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The role of government and regulation in the emerging real estate industry in Ghana

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The role of government and regulation in the emerging real estate industry in Ghana

by

Nana Kusi Appiah

A thesis submitted to the graduate faculty
in partial fulfillment of the requirements for the degree of
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2007

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CHAPTER ONE

INTRODUCTION

The purpose of this study

The importance of shelter as a measure of standard of living and for improving productivity has led governments and communities to seek ways to adequately shelter their populations. Indeed, the provision of adequate housing is a major concern in both developed and developing countries. However, the situation in African countries such as Ghana is critical, due to the limited number of dwelling units, overcrowding and poor quality housing (Konadu, 1998; Noah, 2002). Housing is also important because it is a basic human need. Although it is difficult to define what constitute “basic human needs” (Hopkins and Van Der Hoeven, 1983) and the definition of adequate housing is subjective (Rappoport, 1969), there is no debate over housing as a basic human need (Hopkins and Van Hoeven, 1983).

Despite its importance, many developing countries do not have housing regulations and policies to ensure effective and adequate housing supply (Ogu, 1999). This problem can be traced in part to the inappropriate and ever changing housing policies. For instance, housing policies in many developing countries have shifted from government supply housing, to governments assisted housing, to slum upgrading since the 1960's (Konadu, 2001; Obudho and Mblanga, 1988). Yet the challenge of housing the population still persists in many of these countries (Njoh, 1999; Ogu, 2001). Rondinelli (1990), cautioned that governments in developing countries will face serious problems in providing adequate housing for over 25 million households that is to be added to its population due to lack of effective housing policies.

The housing policies of many Sub-Saharan African (SSA) countries are not different from those of the rest of the developing world (Njoh, 1999). Njoh (1999), classifies SSA

housing policies into government-supplied housing, employer-supplied housing; slum/squatter eradication; minimum physical standard requirement; and zoning regulation, and argues that all these policies have their roots in the housing policies of the United States and Europe. However, these policies are not appropriate in African countries due to cultural difference which defines their specific housing needs as compared to Europe and the United States. For instance, one of the determinants of housing need is the size of a household, in the case of Africa; the size of a household often includes extended family members, a situation which hardly exists in Europe and American. In addition, the difference in natural conditions, such as the weather makes a difference in terms of housing need in Africa. The weather conditions in Europe and America are different which creates different housing needs. Furthermore, housing needs of professional is more obtainable due to decent salaries in America and Europe. Although there has been more discussion of what is termed workforce housing in these developed countries (Fapa, 2006), there is less struggle of professionals finding a decent accommodation as compared with African countries where salaries are low. The adopted housing policies in Africa have not been different from these policies.

Not surprisingly most housing policies have generally been ineffective in addressing the housing needs in Africa, both as housing production for professionals and housing policies in the urban areas where the situation of inadequate housing is rampant. This is because most of policies do not focus specifically on addressing the housing needs of professionals. Several reasons contribute to the lack of adequate housing for professionals. First, government supplied housing policies have fallen short of demand due to inadequate governmental resources (Ogu, 1999). In many SSA countries, the lack of resources has created an acute housing shortage and left governments struggling to provide minimum shelter for the poor and ignoring the housing needs of professionals. Second, the slum and squatter upgrading/eradication of the 1980's also have proved unsuccessful because most

squatters could not pay for social services once slums were upgraded. There is overcrowding as more families tend to share rooms to reduce the cost of rent and utility bills. This situation has worsen the general housing supply creating less opportunity for governments to specifically focus on housing for professionals. Third, most governments find it difficult to move squatters because of political favours to help them stay in power (Njoh, 1999) hence areas that could be better developed to house working professionals are occupied by squatters. Fourth, most of the zoning regulations and physical standards copied from the United States and Europe do not only add unnecessary cost to housing, they are not useful in the African context. For example housing standard in Ghanaian urban areas uses the British Standard Board materials and their quality (Konadu, 2001). The failures of the housing policies to address the needs of professionals have compelled African governments to look for alternative housing policies.

The situation in Ghana is typical of many African countries. Ghana lacks effective housing policies to ensure the provision of adequate shelter for majority of the population. It is estimated that Ghana needs to provide 140,000 housing units per annum, to be able to meet its housing needs but less than 25 percent of this need is being met currently (Konadu,1998; Social Watch, 2005). This gap between housing need and supply can be partly attributed to the lack of a meaningful housing policy to ensure adequate housing supply which meets the housing needs of the population (Konadu, 2001).

