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To cite this article: O B Adegun *et al* 2019 *IOP Conf. Ser.: Mater. Sci. Eng.* **640** 012009

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Housing affordability among low-income earners in Akure, Nigeria

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Abstract. Ability to afford a decent house is a critical aspect of human well-being. This study seeks to understand housing affordability among low-income earners in Akure, Ondo State, Nigeria. We conducted a survey that involves administering questionnaire to 100 randomly selected Akure residents who are employed in the junior category within public and private organisations. Most of the respondents – over 73% have monthly household income under N100,000. 81.3% of the respondents live in rented houses, while 13.3% owned where they lived. Being able to afford decent housing is a challenge as 90.7% of the respondents spent up to 25% of their total household income on rent. Majority (62.7%) agreed that their housing is not affordable, as paying rent affects spending for other household needs especially, children's school fees and food. We recommend that stakeholders need to provide incentives towards affordable housing for their employees in the junior cadre.

1.0 Introduction

Affordability is one of the most important factors in housing. Despite the various efforts to improve housing, problems of affordability persist in Nigeria [1,2]. The rapid population growth and urbanisation has not been matched by sufficient supply of adequate and affordable housing. In Nigeria, housing problems notably includes the quantitative inadequacy of housing that is affordable for low-income households.

Affordable housing is that which does not cost more than a reasonable percentage of the income of the occupant household. Nigerian scholars, Nwaba and Kalu [3], reviewed measures of housing affordability across the globe. They revealed that, in the USA, 30% of income for housing (including utilities) is the standard threshold. Anything above this percentage is regarded as being 'housing cost burdened', and those spending over 50% are seriously or severely cost burdened [4]. In the UK, affordable rents as those below 25% of household income for new tenants [5]. In Australia, the 30% housing cost benchmark to income ratio is used to define potential affordability problems [6]. Cox and Partelich [7] explains that for a metropolitan area to be rated as being affordable, housing prices should not exceed three times gross annual household income.

The cost at which housing reaches the market goes a long way to determine affordability. High cost of housing units is attributable to: rising cost of building materials, inflation rate, high space and quality standards adopted by designers, fees of professionals involved in designs and construction, excessive profit of contractors/developers. Where cost per unit of a building is abnormally high, few people will be able to afford it. This has been the situation within big cities in Nigeria [8].

The gap between income and shelter cost in Nigeria is very wide. Low-income earners are eliminated from the formal housing market. Many find it difficult to cope with regular and prompt rent payment. This makes aspiration of low-income households to occupy adequate well-located rented apartment almost elusive. The income of poor households is low to support the construction of buildings



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within a short or even medium time span [9]. Hence, unaffordable housing is one of the major causes of slum formation in Nigeria [10].

In considering affordability, it is important to note that low income earners can be divided into two categories – those who have no gainful employment and those who are employed, that is those described as subsistence poor, also known as the working poor group of individuals. The latter group can be found in both the formal and informal sectors. Traders, artisans, taxi drivers, commercial motorcycle riders, unskilled construction workers and so on are examples of low-income earners in the informal sector. Low income earners in the formal sector, which is the focus of this study, include junior workers in public civil service and private establishments.

Concerns have been expressed about affordability outcomes for working but poor households who are finding it difficult to rent or purchase a house that is in good proximity to their place of work. Hence, this study's focus. The purpose of this study is to assess housing affordability of low-income earners in the formal sector in Akure, Ondo State, Nigeria. We intend to investigate the challenges that low-income urban residents, employed in public sector organisations, face in terms of affordability of their housing.

2.0 Study Area and Research Methods

The study is situated in Akure, within Ondo State in the south-western part of Nigeria. It lies approximately on latitude 70°15' North of the Equator and longitude 50°15' East of the Greenwich Meridian. Akure is located approximately 700km south-west of Abuja, the Federal Capital of Nigeria and about 350km to Lagos the former capital of Nigeria. It is a medium-sized urban centre that became the provincial headquarter in 1939 and capital city of Ondo State in 1976. The city's morphology has changed over time, as it grew, with the accompanying housing problems. At present, the city is estimated to have over 484,798 people [11] and covers total area of approximately 991 square kilometres.

Previous studies conducted in Akure have shown that employees in junior categories within the public sector, although receptive of it [12], cannot afford housing delivered within the city through public-private partnership initiatives and other means [13,14]. This study revisits the problem to further unpack the housing affordability situations in the growing medium-sized city.

This study utilized a survey method (through structured questionnaire) to collect data. Random sampling was employed to obtain a sample size of 100 respondents who are employed as junior staff in public and private institutions within Akure metropolis. The questionnaire was administered face-to-face to each respondent who is expected to complete and return it. A total of 100 questionnaires were administered. Out of these, 75 were returned and used for analysis.

