Exploring Consequences Of The Informal Sector In Residential Property Market In Bauchi Nigeria

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Abstract

The resident is the basic necessity to a better health delivery system not the clinic (WHO, 1999). Simply, only 25% to 30% Nigerians, typically highest government executives plus wealthy and privileged people enjoy a decent resident (Azzan et al 2005). Objectives of this article are: to investigate the contemporary practices of the urban residential property market in Bauchi, Nigeria; to examine the activities of the urban informal sector in the urban residential property market in Bauchi, Nigeria; and to assess the consequences of the activities of the urban informal sector in the urban residential property market in Bauchi, Nigeria. Review of relevant literatures ascertained that irregular settlements have become so prevalent that seem to outnumber the legitimately planned developments in the residential property markets in Bauchi, Nigeria (Chirisa, 2008). Their validity appears to be no longer in question. The weaknesses of government planning controls, and the disorganized developments connected with the informal sector have created confused and unhealthy urban environments (Azzan et al 2005). Conclusively, residential units constructed informally collapses regularly, claim innocent lives and waste wealth (Chirisa, 2008). Urban informal sector developments, especially those for residential purposes pose real deathtraps for the urban community chiefly for the urban meager who cannot afford the high cost of medication (Gerber, 2007).

Keywords: Urban informal sector, urban residential property market, effects of the informal sector, consequences of the effects.
Introduction

Many people cannot afford to buy a residential property in the formal housing market (Holmgren, et al. 2003). Recent trends in the formal housing market, particularly what has been happening in the gap between the lower end of the market and the segment where the state is the major provider of housing, shows a narrowing of the gap prior to the global economic crisis, and if this trend continues, it shall represent a significant opportunity for the state to influence the market towards poor housing outcomes (Zille, 2008). The framework of the market, its institutions, drivers, rules of the game and players, represents a powerful mechanism which governs formal sector property transactions in urban residential areas (Holmgren et al 2003). Significant restrictions exist in the market’s ability to discourse the extremely embedded income, contact and spatial distortions in urban residential property market (Alejendro and William 2005; Smith, 2000). Predominantly, the formal urban residential property market cannot function efficiently without the basic requirement of affordability. Where affordability is below the ability of the market players to supply accommodation options for a modest return at satisfactory threat, the market will cease to operate (Holmgren, et al. 2003). The threat and return mechanisms of the market, which is the plain rule of the game, cannot work at this end, and so lead to the demise of the urban formal residential property market. At this juncture, the urban informal sector sets in. The urban formal residential property market excludes large number of people from participating and benefiting from it (Zille, 2008). This exclusion prompts the inevitable development of the urban informal sector to absorb the repelled masses from the formal sector.

Concept of the formal urban residential property market

Residential area is a land use component in which housing predominates. Residential zoning usually includes a smaller floor area ratio (FAR) than business zones, commercial, industrial or manufacturing zoning (Ojetunde, et al. 2011). Developments patterns may be regulated by land use planning standards contained in the deeds of the properties and may also result from or be reinforced by zoning regulations. Residential areas may be subcategorized in the concentric zone model, sector model, the multi nuclei model and other schemes of urban form (Bunyi 2010).

Contemporary Operations of the Formal Residential Property Market

Residential property market presents a peculiar complexity as it comprises three independent but connected markets linked to the economy. Figure 2.1 provides for a simple residential property model. The model shows interaction between three important components; space, asset and development markets which on their own represent market arenas where transactions take place and prices are determined through the interplay of demand and supply (Keogh 1994; and Geltner et al., 2007). The space market involves the interaction of the demand by residential property users with the current stock of space which made available by the landlords. It is this result of demand and supply interaction that predicts the pattern of rents and the level of occupancy with vacancy clearing the market. Within the space market, the demand for residential space is appropriately affected by the national and local economies. A growth in tangible wages may encourage
new household formation and hence an increase in demand for residential physical space. In the asset market, Viezer, (1999) concludes that the rent determined in the space market is central in determining the demand for real estate assets because this cash flow in form of rents interacts with the capital rates required by investors, with the end product being the property market and values.

Figure 2.1: Residential Property Market Model. Source: Ojetunde (2011).