There have been several attempts to develop appropriate housing policies in Ghana. For example, the government of Ghana instituted the first public housing scheme, to house victims of the earthquake that occurred on June 22, 1939 (Obudho and Mblanga, 1988). Subsequently, the Nkrumah headed government also adopted two types of housing policies; (1) Policy to help individuals own their own house; (2) Policy of government provision of public housing (Konadu, 2001). Other housing policies such as slum upgrading and squatter

settlements later followed, in response to the influx of migrants from the rural areas to metropolitan areas of Accra and Tema. However, all these housing policies have not ameliorated housing needs of Ghanaians. This is partly due to political instability that characterised Ghana during the 1960's to the late 80's which interrupted the implementation of the policies. Each government that came to power adopted different housing and development plan with no attention to the successes and failures of past policies (Konadu, 2001; Asibuo, 1994).

The focus of most Ghana government housing policies has been on sheltering the poor. Although some of the initial housing policies was targeted to the lower, middle and upper level classes, majority of these housing policies have focused on sheltering the poor (Konadu, 2001). For example, the focus of the current national housing shelter policy revolve around providing housing for the low income, defined according to Ghana standard, and the poor (National Shelter Policy, 1993).

One important group, most needed for economic growth, whose housing needs have not been given the necessary attention are working professionals. For example, the focus of the current housing policy, in terms of direct government supply, is on slum upgrading and housing for the low (Ghana Shelter Strategy Report, 1993). Past housing policies, ranging from resettling victims of 1939 earthquake (Obudho and Mblanga, 1988), to Nkrumah's government housing policies (Konadu,2001), also did not focus on the housing needs of professionals. This gap in policy is unfortunate because although the incomes of professionals in Ghana make them capable of affording better homes than the "poor" and squatter settlers, they are still not able to afford descent homes. Most especially, decent homes that will create good working condition and provide an incentive to stay and work in Ghana. This shortfall in housing is due to the high cost of house prices. For example, the annual income- house price ratio in Ghana is estimated to range from 1:13 to 1:30 for

working professionals such as doctors, nurses, police officers, teachers, fire service personals among others (Foreign_direct_investment, 2006: Konadu, 1998), which means; total annual income of a professionals amounts to only 4-8 percent of the price of a normal three bedroom house that cost \$50,000. Thus it would be very difficult for a professional to afford a house in Ghana based on his or her income alone.

The housing needs of professionals in SSA cities have also been ignored in the academic literatures which have also tended to focus on the poor. For instance, Konadu (1994) discussed many issues relating to Ghana's incorporation into the world capitalist systems, and the effects on development and underdevelopment in Ghana, with specific reference to housing and urbanization. However, the study ignored housing needs of professionals, especially, how the emerging commercial real estate companies can be utilized to supply housing to professionals. The discussion of the housing needs of the professional class and the ability of the emerging real estate industry to meet this need is important because; (1) the current government policy's recognition of the importance of commercial housing development has partially shifted government attention from the supply of housing to other sectors of the economy. This policy has come about because of the notion that encouraging commercial housing development would provide housing for the professionals class, therefore discussions about how this shift of policy would better the housing needs of professionals is important. (2) Also part of the increasing urbanization in Ghana results from the elite staying to work in the urban areas after obtaining higher levels of education. This influx of the elite to the urban has increase the demand for urban housing. Therefore discussing the housing needs of professionals is critical in meeting the overall housing need of the country.

Similarly, Yeboah's (2003) study focussed on the emergence of an urban form, characterised by residential sprawl in Accra (the capital city) as a result of nexus of global

and local forces. This study focused on the increasing link between Ghana and the global economic and cultural systems through the adoption of structural adjustment program and the impact on urban sprawl in Ghana. It however did not discuss the housing needs of professionals in Ghana. It would have been important to know if the new housing in Accra that is responsible for the urban sprawl is being owned by professionals. The ownership information of the new housing development in Accra would help assessed if there has been an improvement in house ownership of professionals. Furthermore, discussions on how housing needs of professionals can be provided through real estate industry would have been necessary, especially, how strategic housing policies can be developed to provide housing for professionals. Also, the discussions of commercial real estate development in housing studies in Ghana has become necessary because the industry is at its infant stage and therefore the need for more studies to help develop policies to guide the industry to make it beneficial to professionals and better housing supply in general is critical.

In sum, most housing studies in Ghana have failed to address the housing needs of professionals. This can partly be attributed to the assumption on the part of the academics world that solving the general housing problem in Ghana, will eventually help solve housing needs of professionals. However, it has become important for a shift in housing studies towards finding solutions to adequate housing supply for professionals; (1) due to the ever increasing housing deterioration for most professionals, especially, with the introduction of the structural adjustment program (Asibuo,1994). Professionals in Ghana are caught in a conundrum- the can afford to leave above the poor (squatters and housing for the low income) but yet do not have adequate means to live in descent homes (2) The need to develop strategic policies to ensure that the emerging commercial housing development become beneficial in solving the housing needs of professionals in Ghana.