3.0 Findings and Discussion

Table 1 presents demographic information of the 75 persons who responded to the survey. Of these, 57.3% are male while 42.7% are female. Information on age range show that 24% of the respondents fall within the age range of 18-30, 56% are within 31-45 and 20% within the age range of 46-60. In terms of educational qualification, 97.4% attended a higher institution of learning. Only one person each (representing 1.3%) are in possession of only basic primary and secondary school qualifications. Just about half (49.3%) of the respondents are single while 48% are married, 1.3% are divorced and 1.3% are widowed. The results obtained show that 26.7% of the respondents have a household size of between 1-3, 37.3% have a household size of 4 to 6 while 29.3% have household size above 6.

Table 1. Demographic Information about the Respondents

| | | Frequency | Percentage |
|---------------------------|--------------------|------------------|-------------------|
| Gender | Male | 43 | 57.3 |
| | Female | 32 | 42.7 |
| | Total | 75 | 100.0 |
| | | Frequency | Percentage |
| Age Range | 18 – 30 | 18 | 24.0 |
| | 31 – 45 | 42 | 56.0 |
| | 46 – 60 | 15 | 20.0 |
| | Total | 75 | 100.0 |
| | | Frequency | Percentage |
| Educational Status | Basic Primary | 1 | 1.3 |
| | Higher Institution | 73 | 97.4 |
| | Secondary | 1 | 1.3 |
| | Total | 75 | 100.0 |
| | | Frequency | Percentage |
| Marital Status | Single | 37 | 49.4 |
| | Married | 36 | 48.0 |
| | Divorced | 1 | 1.3 |
| | Widow | 1 | 1.3 |
| | Total | 75 | 100.0 |
| | | Frequency | Percentage |
| Household Size | 1 -3 | 20 | 26.7 |
| | 4 – 6 | 28 | 37.3 |
| | Above 6 | 22 | 29.3 |
| | Undisclosed | 5 | 6.7 |
| | Total | 75 | 100 |

As at when the survey was conducted, 14.6% of the respondents individually earned between N10,000 – N15,000 per month, 22.7% earned between N45,000- N70,000 while 20% earned more than N70,000 per month (See Table 2). As expected, the respondents did not earn much because they are employed in the junior categories within their respective organisations. 40 of the 75 respondents (53.3%) had additional sources of income. These augment what they earn from their employers. Table 2 also shows the range of total monthly household income, that is, respondents' individual earnings plus income from other sources. The result indicates that 28% of the respondents made less than N20,000 household income per month, 25.3% made between N20,000 – N50,000 per month, 20% made between N50,000 – N100,000 per month, 12% made between N100,000- N200,000 and 8% made more than N200,000 per month.

Table 2. Monthly Earnings of Respondents

| | | Frequency | Percentage | |
|--------------------------------------|-------------|------------------|-------------------|------|
| Monthly earnings | salary | 10,000 - 15,000 | 11 | 14.6 |
| | | 15,000 - 30,000 | 14 | 18.7 |
| | | 30,000 - 45,000 | 15 | 20 |
| | | 45,000 - 70,000 | 17 | 22.7 |
| | | Above 70,000 | 15 | 20 |
| | | Undisclosed | 3 | 4 |
| | | Total | 75 | |
| | | Frequency | Percentage | |
| Additional Sources of Income? | Yes | 40 | 53.3 | |
| | No | 34 | 45.3 | |
| | Undisclosed | 1 | 1.4 | |

| | | Total | 75 | 100 |
|-----------------------------------|-----------------------|-------------------|------------------|-------------------|
| | | | Frequency | Percentage |
| Total Household (in Naira) | Monthly Income | Less than 20,000 | 21 | 28 |
| | | 20,000 - 50,000 | 19 | 25.3 |
| | | 50,000 - 100,000 | 15 | 20 |
| | | 100,000 - 200,000 | 9 | 12 |
| | | Above 200,000 | 6 | 8 |
| | | Undisclosed | 5 | 6.7 |
| | | Total | 75 | 100 |

Table 3 shows the frequency of rent payment, the amount paid, and percentage of household income taken up by rent. Majority of the respondents (89.4%) pay their rent annually. Of the sampled population, 5.3% pay house rent monthly while 1.3% pay their rent at random. Also, 32% of respondents pay less than N5,000 rent per month, 34.7% pay between N5,000 – N15,000 rent per month, 10.7% pay between N15,000 – N30,000 rent per month, 17.3% pay over N30,000 rent per month. The majority (70.4%) pay between N1000-N15,000 rent per month. The result also shows that 90.7% of the respondents spend up to 25% of their household income on rent while 5.3% spend up to 50% of the household income. It is thus clear that a significant percentage live in housing that can be adjudged as not affordable. That they pay up to 25% of their income on housing is above the affordability benchmarks set [5,7] and shown earlier.