**Concept of the urban formal sector**

The urban formal sector is that part of a bargain that is taxed, monitored by any form of government and included in gross national product (GNP). Recent approaches recognize that the urban housing property market is composed of a number of separate and distinct segments (Singh, 1994). Formal and informal markets exist in the residential property market. The formal market refers to transactions carried out in conformity with existing laws, planning and zoning regulations, building codes and standards. The informal market, according to Pugh (1997), Mitra (1990), Baross (1990), Gilbert (1990) and Turkstra (1998), can be splitted into informal and quasi-formal. The informal sector though illegal, but is embedded and accepted in the society, and people pay for the land in such a way that little juridical action is taken against such developments. As argued by Marcussen (1990), the informal housing system comprises the formation of permanent settlements on unserviced land and illegal housing production set by local investors who have no access to credit facilities. However, what is legal in one place may be illegal in another (Gilbert, 1990). Equally, sub-standard residential sub-divisions have appeared in cities throughout the developing countries. The informal market is associated with the land and housing
market for the urban poor. These poor households have no other option but to use the informal channels of land and housing delivery (Gilbert, 1990). Indeed, illegal land development is a conspicuous phenomenon in almost all developing countries. Literature on urban land market suggests that most illegal sectors provide housing to the low-income people. This mode of land supply is popular, and is often assumed to be open to anyone who can afford to buy land in preferred locations with a minimum bureaucratic intervention (Amitabh, 1997).

**Concept of Formal Residential Properties**

Constructions take rigorous time span needed to allow complete setting of reinforcements in columns, beams and rendering. all these formal processes are shunned in the informal industry. Resident is real estate development for residential purposes (Adeyinka and Sani, 2003). Formal residential properties vary in size, location, value and service. They are the properties developed pursuant to building regulations, plan design, zoning regulations, advanced standard materials that conform to the taste of building and material science. Poor urban people lived in shantytowns or in tenements built for rental. Single-family houses were seldom built on speculation that is for future sale to residents not yet identified. With the advent of government-backed mortgages, it could actually be cheaper to own a house in a new residential development than to rent. Rich people bought a piece of land, hire an architect and built a house or mansion for their family (Cole, 2000).

**Current formal residential property development process**

In acute contrast to the urban informal sector, in the urban formal sector, prior to the takeoff of any formal residential property development, there are set out processes and or procedures that must be fulfilled and followed. These processes are spelt out accordingly below.

- Preliminary application meeting(s)
- Site analysis to determine development feasibility
- Establish timeline for development approval process
- Building Permits Detailed plans must be submitted and approved
- Construction must conform to International Building Code Series (IBC)
- Urban planning standards and building zoning regulations must be adhered to
- Urban planning department must approve proposed layouts and building plans
- Engineering, planning and zoning departments takes preliminary action
- City Council follow suit in taking preliminary action
- Approval of the park and open space committee

Types of home construction allowed in all residential zoned properties include buildings that conform to the International Residential Code (IRC) standards. These processes apply to all new residential developments. However, Utility Master Planning department determine how the new development fit with the existing infrastructure, management, standards and procedures. Installation of Utility lines and development of specific infrastructures should be ascertained before the construction commence. Hygienic sanitary conditions like the sewer, storm water drain, pond water drain, water mains must all be
taken care of in the design of the new residential property to be so developed (Adeyinka and Sani, 2003; Cole, 2000). These processes are depicted in figure 2.2 below.

![Diagram of Residential Property Development Process](image_url)

Figure 2.2 Formal Residential Property Development Process. Adopted from Adeyinka and Sani, (2003) and Cole, (2000).

**Theoretical framework**

Sprawl of the urban informal sector is sequel to the swelling demand for low cost or barely cheap goods and services, economic hardship and acute poverty, complications faced by women in gaining employment into the urban formal sector. The activities of the urban informal sector have overshadowed that of the formal sector in residential property market in Bauchi, Nigeria (Azzan et al 2005; Holmgren et al 2003). The urban informal sector performs its activities in violation of all the formal residential development processes (Nwaka, 2005). The consequences of these activities include collapse of buildings, threat to lives, wealth and locating residential properties on disaster prone zones. Substandard properties so developed were directly put to the market for the common man. This study shall suggest a tracking zone that will prevent direct entry of the illegal properties into the residential property market. This zone will consist some mediocre that will vehemently purify and accordingly scrutinize the informal residential properties considering the real life situations (Chirisa, 2008; Gerber, 2007). The term of reference shall be to out rightly reject all life threatening properties. No substantial consideration on aesthetics from the initials, but as the actors deem conversant with the system, other important scale and yard sticks will be appropriately imposed. Figure 2.3 shows the theoretical framework for this study. The study will also develop a proposed formal and informal sector model as well as a framework model for a new urban residential property market free from the menace of the urban informal sector.
The Urban Informal Sector