The lack of effective policy and studies on housing needs of professionals has created the struggle for professionals to find decent homes to live. The housing struggles in addition to other deteriorating factors have created poor working conditions for professionals in Ghana. This has partially contributed to the continual brain drain in Ghana. It is of no surprise that Ghana is classified among the top ten African countries producing a “new diaspora” in recent times (Ababio, Anarfi, Tiemoko, Kwankye, 2003). This could be attributed to the dream of owning a home as majority of Ghanaians in the Diaspora have expressed the ability to build a house as one of the reasons why they migrated (Yeboah, 2005).

Amidst the housing problem in Ghana are emerging commercial real estate developers. These developers are building quality homes; however, the housing supply by these commercial developers has not ameliorated the housing needs of professionals. This is because part of houses produced by commercial housing developers is unaffordable due to high prices. The high prices of the commercial housing developers can be attributed to the absence of governmental regulations which seek to ensure fairness in the housing market and prevent developers from reaping abnormal profits. The absence of government regulations is attributed to the failure of earlier experiments with rent control (Malpezzi, Tipple, Willis, 1990). This failure of experiment with rent control has prompted the governments of Ghana to withdraw from implementing regulations in the real estate industry in Ghana.

As with other sectors of the economy, Ghana has adopted a neoclassical approach to housing development (Rapley, 2002). This approach encourages free market economy where the forces of demand and supply determine the allocation of resources instead of the state. However, experiences so far in Ghana suggest that the housing need of most professionals remain unmet and for others it has deteriorated, in spite of the emerging real estate industry. The high price of houses is attributed to this economic strategy. In addition, weak governmental policies towards the commercial real estate industry are to be blamed. This is

especially, as government has reduced its involvement in housing supply with the expectations that housing needs would be met by real estate developers but have not instituted any meaningful regulation in place to ensure affordability. The oversight of government regulations to ensure effectiveness in the commercial real estate production is to be partially blamed. Regulations in this discussion, is not solely towards the do and don'ts in the real estate market but strategic procedures which would directly or indirectly ensures transparency in the real estate market. In addition, regulations in this study are effective policies which seek to remove barriers to housing productions. This has become important as studies have shown that there are many unnecessary problems associated with housing productions in Ghana.

It is become important for the government of Ghana to actively get involve to strengthen the commercial real estate industry and remove the bottleneck to housing production. This would ensure adequate housing supply and affordability to the professional class. This is necessary because of lack of adequate governmental resources to provide housing for professionals (Konadu, 1998), hence the need for private real estate developers to help solve the housing deficit. However, the commercial real estate supply of housing will only be beneficial to professionals, if the government enact the housing regulations to help address housing needs of professionals. The need for governmental role and regulation of the real estate industry has led to this study.

A major issue of the government's role is also knowing when and how to regulate the industry, in order to encourage its growth in Ghana and at the same time ensure that the industry is beneficial to the majority of professionals, and in general, to the citizens of Ghana. The importance in developing regulations which will encourage the growth of the real estate industry, and also ensure that housing needs of professionals in Ghana are met has also led to this study.

Research Questions

This study seeks to answer the following questions:

1. How effective have the various housing policies in Ghana be in providing housing for professionals?
2. How is the real estate industry in Ghana structured? What are the issues facing the industry.
3. Does the membership of a centralized real estate organization in Ghana make a difference in housing production?
4. What type of regulations would be necessary to ensure that the real estate industry provide affordable housing for professionals?

The importance of this study

Housing policy changes from government supply housing, to encourage private housing developments have lessened the role of the government in the real estate development market. However, as studies from many developing countries have shown, there cannot be effective private markets without a strong state participation, with the state working together with the private sector to ensure development (Englebert, 2001; Owusu and Samatar, 1997). This is because the goal of capital markets is not to ensure equitable allocation of resources but to invest in sectors where there are maximum profits. In addition, experiences in developing countries have shown that most investors are interested in reaping and exporting profit to their home countries (Santos, 1970), and are interested in the sectors with maximum profitability without paying attention to other factors including the long run development of industries.

The World Bank policy and advice on housing also encourages the government of Ghana to limit its activities to creating an “enabling environment”. The enabling environment is defined as; organizing the real estate industry, regulating land and housing developments, rationalizing housing subsidies, developing mortgage finance, strengthening property rights and developing policy and institutional framework to govern housing delivery, especially, for private housing developments (World Bank, 1993). Creating enabling environment for housing development through commercial housing developments involves having appropriate rules and regulations in place to ensure trust in the industry which encourages the transfer of ownership. The transfers of ownership sustain the market in terms of continuous housing transactions which encourages property owners the interest to buy and sell without the fear of unnecessary litigations. The transfer in ownership also offer the opportunity to invest in smaller housing units, especially, for first time buyers with the hope that there would be the market to sell and buy the “dream” house when they have the opportunity. Then fact that without effective rules and careful regulations guiding the commercial real estate industry the housing needs of professionals would still remain a myth is yet to be fully recognized in Ghana.

