Rent not yet Paid
11	X	2-bedroom flat on two floors	₦285,000:00 (\$734.65)	Yearly Tenancy	5th July 2020	Made part payment
12	Y	A room and parlor self-contained	₦170,000:00 (\$396.66)	Yearly Tenancy	October, 20202	Rent not yet Paid
13	Z	2 bedrooms semidetached Bungalow	₦400,000:00 (\$952.20)	Yearly Tenancy	November, 20202	Rent not yet Paid (defaulted)

Table 2: Tenancy schedule and rental default by tenants as a result of COVID-19 Source: [16]

Table 2 above shows the housing types most affected by COVID-19. The table shows that one-bedrooms and two-beds in the affordable housing category are most affected by COVID-19 due to rent arrears by tenants. The table shows that most owner-occupiers (O, S, W, and Y) are in arrears in rent due to COVID-19, as well as 2-bedroom tenants (N, P, V, X, & Z).

V. IMPACT ON RENTERS

In the short term, renters have largely escaped the financial difficulties facing housing providers. Government aid and protections implemented in response to the COVID-19 crisis, such as expanding unemployment benefits and moratoriums on evictions, have provided important assistance to renters. However, these government policies are in a constant expiration-extending cycle, leaving renters

uncertain about the future. Additionally, these policies negatively impact tenants' financial and economic resilience, as rents accrue even when evictions are limited. According to [17] In the longer term, a moratorium on evictions and increased regulation of housing provider-tenant relationships could negatively impact housing supply and tenant mobility through 2020. Likewise [18] express that in 2020 housing suppliers may not be able to maintain their supply of rental housing if they are unable to cover property expenses and operating costs due to a lack of rental income. This is especially true for smaller low- and moderate-income housing providers. Broady et al (2020) [19] Restrictive policies such as moratoriums on evictions can negatively impact tenant mobility, which in turn affects workforce mobility. According to the [18] "Overly restrictive regulation of the landlord-tenant contractual relationship is associated with lower residential mobility. In terms of residential

mobility and labour mobility, this may be especially true during the post-COVID-19 recovery Unpopular, which will require a reallocation of labor and capital to activities with a more optimistic economic outlook [17]. Importantly in 2020, job and income losses from the pandemic have left many, especially black and Latino Adults, at greater risk of housing instability. Urban Institute. 2020[20]., so the long-term impact on renter mobility and housing supply could disproportionately affect these communities and exacerbate increases in access to safe and affordable housing and Existing racial and economic disparities in housing [21].

A. COVID-19 Impact on Housing Providers

COVID-19 has increased costs and reduced revenue for housing providers, making it harder for them to operate and invest in future housing projects. In August 2020, the NDP Analytics and the National Rental Housing Association conducted an online survey of low- and moderate-income housing providers to assess the impact of COVID-19 on operations, income, and future investments. 88.0% of respondents own at least some subsidized housing units in their portfolio, with 69.8% of the portfolio subsidized for the majority of units. This section presents the results of this survey [22].

B. Operating Expenses

Since the outbreak of COVID-19, housing providers have had to make adjustments to protect the health and safety of workers and residents. In addition to normal operating expenses (salaries, maintenance, utilities), housing providers spend money on air filtration, additional cleaning costs, personal protective equipment (PPE), and other health-related expenses to ensure the safety of property and people. Safety. As with all other housing providers, these additional activities increase costs for low- and moderate-income housing providers. Nearly three-quarters of housing providers have increased operating expenses due to COVID-19. For these housing providers, operating expenses increased by an average of 14.8%. Providers of 1,000 units or less saw the largest increase, with operating expenses increasing by nearly 16.7%, while those with 1,000 to 5,000 units saw their operating expenses increase by 14.3%, and those with 5,000 or more units increased by 11.7%. Additionally, housing providers in the Northeast reported the highest increase in spending (18.9%), followed by the West (15.8%), the South (15.1%), and the Midwest (10.3%). Housing providers with units in multiple regions (“cross-region”) reported an average increase of 13.9% in operating expenses. (Figure 1).