Table 3. Frequency of paying house rent and amount paid

| | | No | Percentage |
|--|-------------------|-----------|-------------------|
| Frequency of paying rent | Monthly | 4 | 5.3 |
| | Annually | 67 | 89.4 |
| | At random | 1 | 1.3 |
| | Undisclosed | 3 | 4 |
| | Total | 75 | 100 |
| Amount paid for rent | | No | Percentage |
| | Less than N5,000 | 24 | 32 |
| | N5,000 - N15,000 | 26 | 34.7 |
| | N15,100 - N30,000 | 8 | 10.7 |
| | Over N30,000 | 13 | 17.3 |
| | Undisclosed | 4 | 5.3 |
| Rent as percentage of Household income | | No | Percentage |
| | Up to 25% | 68 | 90.7 |
| | Up to 50% | 4 | 5.3 |
| | Undisclosed | 3 | 4 |
| | | Total | 75 100 |

The survey captured housing characteristics of the respondents. Table 4 presents information about the kind of house they reside in, length of stay, ownership of the accommodation and ease of securing the accommodation. Over half (52%) of the respondents live in 2 to 4 Bedroom flats, 29.3% live in the rooming house type (also called face-me-i-face-you), 16% are in stand-alone flats and 1.3% live in duplex apartments. As at the period of the study, 17.3% of the respondents have spent less than a year at their place of residence, 33.3% of the respondents have spent up to 2years, 13.3% have spent up to 3years, 12% have spent up to 4years and 21.3% of the respondents have spent over 5years. Table 4 further shows that 81.3% of the respondents do not own their current accommodation while 13.3% of the respondents own theirs. Also, 54.7% of the respondents reportedly experienced difficulties in acquiring the accommodation while 37.3% did not experience any difficulties.

Table 4. Housing Characteristics of the Respondents

| | | Frequency | Percentage |
|---|----------------------|------------------|-------------------|
| Type of Housing | Rooming House | 22 | 29.3 |
| | 2 to 4 bedroom flats | 39 | 52.0 |
| | Stand-alone flat | 12 | 16.0 |
| | Duplex | 1 | 1.3 |
| | Other | 1 | 1.3 |
| | | Frequency | Percentage |
| Length of stay | 1 year | 13 | 17.3 |
| | 2 years | 25 | 33.3 |
| | 3 years | 10 | 13.3 |
| | 4 years | 9 | 12 |
| | 5 years and above | 16 | 21.3 |
| | Undisclosed | 2 | 2.8 |
| Total | | 75 | 100 |
| | | Frequency | Percentage |
| Ownership | Yes | 10 | 13.3 |
| | No | 61 | 81.3 |
| | Undisclosed | 4 | 5.4 |
| | Total | 75 | 100 |
| | | Frequency | Percentage |
| Difficulty in securing the accommodation | Yes | 28 | 37.3 |
| | No | 41 | 54.7 |
| | Undisclosed | 6 | 8 |
| | Total | 75 | 100 |

The result obtained from the survey shows that greater percentage and over half (54.7%) of the respondents spend 11 to 30 minutes to commute from house to work (See figure 1). At two ends of the spectrum, 12% of the respondents spend less than 10 mins to get to their place of work while 9.3% spend over one hour to get to their place of work.

