

STUDY OF SPECULATIVE ENTREPRENEUR RESIDENTIAL HOUSING DEVELOPERS' INITIATIVES IN LAGOS STATE, NIGERIA

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ABSTRACT

The subject of housing has generated much discussion and interest in the developing countries including Nigeria. In the country presently, the availability of shelter in major towns and cities is grossly inadequate in spite of government interventions in its provision. Speculative residential housing developers have joined in developing housing estates all in the hope of ensuring adequate shelter for all. This development has created a real concern for urban residents of Lagos State since speculative residential housing providers, going by the selling prices of the units of housing available, tilt towards addressing the needs of the upper-income class mostly. With week-end spot observations backed by unstructured and semi-structured interviews, activities of five cooperative societies, five religious organisations and three private housing-based companies were studied. The study found that the ratio of involvement of those up to 50 years old and those above were in the ratio of 3:2. Ownership transferability in staff cooperative housing estates can be at will by the owners and same with private company-based housing estates subject to adequate notification and approval. On the contrary, owners of housing units within religious-based housing estates must first obtain written clearance from the organisation and, in most cases, carryout the sale processes through to another member of the organisation. The study recommends government allocation of state land for such developments to bring the cost of such units of accommodation within the reach of a larger segment of the society.

Keywords: Speculative, Residential Housing, Developers, Lagos State.

INTRODUCTION

There is a real concern within Lagos State urban communities with respect to uncontrolled increase in urban housing development that is reflective of a policy of arbitrary residential development rather than those in line with approved town planning regulations. Land speculators are now very prominent going about speculative residential housing developments without much control. These residential housing estates are being funded by housing developers, housing cooperative societies, religious institutions, private educational institutions, etc., acquiring hectares of land. The compact city model focuses on maintaining or increasing urban populations and making urban living popular, very attractive and associated with increases in the amount of activity that takes place within cities especially in relation to the extent of economic

and social activities taking place on daily basis. But the capability of this form of compact urban plan or policy performance is currently being challenged by speculative developers' activities who, instead of focussing on delivering high quality of life in city centres by resorting to the development what can aptly be described as infilled sites, go to acquire greenfield land in local communities for the purpose of starting massive residential housing construction mainly for the upper income group in the society. Their actions thus create additional burden for State and local governments in the areas of road construction, security and electricity network expansions.

In Lagos State, because of her strategic location as a former capital of the country for many years, a sea port and the most commercial nerve centre of the country, have witnessed and accommodated massive movement of people from all works of life. Despite some older areas of the State having some degree of municipal planning, the extent of control over building development was not uniform across local government council areas to the extent that informal housing developments exceeded the number of regulated ones. The high rate of informal housing developments, over the years, led to lop-sided transport interchanges within the central business districts, environmental challenges (refuse disposal, flooding, etc.), which are presently proving difficult to resolve and thereby making many of the compact city benefits to become far from being achievable.

LITERATURE REVIEW

Middleton (2015) found that who had engaged in speculative development represented a wide spectrum of wealthier families while others build their houses individually either through savings or loans. Real estate speculation has always been a risky enterprise but the associated financial rewards, when successful, have made it attractive to many. He further noted that speculators were conservative investors building small or modest rows as a means of testing out the market before plunging into larger-scale ventures. In most cases, it is only when the initial row was profitable and the area of the city seemed promising that the speculator would start construction of grander projects before buying land farther. They often would only purchase one set of drawings from their draftsmen and then apply the same standard design to each home within a row. Hooper and Nicol (1999) found in their study that more than 80% of houses being constructed on yearly basis were being built by the speculative private house developers using standard housing designs.

Morakinyo et al. (2015), Agbola (1998), Atolagbe (1997), Philips (1997), and Ayedun (2011) individually found that Nigerian public-sector intervention in housing provision recorded very poor performance especially for the low-income earners, hence the provision of inadequate housing and housing aids for low-income earners. The houses provided by government were few and out of the reach of most middle and low-income class and hence they were bought over by wealthy and influential member of the society. The studies also found that government inability to encourage the private developers by propelling them for greater involvement in residential housing delivery in addition to poor planning and execution of residential housing policies and programmes encouraged speculative residential housing developments by various groups of investors in the society.

Williams (1999) identified four reasons why compact cities were considered as efficient in England. He was of the view that since compact cities had high density neighbourhoods with mixed uses, people lived closer to their work places and leisure facilities thereby reducing urban sprawl, preserving the country side and at the same time releasing land within towns for redevelopment.