The need for State participation in the real estate industry, in terms of developing careful regulation, which encourages and strengthens the commercial real estate development, has led to this study. This study seeks to explore effective policies and regulation that can be pursued by the Government of Ghana, to strengthen the commercial real estate industry, to meet the housing needs of professionals. This study further explores how professionals housing needs can be met through strong commercial real estate development.

Methods and Data

Ghana is an ideal environment for the study. This is partly because (1) the country's relative economic and political stability has paved the way for policy development and implementation. In terms of housing, the information that this study will provide would assist in the government's effort to develop sustainable housing policies. (2) The country's leadership in Africa, in terms of the recorded successes in socio-economic and political development make it a role model for policy development. The information and policies to be developed through this study would be beneficial to countries that look up to the country for examples of policy development.

Accra, the capital city, and Tema, the neighboring metropolitan city, are the specific study areas for this study. Both cities face an acute shortage of housing due to their rapid urbanization (Konadu, 1998). In addition, most of state ministries in Ghana as well as head offices of private companies have their headquarters in Accra. Accra and Tema were also selected for this study because most real estate industries listed on Ghana city guide, or Ghana business services, the online service that provides real estate company listings, are found in these two cities. In addition, most real estate companies operating in Ghana have their head offices in either Accra or Tema (Ghanaweb.com, 2006).

Data for this study was collected through the administration of a survey questionnaire to realtors in the Accra-Tema metropolitan area. The selected respondents were chosen from the listed names of all real estate companies on the Ghana business services and Ghana city guide. Further, companies were added to the list after obtaining information from the selected respondents of other established companies that were not listed. A research assistant administered questionnaires directly to respondent in Accra and Tema. The assistant visited each of the selected companies and dropped of the questionnaire and arranged to pick them up later. Full description of this method of data collection is discussed in chapter four.

Secondary materials were also collected as part of this study. The main source of information obtained was government publish documents on-line, and documents at the Ministry of Housing, such as the Ghana Shelter Policy document collected with the help of a research assistant.

Limitation of the study

Lack of funds made it impossible for the researcher to travel to Ghana to personally collect the data. As a result a research assistant was hired in Ghana to administer the questionnaires. Working with a research assistant across distance was very expensive and time consuming.

Also lack of reliable data in Ghana on real estate industry and home prices made it difficult to conduct this housing study. Many people did not want to disclose their house prices for fear that such a disclosure would lead to increase in taxes. The arbitrary nature of house prices made it difficult to establish median house price in this study.

Lack of the study on government role and regulation in the commercial real estate industry in Ghana, complicated this study. A literature search indicated that there has been virtually no research on this topic. This study is one of the first steps in understanding the role of government and regulations in the emerging commercial real estate. Although this could be seen as strength of the study, it prolonged the study because of the extra effort to identify related materials which most often was not useful after finding them.

The plan of this study

Following this introduction chapter is the literature review. It discusses the definition of the concepts of “house,” “home,” and “housing”. It also reviews the literatures on housing and state regulations; and private sector involvement in housing supply in developing

countries. It further reviews changes in housing policies in Africa as a result of external factors. Chapter 3 reviews government policy and housing supply in Ghana from the colonial era to the present. It chronicles the different housing policies in Ghana and how current policies differ from past ones. The chapter also discusses housing types, housing finance, and “affordable housing” in Ghana. Chapter 4 presents the results from the realtors’ survey questionnaire. The chapter explores problems in the real estate industry in Ghana and explores strategies for addressing them.

Chapter 5 discusses the conclusions of this study. It explores the role and regulation to be pursued by the government of Ghana in the real estate industry. It also summarizes the relevant points of the study and offer suggestion and alternative recommendations of housing policy in Ghana, and the need for future research.

CHAPTER TWO

PRIVATIZATION AND HOUSING SUPPLY POLICIES IN AFRICA

Introduction

Different societies and cultures have different understanding when it comes to the meaning of a “house”, “home”, and “housing”. In the African context, “a house” extends beyond the physical structure or dwelling. The word house is used to define the physical structure and the neighbourhoods around the physical structure. This is due to the culture where people have access to their neighbour’s house and sometimes neighbour’s resources that accompany the house. Neighbours even exercise parental control on neighbour’s children at times. The difference in importance and meanings of the house has made the word subjective. Thus any meaningful study, must define the word “house” in the context of the study. Traditionally, “houses” were provided either by the government or through individuals’ effort; however, there is a change of direction in terms of government assistance. The problem associated with housing production has also influenced individuals to focus on the already made houses, the commercial housing market.

