

The Cheapest House in Lagos Hasn't Been Built Yet

Why the Fastest Route to Affordable Housing Is the Infrastructure Pension Capital Is Already Allowed to Fund

By Lanre Olutimilehin FRICS

This series has made three arguments. First, that pension reform has unlocked the largest pool of institutional capital in Nigeria's history, and that the market is responding with a new generation of real estate vehicles. Second, that the gap between replacement cost and investment value will resolve largely through those vehicles, as institutional capital reprices standing assets. Third, that under the rules as they stand, almost none of this capital can finance construction; the REIT rulebook points it at buildings that already exist.

There is a fourth argument. The highest-leverage use of institutional capital in Nigerian housing may not be building houses at all. It is building the infrastructure that makes houses affordable.

What Drives Housing Affordability?

Public debate about affordable housing fixates on two numbers: the cost of construction and the cost of a finance (mortgages). Both matter. Neither is where Nigeria is exceptional. However, the exceptional costs sit further up the stack, in land and services.

In the locations where the jobs are, serviced land is scarce and prices are accordingly very high; it is routinely the largest single line in a development appraisal. Move outward and land becomes cheaper, but the services disappear with the price. So, every developer becomes a utility company. The borehole and the treatment plant. The transformer and the generators. The access road, the drainage, the sewage system. Self-provided infrastructure routinely absorbs a quarter or more of development cost before a single unit is built; and because it is front-loaded, it carries the full weight of construction finance priced in excess of 30 per cent. Nigeria does not avoid paying for infrastructure. We pay for it retail, project by project, at the most expensive unit of delivery that exists, and that cost is embedded in the price of every home.

What Infrastructure Does to the Arithmetic

Trunk infrastructure attacks the housing cost stack through three mechanisms at once.

It expands the supply of land. The real currency of urban land is not distance but commute time. A rail line converts kilometres into minutes, and in doing so converts peripheral land into residential land. When the supply of developable land expands, its price can fall relative to incomes; the one deflationary force available to a market in which everything else inflates.

It strips self-provision out of the appraisal. Water, power, roads and drainage delivered once, at trunk scale and utility cost, remove the quarter of development cost that each project currently duplicates.

And it justifies density. Transit corridors support the densities that spread land and infrastructure costs across many more units; this is the arithmetic that can make mid-market products viable.

None of this is speculative. The Metropolitan Railway built London's suburbs, and the suburbs repaid the railway. Hong Kong's MTR finances itself substantially from the property it makes valuable. Lagos now has the beginnings of the same machine: the Blue and Red Lines operating, the Green Line planned down the Lekki corridor to the Free Zone. The housing question is whether we treat these as transport projects with incidental property effects, or as the land-supply policy they actually are.

The Door the Rulebook Left Open

Here is the elegant reversal of last month's argument. The rules that keep pension capital out of housebuilding positively invite it into infrastructure. PenCom's Revised Regulation gives infrastructure funds global limits of 25 per cent in Fund I and 20 per cent in Fund II, wider than private equity. Infrastructure bonds carry dedicated sub-limits within corporate debt. And the FGN securities ceilings themselves rise by a further ten percentage points where the securities are backed by infrastructure assets. The Regulation does not merely permit infrastructure exposure; it rewards it.

The qualifying criteria are demanding: a minimum project value of ₦10 billion and credit guarantees for bonds; a minimum fund size of ₦20 billion, half deployed in Nigeria, for funds; but they are a lane, not a wall. As at March 2026, infrastructure funds held ₦224 billion and corporate infrastructure bonds ₦52 billion of a ₦29.5 trillion pool: under one per cent. There is significant headroom measured in trillions.

Value capture closes the loop. The land repricing this series has described is most intense along infrastructure corridors, and a portion of that uplift, captured through betterment charges, station-area development rights or corridor-level vehicles, can service the very capital that created it. Infrastructure for housing is the rare asset class that can pay for itself out of the value it unlocks.

The Synthesis

If we assemble the pieces, a coherent housing strategy appears. MREIF is a solution for the demand side, financing mortgages at rates households can carry. The REIT rulebook restricts construction finance. The infrastructure lane is open now, at scale, with regulatory encouragement. The sequence is simple: pension capital builds the corridors; serviced land collapses the cost; private developers build on it; demand-side finance completes the sale.

The ask of policy is correspondingly specific. Designate housing-enabling infrastructure i.e. transit corridors and trunk services for planned residential zones, explicitly within the qualifying framework. Structure corridor-level vehicles that pension funds can actually buy. And put land value capture on a statutory footing, so that the uplift funds the next corridor rather than leaking entirely to adjacent landowners.

The cheapest house in Lagos will not be delivered by a cheaper mortgage or a more clever fund. It will be delivered on a serviced plot, thirty minutes from work by rail, in a corridor that pension capital built. That is what the capital is for.

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