In fact, in many cities of developing countries, the low-income market for owner-occupied housing is predominantly the land market. Informal sector is that part of an economy that shuns tax and not checked by any form of government Smith (2000). Urban informal sector is not included in any gross national product (GNP), unlike the formal sector. Rapid increases in population and urbanization and changing socio-economic patterns in developing countries over the last few decades have resulted in a rapid increase in the demand for housing. Associated with this is the need for land, infrastructure and services for residential development. Informal housing are defined as residential areas where a group of housing units have been constructed on land to which the occupants have no legal claim, or which they occupy illegally (UN Habitat, 1996). UN Habitat Program said that unplanned settlements are areas where housing is not in compliance with the current planning and building regulations hence, unauthorized housing (UN Habitat, 1996). Unauthorized housing is further defined by the UN Habitat Program as housing where no land titles, leases or occupancy permits have been granted. Unauthorized housing can also mean that the settlement is not provided with enough services or built with permanent building materials. In general, houses are temporary, the settlements are unhealthy because of a deteriorating environment and there is a lack of basic services and infrastructure.
Smith (2000). They are often characterized by poverty and high crime rates. Another definition of informal settlements is “dense settlements comprising communities housed in self-constructed shelters under conditions of informal or traditional land tenure” (Holmgren et al. 2003; Alejandro and William, 2005; Smith, 2000). Refer to figure 3.1 below.

![Figure 3.1 Informal Sector Model. Source: Smith (2000).](image)

The Government of the Western Cape defines informal settlement as “Houses and shacks built on undeveloped land. There are no services like electricity, running water and sanitation.” Even though informal settlements consist of bad living conditions, they still can be seen as places of hope, creativity and resourcefulness (Holmgren et al. 2003). He further describes them as fast, ingenious, full of inventive surprises, and highly productive settlements. The urban informal sector accounts for all forms of living provisions that are equally unlawful, unregulated, or not afforded protection of the state. Informality, both in housing and livelihood generation has often been seen as a social ill, and described either in terms of what member lacks, or wish to avoid (Alejandro and William, 2005). The majority of informal economy workers are women (Chen 2008). Workers in the informal sector typically earn less unstable income and have no access to basic protections and services (Chen, 2008). Furthermore, it has caused girls education to be neglected in urban areas due to women’s lower perceived earnings (Chen 2008). Some governments view informality as a benefit, for absorbing excess labor, alleviating unemployment issues. In Africa, informal sector accounts for around eighty percent; explanations exist as to why the informal sector has been expanding in the developing world throughout the past few decades. It is possible that the kind of development that has been occurring has failed to support the increased labor force in a formal manner (Chen, 2008).

**Activities of the urban informal sector**

Frequent collapsing of residential buildings is prominent in countries with large informal sectors (Holmgren et al, 2003; Chirisa, 2008). Informality rejuvenates where property rights are not clearly defined, strongly enforced, and accessible to all citizens (Chirisa, 2008). Activities of the urban informal sector include the following:

- The informal sector formalizes informal jobs
- The informal sector creates programs that lead to a disconnection between the labor market and protections, which may not actually improve formal employment;
The informal sector creates other methods of generating income when access to the formal sector is limited. The informal sector formalizes informal housing which include any form of shelter or settlement that is illegal, falls outside of government control or regulation, or is not afforded protection by the state. Informal housing status is to exist in a state of deregulation, where ownership, use, and purpose of land cannot be and mapped according to any prescribed regulations or law. There is no global unified law of property ownership, the informal occupant lack security of tenure, no reliable access to civic amenities like potable water, electricity and gas supply, sanitation and waste collection. In the informal arena, business activities go unrecorded, taxes are not paid, and opportunities for corruption are rampant and severe. Informal housing captures informal populations which are defined more narrowly by the UN Habitat as ‘contiguous settlement’. Informal housing is often not recognized or addressed by the public authorities as an integral or equal part of the city. Activities of the informal categories rejuvenate the development of informal housing like slums, blighted settlements, shanty towns, squats, squalor, ghettos, homelessness and pavement dwellers (Chirisa, 2008).

Due to the informal nature of occupancy, the state will typically be unable to extract rent or land taxes. Homelessness and insecurity of tenure are issues faced by populations around the world (Chirisa, 2008; Gerber, 2007). Many cities in the developing world are currently experiencing a rapid increase in informal housing, driven by mass migration to cities in search of employment, or fleeing from war or environmental disaster (Gerber, 2007). If current trends continue, this will increase to one in four, and one in three. Informal housing, and the often informal livelihoods that accompany them, are set to be defining features of the cities of the future (Ojetunde, Popoola and Kemiki, 2011).

**Consequences of the activities of the urban informal sector**

Development of the urban informal residential areas has been the main cause for many problems.

**Water Pollution**

Random construction of houses has obstructed many natural water ways which led to recurrent floods during the rainy seasons. Flooding results in the overspill of pit latrines and septic tanks which pollute water sources and marine environments. Absence of drainages generates big ponds that become breeding places for mosquitoes that cause malaria (Ameyibor et al, 2003).

**Soil erosion**

Soil erosion and landslides are strongly related to flooding which destroy houses as well as footpaths and unpaved roads (Ameyibor et al, 2003). Informal residential and other properties are being eroded compelling residents to vacate the areas. Most of the informal houses are characterized by high housing density that causes natural discharge of storm water more difficult.