Currently in Africa, governments are shifting to the privatization of the housing industry. The success that is being recorded in the various sectors of the economy is attributed to this shift towards privatization. The influence of multi-national institutions is also a factor. However, the question for discussion is should the privatization of the housing industry be encouraged, what role should the government play in the housing industry, and what regulations are necessary to make the housing industry effective in order to maintain the “public interest” for professionals?

This chapter reviews the literature on the meaning of the house, home, and the privatization of housing; why the privatization of housing is necessary, and the importance of

privatization in developing countries. The chapter also discusses the importance of state participation in the private housing markets, particularly commercial real estate development, the need for policy in terms of regulations.

Definitions of Housing

In discussions of housing, preliminary inquiry often revolves around the meaning of the words “house,” “home”, “housing” and real estate. Exploring the difference between these concepts is important in the African context because the words interchange at times to mean the physical structure, especially in urban settings. In the rural areas “house” is mostly used to refer to the whole neighbourhood where a person resides. According to Adams (1984), as a noun “house” means a building in which people live. It is a structure used as a dwelling or residence. As a verb, “to house” means to remove from exposure, to put in a safe place, or to provide with a house or dwelling (Adams, 1984). Albert Potvin (1971) also differentiates between a “house” and a “home”. According to him, a house refers to structures built of wood and clay; while homes are made of possessions (both physical and non physical) we have known and accepted and have come to cherish. Further, houses are also sold and exchanged (i.e. a house is a commodity which can be bought or sold) but homes have no price tag, no dimensions by which to establish a market value. Home is where you would rather be and you instinctively return when your day is done (Potvin, 1971).

For Turner (1976), there is no specific definition for a “house”. This is because for some people the meaning of a house is what it does for them and not so much of a function of what it looks like. Therefore, to be able to establish effective regulations for the housing industry for a region or country, the perspective of what is termed as a “house”, and “home” should be determined. This will influence regulations in terms of design standards, lot sizes, common areas, that are associated with housing development. The determination can be

through understanding and familiarity with the household's composition, local institutions and existing enterprises in the community.

Rappoport (1977) also argues that the definition of "housing" is subjective and suggests that "housing" can be considered as a setting for particular system of activities organized in space and time. Thus, each individual, group, or culture has its own definition of housing. But generally "housing" needs are determined by location, housing forms, and neighbourhood characteristics (Rappoport, 1977). This forms the basis of most housing needs interculturally. Therefore to provide meaningful housing need suggestions; the needs have to be assessed based on the scale of preference in terms of location, housing forms, neighbourhood characteristics. "Housing" is also defined by the environment surrounding the physical structure. This is because the environment where people live does have a significant influence on their physical and mental health, and their ability to integrate into society. The definition of a "home" is more than just the structure in which a person sleeps, eats, works and plays, although the structure itself is important (Stillwagon, 1998), housing also forms the basis of many types of social relations.

Another word that come up in the discussion of a house, housing and home, is "real estate". The meaning of real estate is broad (APA, 2006), and encompasses many variables such as land, structures on a piece of land including its associated fitting and fixtures. The Oxford dictionary defines real estate as; a piece of land, including the air above it and the ground below it, and any buildings or structures on it. In planning, however, real estate is used to refer to physical structures on the piece of property, the land and any short term fixed structure on the piece of land (APA, 2005). In the African and Ghanaian context, the meaning of a home, house and real estate interchange but the definition usually encompasses the surrounding neighbourhood especially in the rural areas. A clear definition of real estate to the African context is important to enact policies to guide the real estate industry. For the

purpose of this study a “house” means; home, real estate, the physical structure where people occupies.

In sum, the meanings of the words “house”, “home”, “housing”, and “real estate” are closely related to people and their needs. This research is concern about the supply of those needs by private developers and the role of government in enhancing the supply of those needs to professionals in Ghana. Thus it is important to discuss the broad topic of privatization in Africa, and its extension to the housing industry.