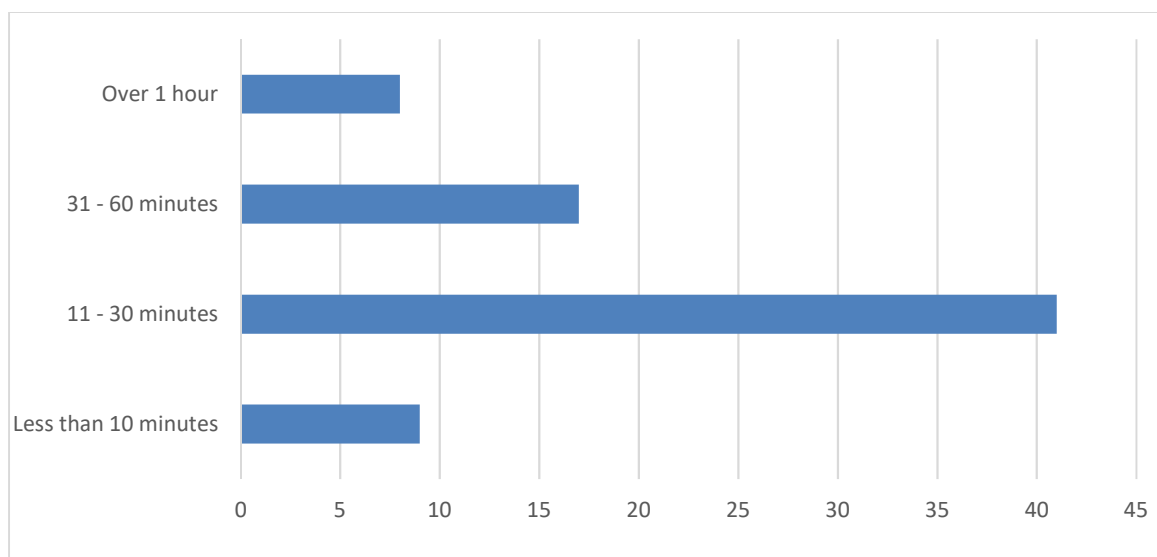


Figure 1. Time taken to reach respondent's place of work

Furthermore, the survey result shows that 47 respondents (representing 62.7%) do not regard their present house as affordable. On the other hand, 27 respondents (representing 36%) feel their present housing is affordable (See Figure 2). The survey also checked on impact of rent on household needs

(See Table 5). To 12% of the respondents, paying rent affects food supply and 17.3% of the respondents reports that it affects children school fees. To 32 respondents (42.6%), paying rent does not affect any of the needs listed. Overall, to the greater part of the respondents, paying rent affects one or a combination of needs in the household.

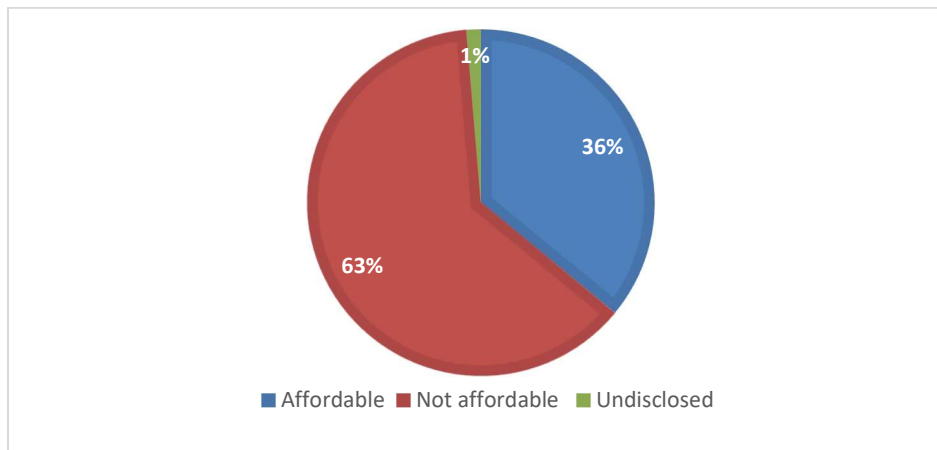


Figure 2. Level of affordability for the current housing

Table 5. Effect of house rent on household needs

| | Frequency | Percentage |
|-----------------------------|-----------|------------|
| Food | 9 | 12 |
| Children school fees | 13 | 17.3 |
| Clothing | 4 | 5.3 |
| Healthcare | 1 | 1.3 |
| Multiple needs | 7 | 9.3 |
| None | 32 | 42.6 |
| Undisclosed | 9 | 12 |
| Total | 75 | 100 |

Table 6 shows that 34.6% of the respondents intend to change residence while 6.7% do not have such intention. Getting a cheaper accommodation (applicable to 80.8% of respondents) is the major reason for this intention to change (see Table 6). This is not applicable to respondents who already own and live in their own houses. It also emerged that 15.4% of the respondents wanted to change residence to become a landlord – to own and live in their own house.

Table 6. Intention to change accommodation and why

| Intention to change residence | Frequency | Percentage |
|-------------------------------|-----------|------------|
| No | 5 | 6.7 |
| Yes | 26 | 34.6 |
| Not applicable | 44 | 58.7 |
| Total | 75 | 100 |

| Reasons for Intention | Frequency | Percentage |
|------------------------|-----------|------------|
| To become a landlord | 4 | 15.4 |
| To get a cheaper place | 21 | 80.8 |
| More Comfort | 1 | 3.8 |
| Total | 26 | 100 |

4.0 Conclusion

This study set out to understand housing affordability among low-income earners employed as junior staff in public and private organisations within Akure. It has shown that housing for greater portion of the respondents is not affordable. Many indicated that payment of rent negatively impacts other household needs. Challenges faced by low income earners include high rent and demand for advance rent (annual payments). Many want cheaper accommodation or want to have their own houses.

These findings call for specific measures that tackle the affordability challenge for people in the low-income category. We recommend that government and private employees should support their junior staff who earn low wages with incentives towards renting, building or acquiring affordable housing in good locations. The incentives can be in cash or in kind. Furthermore, addressing inadequate of affordable housing can be achieved through collaborative efforts between the public sector, private organizations and different aspects of the third sector.

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