**Collapse of Buildings**

Informal residential and or other properties are prone to successive collapses that claim lives of millions of its inhabitants and wrecks huge wealth. The recent of Bangladesh 8 storeys factory building housing many firms making clothes in Dhaka claimed about 160 lives in April, 2013 (VOA, 2013).
Frequent Outbreaks of Water Born Diseases
Loss of vegetation around water sources reduces water flow while poor disposal of liquid and solid wastes causes water pollution (Cole 2000). There have been frequent outbreaks of water borne diseases like cholera and dysentery, particularly during high rainfall seasons, due to contamination of the drinking water.

Pollution from Solid and Liquid Wastes
One of the fundamental problems of the urban informal sector is the lack of a proper system for waste management. The problem is even more severe in the informal settlement areas. Due to the lack of established collection points, piles of garbage are scattered in and around residential areas which leads to environmental and health problems (Ameyibor et al 2003).

Encroachment of Agricultural Lands
The uncontrolled expansion of human settlements has led to conversion of the best agricultural land into settlements (Chirisa, 2008 & Cole 1995).

Problem of Accessibility and Road Network
Lack of access is one of the most common problems caused by and experienced by residents in the informal settlements. Because there are neither the layout plans nor the regulatory machinery, residents tend to build to almost 100 per cent of their plot size. It has become impossible to provide access roads to these areas as there is no space for this. Consequently, people and service movement in these areas is very restricted and residents have to walk long distance to obtain services like health, education, transport and the like (Chirisa, 2008 & Cole 1995).

Informal Residential Areas on Land Assigned for Non-residential Use
The uncontrolled expansion of informal settlements has led to conversion of non-residential lands into settlements. These may include open spaces, areas reserved for recreational activities, areas prone to the jeopardy of land slide and the like, etc. (Chirisa, 2008 & Cole 1995).

Substandard Residential Property Market
Substandard residential and other properties claimed millions of lives upon frequent collapse in many parts of the world. The urban informal sector performs its activities in violation of all the formal processes mentioned, and the repercussion of which claim lives whenever building collapses. Its ultimate goal is to satisfy the need of the common man. Properties so developed were directly put to the market for the common man. A residential formation built without legal permits to utilize the land or located outside of an urban development scheme is known as an informal settlement, according to the United Nations Economic Commission for Europe (Cole, 2000). Approximately one billion people or one in six people live in informal settlements or slums worldwide, according to UN Habitat (1996). Numerous socio-economic factors underlie the growth of informal settlements globally. In the takeoff of any informal residential property development, the processes
that are accordingly carried out prior to formal residential property development are all shunned (Adeyinka and Sani, 2003; Cole, 2000). For instance, no any preliminary application meeting(s) carried out, there were no site analysis conducted to determine development feasibility before the takeoff of the development, timeline for the development process is never established. Building Permits and detailed building plans are not available. The structures are constructed in violation of the International Building Code Series (IBC). Preliminary subdivision, zoning request, and annexation documents for seeking the consent and approval of the Planning Department are also absent. City Council that could have taken preliminary action upon the construction is not aware of the development. Park and Open Space Dedication Committee requirement is the substantive requirement that is deliberately overlooked because most of informal developments make use of any available open space illegally and takes pride in blocking parks, junctions and intersections without sparing cul-de-sacs (Adeyinka and Sani, 2003). Substandard residential properties so produced have flooded the residential property market (Cole, 2000).

**Contribution of this study to body of knowledge**
In consequence to the appraisal of relevant literatures, this study affirms that informal settlements have flooded the residential property market of Bauchi, Nigeria which seems to outnumber the formally planned developments; this assertion is similar to the findings of Chirisa, (2008); Adeyinka and Sani, (2003). The validity of the informal houses appears to be no longer in question; this assertion is also similar to the findings of Ojetunde, Popoola and Kemiki (2011) and Gerber (2007). Also, many residents of Bauchi, Nigeria lives in substandard residents that pose threat to lives and wealth, this affirmation is equally similar to the findings of WHO, (1999) and Azzan et al (2005).

**Hypothesis**
The General hypothesis of the study (H₁) which states that: “The urban informal sector has engulfed the urban residential property market in Bauchi, Nigeria” should therefore stand and we shall reject the Null hypothesis (H₀) which states that “The urban informal sector has not engulfed the urban residential property market in Bauchi, Nigeria.”

**Conclusion**
The problem of the urban informal sector can therefore be addressed by providing a large quantity of residential houses, by speeding up the production in a consolidated and joint construction industry. This is based on presetting, mass construction, standardization and prefabricated formal residential houses. This system of production should encourage local investors to wholly participate as their presence is appreciated. Furthermore, the actors of the informal properties will welcome the idea because it did not stop them but rather augment their properties for viable consumption and fuel the economy, create more employment opportunities, generate profit and generally improve their standards of living.

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References