Privatization in Africa

Privatization has become very popular in many developing countries, including those in Africa since the 1980's. One reason for its popularity includes inadequate governmental resources (Lastaria-Cornhiel, 2001; Wallsten, 1999). The lack of adequate resources has turned the attention of many governments in Africa to seek alternative investment towards the many sectors of the economy which require substantial improvement. This alternative way to improve the sectors of the economy has led to the call of private individuals and agencies to control certain sectors of the economy. In addition, the interest in privatization is inspired by inefficiency of most government organizations and the pressure from multi-national institutions; such as the World Bank (Boubakri and Cosset, 1999; Wallsten, 1999; Basu, 1994; FekruDebebe, 1993, Njoh, 1999). The major trust of the World Bank and the International Monetary Fund (IMF) policies is reduce the role of the state in the economy and to create a suitable environment for private markets to work (Ogu, 1994).

Privatization has not always been popular in Africa. After independence in the 1960's, many African governments's embraced state-led development (i.e. what was known as statism). As a result, the state in many countries assumed the role of an entrepreneur (FrekuDebebe, 1993). State enterprises were then established in many African countries,

including Ghana, Gambia, Nigeria, Guinea, Cameroon, Burkina Faso with most producing manufactured goods that were previously imported (Basu, 1994; Rapley, 2002; Wallsten, 1999), a practice known as Import Substitution Industries (ISI).

Although, these state enterprises flourished for sometime it later began to be saddled with problems of inefficiency with most running at losses yet African governments continued to protect them (Rapley, 2002). Many were granted absolute monopoly and therefore did not have much competition. Some were also highly subsidized with proceeds from agriculture. In addition, because the world economy at the time (from the period 1960-1970) was also booming, governments were able to cover such inefficiencies (Rapley, 2002). However, the recession of the world economy in the 1970s exposed the inefficiencies of the ISI approach (Rapley, 2002). There was the fall in demand of imported products from developing countries due to the recession in the developed economies.

The fall in demand also helped expose corrupt practices of government officials that operated these state owned enterprises. As profits margins were reduced to below break-even points. Government officials who operated these companies continued to embezzle money. The resulting higher cost of production resulted in higher cost than the revenues received. The inefficiency and corrupt practices resulted in the lost of trust in the state enterprises and the ability of the state to lead development.

The lost of confidence in that states ability to lead in the developing world coincided with election of conservative leaders in the developed world. Margaret Thatcher of Britain, and Ronald Reagan of the US won elections and these were followed by conservative victories in other parts of the world (Rapley, 2002). Thatcher and Reagan believed that the welfare state had become so generous that it robbed individuals of discipline and initiative. Also, the growing intrusion of the state in the economy was believed to hobble private enterprises. Due to the influence of these governments, the ideology of free market found its

way into the Western World donor agencies particularly the World Bank and the IMF. The World Bank's decision in granting loans to developing countries became influenced by the ideas of free market economies. Developing countries seeking loans were asked to back on the role of the state as the main agent for development and to encourage privatization. This led to the privatization of most government industries in most developing countries (Rapley, 2002; Harsch 2000, FekruDebebe, 1993). Many countries in sub-Saharan African countries embraced the World Bank and IMF support for privatization as a way to correct the inefficiencies in the public sector (Harsch, 2000: Boubakri and Cosset, 1999; FekruDebebe, 1993). Support for privatization also had significant support among some economists. For instance, studies have shown that, unlike the public sector, private sector enterprises have several advantages (1) Privatization ensures discipline and checks inefficiencies in organizations (Wallsten, 1999); because private firms are profit oriented and are highly scrutinized by board of directors and share holders who are profit-oriented and accept nothing but profit. (2) Privatization also helps develop capital markets and opens up a country's economy. (3) Studies of pre- and post privatization financial and operating performance of companies in developing countries have also shown that companies become more profitable and increase their real sales, their investment spending, as well as improvement in their operating efficiency after privatization. In addition, companies significantly lower their debt levels, increased dividends and employment after privatization (Boubakri and Cosset, 1999).

In the discussion of privatization in Africa, one example often cited in its support is the improvement of telecommunication network (Wallsten, 1999). Many sub-Saharan African countries including Ghana, Cote D'Ivoire, have recorded significant increases in supply of telephone lines not only in urban areas but extensions to rural areas as well (Wallsten, 1999). There has also been a cut in prices of local phone calls. The expansion has

also led to increase in employment in the telecommunication industry. This improvement as a result of privatization has brought substantial reform to the telecommunication industry in comparison to the period of between 1960-1980 where the telecommunication industry was purely owned and operated by the state (Wallsten, 1999).¹

Although there are recorded successes of privatization in certain sectors of the economy among African countries, the policy has also helped widened the gap and access to basic amenities among the poor. One of the recognized flaws is privatization of water and solid waste. For example, in Ghana the privatization of solid waste and water has increased sanitary problems in low income communities (Broekema and Obiri-Opereh, 2003). In addition, communities in most rural areas are being deprived of basic amenities as a result of privatization. Many are unable to afford basic amenities once they become privatized as all subsidies are removed with privatization. This has generated concerns about privatization of basic amenities. The argument being that certain sectors of the economy in Africa, especially those that provide basic amenities, cannot be privatized at this stage of developmental process. As there is still the need for active government participation in ensuring basic needs are accessible to the majority of the population. Privatization of housing is among the discussions of the sectors to be privatized. The following questions are important as for discussions; is privatization good for the housing industry? What role should the government play in the housing industry?