Gollard and Boelhouwer (2002) examined the extent to which the institutional capacity of UK speculative house building industry can downplay the country's age long belief and adoption of dealings in greenfield areas, in terms of its planning, marketing strategies and product design approaches. The study found that house builders became extremely skilful in the art and science of transactional real property approach which they portrayed for their greenfield development sites thereby justifying its usefulness.

Fujita et al. (1999) attributed variation in house prices to varying locations, individual incomes and tastes. The study also found that the distances from residential housing locations, in terms of distance travel time and cost implications, to important economic centers, do influence house prices.

Adams (2004) in his study found that land speculators go through a lot of activities that demand a lot of time, money, experience and working with people of like minds to succeed. They have to source land, ensure low site preparation costs, ensure adequate knowledge of the market and its contacts as well as ensure a steady supply of land on regular and uninterrupted basis.

Ball (1983) in his study noted that the issue of trying to meet housing need of the populace tend to impart on other social and economic needs of nations. Also, Cars et al. (2002) postulated that government efforts at transforming the urban centres and cities *vis-a-vis* their governance institutions and structures does not only lead to new relations in economic life and social activities in such urban centres and cities but often end up at changing of expectations in mode of governance, relationships and roles of the stakeholders. For example, a number of external market forces do get involved in speculative house-building in Lagos State by way of financing, investing and eventually becoming owner-occupier in the State's housing market.

Hamel and Prahalad (1994) in their study canvassed the option of enhancing technology propelling speculative housing development using strategic management approach creating housing products with irresistible functionality and compel the infusion of the customers' need which they are even yet to imagine to the property market. Dobson et al. (2004) canvassed imbibing of business competency skills by the speculative developers as a way of enabling them deliver products that will be of immense benefit to customers. They highlighted the competency they need to pay attention to include continuous improvement of their major area of strength while working on their weakness areas as well.

Morakinyo et al. (2015), Ogunde et al. (2018), Atolagbe (1997), Awolesi and Ayedun (2012), and Philips (1997) in their studies found that Nigeria's private sector was handicapped in its large-scale residential housing provision endeavour because of high cost of construction and anticipated profit that can effectively meet the aspiration of investors. For these reasons, the private sector can neither embark on a socially optimum output in quantity and quality, nor allocate housing resources equitably.

Payne (2009) evaluated the strategic decision making of UK speculative house-builders and by exploring the concept of institutional capacity of the private sectors response to a public policy change. He found that speculative house-building in the UK was an inherently risky and innately volatile process that directly linked the performance not only of land and housing markets, but also the wider performance of the economy and finance markets. The study agreed to earlier Wellings (2006) findings that speculative house-builders specific reward (development profit) could only be achieved by a judicious purchase of land and conceiving of the appropriate residential scheme for the site as well as Ball (1983) findings that land must be purchased and

much, or all, of the building work is done before a contract with the purchaser could be carried effected.

METHODOLOGY

Data collection for the study was carried out with structured questionnaire administered to 15 members each of the three selected speculative residential housing providers and ten members of staff of Lagos State Development and Property Corporation. In-depth interviews were carried out with seventeen willing officials of the selected providers. These two approaches took into consideration the various demands and challenges which the study entails in relation to the experiences of speculative developers, on one hand, and obtaining relevant and up-to-date information on the processes for home ownership and speculative residential housing developers' institutional environment. Pre-arranged structured interviews were carried out with private residential housing providers of differing sizes operating across Lagos State. Some level of background data was obtained from members of the executives of five staff cooperative societies; officials of three religious-based residential housing providers and five privately owned residential housing provider companies all operating in Lagos metropolis. On the spot observations coupled with unstructured and semi-structured interviews were carried out on members of five cooperative societies, five religious organisations and three private housing-based companies, as well as, ten individuals who are owners or interested in buying some of the apartments. Data so obtained were analysed using percentages with results presented in tables and figures.

RESULTS AND DISCUSSION

A detailed analysis of data with respect to land acquisition, land/house allocation, funding arrangements, beneficiaries, ownership status, transferability, house funding, development and allocation, house funding, development and allocation home types by design, selling price range as well as public perception were carried out.

Respondents' General Characteristics

Efforts geared towards obtaining authentic information yielded results during weekend visits (Saturdays), to all selected sites as officials representing the owners in-control, residents, developers were around while agents and interested clients showed up for usual business activities.

Spread of respondents

There were three categories: official of owners-in-control of the housing estates, owners of plots of land or residents of some of the housing units and members of the public interviewed on their views about the current approaches to home ownership in Lagos State.