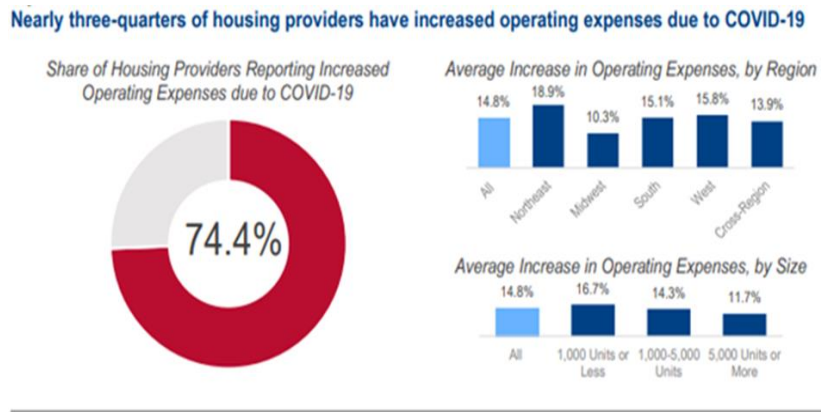


Fig. 1: Nearly three-quarters of housing providers have increased operating expenses due to COVID-19 Source: [28].

Additional operating costs are primarily attributable to additional cleaning and personal protective equipment (PPE). 86.1% of low- and moderate-income housing providers cited additional cleaning as a primary driver of increased spending,

as did 79.6% of PPE. Few housing providers identified costs related to telecommuting, wages, utilities, and air filtration as the main drivers of increased operating expenses (figure 2).

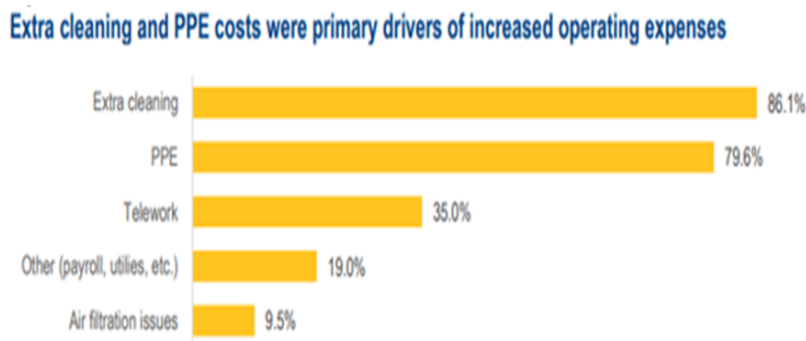


Fig. 2: Extra cleaning and PPE costs were primary drivers of increased operating expenses Source: [28].

Impact of COVID-19 on Housing Providers on Tenants and Their Communities The negative impact of COVID-19 on housing providers can subsequently affect tenants and their communities. In the short term, renters who rely on temporary government assistance face uncertainty about the duration of these programs, with communities experiencing

financial hardship and reduced investment in planned housing projects. The longer-term effects are more severe, including reduced housing supply, reduced tenant mobility, and the abandonment of the benefits of new home construction, especially affordable housing (Table 2).

	Short-Term	Long-Term
Renters: Individuals & Families	Uncertainty of government protections (reduced economic/financial resilience)	<ul style="list-style-type: none"> The decline in housing supply (Increased housing insecurity) Lower renter mobility & subsequently, labor mobility)
Communities	<ul style="list-style-type: none"> Financial hardship and reduced spending by housing provider households Reduced investment in planned residential construction projects 	<ul style="list-style-type: none"> Forgone benefits of planned residential construction Lower profitability of housing/Reduced investment in future housing

Table 3: Impacts of financially strained housing providers on renters and their communities, both short and long term Source: [16].

VI. CONCLUSION

This article concludes based on the review that the impact of COVID-19 on affordable housing is; slowing construction projects due to increased labor and material shortages and potential cost overruns; closure of construction projects due to government action and/or COVID-19 quarantine events; Challenges of maintaining physical health and safety of employees while traveling to and supporting construction sites; unique challenges of maintaining safe spaces and “distancing”; the inability of construction departments and lender/investor/funder inspectors to reach construction sites; rental activities and traffic restrictions delays; high pressure on property management and resident service staff; delays in competitive financing rounds for housing projects; delays in entitlement processes; potential financial risks associated with lost or delayed rental income, capital calls to cover construction costs and developer fees, and Potential delays in new transactions. However, the housing categories most affected by COVID-19 are one-bedroom and two-bedroom. Therefore, the federal government and stakeholders should work together to ensure that the fund is used effectively to mitigate or eliminate the impact of Covid-19 on the housing sector.

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