Why Privatization of Housing in Africa

The success recorded with privatization in African countries has increased governments interest to privatize other major sectors including the housing sector. In many ways, privatization of the housing sector represents an unconventional method in the African

¹ The improvement in telecommunication can partly be attributed to significant advances in telecommunication and an overall reduction cost.

context. Since independence several housing strategies have been adopted at one time or the other in Africa. For instance, slum clearance and resettlement has been adopted to clear slum areas, that is, depressed areas or subsections of population that are not economically into the national development process (Obudho and Mblanga, 1988: Njoh, 1999). The slum areas were older areas in the cities that were undergoing deterioration or building that were dilapidated. The purpose of this policy was to clear these depressed areas for such development that the government perceived would utilize the highest and best use of the land. Also, another objective was on the grounds of what in the eyes of authorities are parasitic, unsanitary, and constitute aesthetically unappealing features of the urban landscape (Njoh, 1999). These policies became common in most African countries due to the high number of houses that were dilapidated in the central business districts (CBD) as a result of the expansion of the CBD to these areas, and the expansion of the city into areas which was dwelled by the poor who could not afford to live in the CBD. In addition, the urban renewal programs aimed at refurbishing obsolescing cities in North America and Europe influenced the adoption of this policy. In terms of resettlement, it became important for the government to find decent places for the slum dwellers to live after identifying specific areas for clearance. This led to the establishment of a housing policy to settle the disposed slum dwellers. (2) Another policy is Public housing, which dates back to the colonial administration. For example, in Zambia the colonial government attempted to provide housing for the poor, particularly, in the urban areas. Njoh, (1999), argues that in Zambia, one of the provisions in the colonial administration ordinance was to provide housing for all employed Africans except for those accommodated in housing provided by their employers. Other African countries such as Ghana also adopted a similar policy of public housing (Konadu 2001). This policy continued after independence as governments were able to maintain the policy due to vacant houses that had been left by the colonial administration

after independence. However, as the bureaucracy burgeoned and the population increased the government was not able to maintain this policy of housing production (Njoh, 1999). Another popular policy for African governments is (3) settlement upgrading. After continual effort to clear slums, most governments realized that not all the slums areas could be cleared due to socio-economic, traditional ties and political barriers. As a result the policy of upgrading the slum areas to meet the building and housing standards emerged. It is, however, important to know that these building standards were directly adopted from United States and Europe's building standards. With this policy, the government assisted slum dwellers with loans to change the roofs of their homes. In addition, the government assisted with the extension of public utilities such as water, and helped with providing community shared facilities such as toilets (Njoh, 1999, Konadu 2001; Obudho and Mblanga, 1988). In one way or the other, these strategies of housing supply could be classified as government supply of housing.

Public provisions of housing have come under severe criticisms. Notably among the criticisms was that developing countries do not possess the financial resources to provide enough housing especially for city residents (Abdullah, 1994; Ogu, 1999). The result has been a change from government "provider paradigm" to "supporter paradigm". This shift also reflects the World Bank and IMF policy advice to African governments on housing. The dwindling public financial resources and poor institutional framework for managing the housing sector are cited by these institutions as reasons for the shift in policy. Furthermore, the period of economic stagnation and debt crisis resulted in cut of public expenditure, including funding for housing (UNDP, 1990, Ogu, 1999) which led to the reduction in government housing supply. The influential lending institutions such as the World Bank also changed their funding policies which changed the policy of government supply housing (World Bank, 1993). The World Bank changed its urban policy from "the affordability-

replicability-cost recovery paradigm of 1970s to mid 1980s, to a paradigm that focuses on market economic efficiency” (Ogu, 1999: 476). In terms of housing, the private sector is to play a leading role in housing provision. While governments are to emphasise reform of policies, institutions and regulations to enable housing markets to work effectively rather than embarking on housing production and financing (World Bank, 1993). Basically the idea is governments enacting housing policy formulation, coordination, monitoring to establish and regulate the framework for effective delivery of housing by the private sector (World Bank, 1993).