S/N	Groups	Owners-in-control	No. of respondents	Age (%)
1	Officials	staff cooperative society	6	11.1
		religious-based organization	6	11.1
		private companies	5	9.3
2	Allocated members with plots under construction	staff cooperative society	8	14.8
	Residents within estates	staff cooperative society	5	9.3
	Residents within estates	religious-based organization	9	16.6
		private company	5	9.3
3	Public		10	18.5
Total			54	100

There were 17 officials; 19 residents; 19 cooperative society members and 10 members of the public involved in the exercise. In all, 54 members were contacted as detailed in Table 1.

Respondents' sex

In the process of in-depth interviews, a cross section of respondents, in terms of sex, age and occupation was interacted with. One striking feature of this exercise was that all those approached responded with enthusiasm as they were eager to attract many other participants into the scheme.

Sex	Respondents	Age (%)
Male	38	70.4
Female	16	29.6

Both sexes participated and even when men were not at home during interactions with residents in the housing estates, the women cooperated. The spread between the sexes was a ratio of 3:1. Another striking feature was that all the female participants were married.

Respondents' age groupings

Declaring one's age, in exercises of this nature, is given as dictated by respondents as height, body size or weight cannot be an appropriate determination of age.

Grouping (years)	No	Age (%)
Up to 40	9	16.6
41-50	21	38.9
51-60	16	29.7
>60	8	14.8

Most of the respondents (72.6%) were between 41 and 60 years of age. This period in the life of a human being is crucial for major achievements bearing in mind the life expectancy of Nigerians. Another phenomenon that can be deduced is that the ratio of involvement of those up to 50 years old and those above were in the ratio of 3:2. This is an indication that the interest in housing cuts across ages either for the purpose of employment, acquisition, development or business experiences.

Respondents' occupation

Getting involved in housing activities can give one multiple functions, depending on circumstances. As an employer, builder or client, home owner or intending purchaser, once you are approached in a survey exercise, one's contribution carries much weight based on the extent of exposure. For this exercise, each respondent was charged to identify with his/her occupation solely.

Nature of Occupation	No	Age (%)
Pastoral	5	9.3
Architect	9	16.7
Builder	6	11.1
Estate Surveyor and Valuer	2	3.7
Quantity Surveyor	6	11.1
Lecturer	2	3.7
Civil Servant	2	3.7
Business	11	20.4
Lawyer	2	3.7
Public service	6	11.1

Among those involved, those in the built environment profession (Architects, Estate Surveyors and Valuers, Builders and Quantity Surveyors) accounted for 42.6%, businessmen and women were 20.4% with professionals in the real estate service industry accounting for 7.4% of respondents. The study found out that all respondents, who cannot be categorised, in any way, as low-income earners by the Nigerian standard, showed interest in the schemes and were, in fact, beneficiaries. This was an attestation to the findings of Morakinyo et al. (2015) that public sector intervention in housing provision recorded very poor performance.

Home Ownership Processes

Home processes include but not limited to ownership status funding arrangements land acquisition home types by design, selling price, construction, allocation to beneficiaries, transferability.

Land acquisition

In-depth interviews showed that the three groups involved in the study identified large tracts of undeveloped land and negotiated the acquisitions with owners through connections from within their organizations. This finding confirms the earlier work of Adams (2004) who asserted

that existing knowledge of the land market and contacts provided the enablement towards acquiring large tracts of land in any given location.

S/n	Owners	Document/ C. of O.	Funds for Purchase/ documentation
1	staff cooperative society	Coop. Society	Collective
2	religious-based organization	Organization	Sole
3	private company	Company	Sole

Land acquisition and documentation lie within the domain of the expertise of estate surveyors and valuers, land surveyors and lawyers who have to work hand-in-hand to ensure cost minimization and speedy collection of the certification of occupancy from the State government concerned. The extent of the business competency skills and integrity of the three professionals are, in most cases, tested during exercises of this nature.

Types of provisions, allocation and development funding mechanisms

Four types of approaches towards owning residential homes are available. These are, by acquiring land and building on your own, purchasing completed apartment, purchase a partly completed unit and finish same to personal taste or purchase an old building and rebuild site.

S/N	Type of Provider	Types of provision		Basis of allocation to beneficiaries	Site development funding
1	staff cooperative society	Land	n/a	Membership and affordability	Individual
2	religious-based housing organization	-	Houses Only	Membership and affordability	Organisation +/- Beneficiary's instalment payments
3	private company-based housing estates	-	Houses Only	Affordability	Company +/- Beneficiary's instalment payments

In this study, three of the four available approaches were available leading to two groups of beneficiaries namely, the low and medium income group under the staff cooperative society housing estates and the high-income group under the religious or private company-based housing organizations.

Staff cooperative societies allocate only plots of land to members who are interested and financially capable while the type of development, time and funding depend on individual capacities. Religious-based organisations plan and do things mainly for effective members who are financially capable and willing to adhere to specified guidelines throughout the life cycle of the housing estate. On the other hand, allocation of housing units within privately-owned company-based estates are universal provided such individuals are financial capable and ready to comply with neighbourhood rules and financial commitments. Within religious-based and private company-based housing estates, modifications or additions, of any type, to the existing structure is forbidden.

House types by design, selling price range

The type of structure, design and its constructing totally depend on the individual within staff cooperative societies. In the five estates sampled, buildings were being developed in phases. Within the religious-based housing estates, massive developmental works 3-5 bedroom bungalow, rows of 3-bedroom duplexes in terrace buildings and many more of 3-storey blocks of 6 No. 3-bedroom flats were either on-going simultaneously, at the finishing stages or occupied and many also.

S/N	Type of Provider	Type of design	Accommodation	Amounts
1	staff cooperative societies	By choice based on Purse	Varied	n/a
2	religious-based	bungalows/duplexes/terrace	3, 4 or 5-bedroom bungalow/duplex/Terrace	₦15 million upwards
3	private companies	bungalows/duplexes/terrace	3, 4 or 5-bedroom bungalow/duplex/terrace	₦15 million upwards

Funding arrangements were superb based on the existing financial strength of the organisations. Private housing-based companies tread slowly based on requests from clients after the initial bungalows, duplexes and terrace buildings used in establishing the company's genuine intention. One similarity between religious and private company-based housing estates investigated was the pricing dynamics. Housing units were in most cases very similar in design and selling prices. A free standing 3-bedroom bungalow and a 3-bedroom duplex terrace unit go for a minimum of fifteen million Naira with an upfront payment and as well as a guarantee of meeting monthly estate neighbourhood maintenance dues.

Land/house allocation, development funding, ownership status and transferability

In any investment, issues of title and transferability are very germane to investors. For members of staff cooperative housing societies, once a staff, ever a staff, no matter the condition except after death.

S/N	Type of Provider	Ownership status	Transferability
1	staff cooperative society	For life	At will
2	religious-based organization	Shared management/continued membership	At will by notice but sale is limited to members of sect.
3	private company	Shared management	At will subject to company's notification and approval

Houses within staff cooperative housing estates can be transferred at will by the owners or by the children of the owners upon the death of the staff concerned. The new buyer of land or land and housing would buy subject to staff cooperative housing bye-laws. Same goes for private company-based housing estates. Transferability is subject to the notice and endorsement of the company to give the purported sale a legal backing. On the contrary, owners of housing units

within religious-based housing estates must first obtain written clearance from the organisation and, in most cases, carry out the sale processes through to another member of the organisation.

Public Perception

Individuals keen on patronising the housing providers preferred going through them because of their belief that such firms can deliver fundamentally to customers' benefit as they have the expertise (experience, funds and technical staff), that has endowed them the ability to abstract away from common house product configurations. Second, a number of difficulties in housing provision (long construction period, inadequate funding, poor construction standards), which hampers it in large -scale construction was seen to have been adequately taken care of by the firms. All the fourteen residents of the housing estates involved in the exercise attested to the prompt delivery of their individual units as originally scheduled and agreed upon by both parties in terms of building design, quality of construction and external finishes. In the same vein, the thirteen members of staff cooperative societies appreciated the peace enjoyed in their housing estates with respect to orderly developments, adequate spacing and the unity of purpose brought about by the full implementation of laid down rules by the active members of the executives. The set-up of the cooperative housing estates is a far cry from what is in existence in low-cost public housing estates in Lagos State.

CONCLUSION AND RECOMMENDATIONS

Bearing in mind the inherent challenges entail in an attempt at retrofitting new developments into an already existing and functioning urban setting by speculative residential housing developer's areas is more challenging in the face of the existing environmental challenges confronting the State. For this reason, speculative residential housing developers need to prove to the city planners as well as the residents of such communities that the residential housing developments through speculative process will enhance the quality of lives of urban residents. It is our collective duty to create the right living conditions and decent homes for all, and it is a necessary duty for a modern state. Performing such a duty has never been cheap or straightforward especially when it pertains to creating new housing development but overcoming this difficulty and managing the pressures and tensions that often accompany the issue of housing supply and provision, is a duty that confronts us all.

The study has shown that efforts towards housing the masses have been independent and working to specific mandates with specific decision processes. There appears to be a gap between State institutions concerned with residential housing provision and those responsible for managing the economy. Knowing fully well that the real world of interlocked economic and ecological systems will not change; there is a need for the policies of institutions concerned with the establishment of new residential housing estates to ensure residential estates devoid of environmental challenges.

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