Clearly, privatization in the housing sector has become important policy alternative for many governments. It is believed that privatization will attract new investment in the housing sector, as has been experienced in other sectors of the economy. It is expected to lead to increase new housing production, make the housing sector more efficient, increase employment in the sector, and help relieve governments’ total expenditure on housing. These benefits would enable governments to focus on building stronger democratic institutions such as; parliament, the judiciary, the attorney generals office and general strengthening of rule of law. In addition, the privatization of the housing industry is to ensure security in property rights, easy transfer of real property to ensure free movement of labor, and an open real estate economy (World Bank, 1993). Private ownership of houses would also help owners in obtaining loans for investment by using real property as collateral (Ghanaweb, 2006). A vibrant real estate industry and the option of using a house as collateral would encourage savings in the real estate, which would reduce inflation and make the economy stronger. Thus, the benefits from housing privatization have in the Africa context is immense. However, the privatization of the housing industry should be pursued carefully. As already indicated, the privatization in certain sectors of the economy has increased the hassle of access to basic needs to certain group. To avoid such problems in the housing sector, there

should be conscious governmental effort to enact privatization policies that would ensure adequate housing supply to doctors, teachers, nurses, architects, planner, and other professionals whom studies have shown are not able to afford houses provided through the commercial sector (Konadu, 2001).

Housing Policy in Sub-Sahara Africa and the need for Government Regulations

In Sub-Sahara African (SSA), the shift from government as the provider of housing to government focus on creating the good environment, enacting regulations that seek to invite investors into the housing industry, represents the embrace of the free market housing policies of the developed countries. This embrace is in addition to the already existing prevalence of the United States and Britain building standards and regulations instituted by the influence by foreign trained planners in the region (Njoh, 1999). These planners believe that SSA would benefit as late comers to the present housing policies, of commercial housing development, by adopting housing policies from the developed countries as these countries have already invested in the necessary research into the adopted policies (Njoh, 1999). Second, the influence of the World Bank and the IMF on SSA countries, as discussed earlier, to adopt the neo-liberal policies has also influenced the new housing policies (Ogu, 1999: Njoh, 1999: Konadu, 2000: Yeboah, 2001). However, past housing policies of government-supplied housing, slum/squatter eradication, minimum physical standard requirement and zoning regulation copied from the United States and Europe have not been effective in Africa as predicted (Njoh, 1999; Konadu, 2000). This is because most of the failures of housing policies in SSA have been attributed to the direct implementation of policies from the developed countries (Njoh, 1999), without any effort of at integrating African culture.

The housing policy based on commercial housing supply offer SSA countries good opportunities for addressing housing shortage as privatization in other sectors have proved to

be successful. However, the question of the role that the governments can play to ensure the success of this market oriented housing supply and improve accessibility of housing to professionals remain critical. One important fact to consider is that individuals build their own homes but the building standards from the United States and Europe tend to add unnecessary burden and cost, therefore the adoption of a new housing policies should seek to address the problem. This is important as there has been a recorded failure of privatization of amenities, as discussed earlier, which has increase the access to such amenities. Also, the implementation of policies from the United States and Britain has failed in SSA (Njoj, 1999); hence the need for governments in SSA to find its unique role and regulation to make the newly adopted housing policy to work in SSA.

Developing policy regulations is also important. Different studies have shown the importance public policy, in terms of regulations, its process, and the relationship with societal problems. Public policies, in this discussion, are those policies developed by government bodies and officials. The special characteristics of public policies stem from the fact that they are formulated by the “authorities” in a political system. Public policy thus has an authoritative, potentially legal coercive quality that the policies of private organizations do not have (Anderson, 1975). Mood (1983) states that “public policies are aimed at improving the behaviour, regulations, practices, or agencies of political organizations such as cities, schools districts, and nations; hence they are aimed ultimately at changing the laws, ordinances, under which such organizations operate”. Stuart (1984) also suggests that public policy be considered “governmental decisions designed to deal with various matters such as those related to environmental, protection, crime, unemployment, and numerous other social problems”. From these definitions, developing public policies in terms of regulations is for government to orient to improve, or solve specific social problems. For this discussion, the focus of the social problem is housing. According to Anderson (1975) public policy as

discussed is a “purposive course of action followed by an actor or set of actors in dealing with a problem or matter of concern”. In terms of housing in Africa specifically Ghana, the issue if housing professionals is become a matter of concern. This is important, as studies have shown that professional are; sometimes forced to live in small spaces built for car garages, constantly depressed with ejection orders which occur despite government ban on ejections, and face break in marriages as result of partners leaving apart due to acute housing problems(Asibuo, 1994). This call for the importance of developing meaningful regulations to ensure efficiency and improvement of housing needs to professionals as the private sector takes the forefront of housing development in Ghana.

The importance of government role and regulation to ensure adequate housing supply to professionals has led to this study. This study explore the exclusivity of the housing sector in SSA with emphasis on commercial real estate companies in Ghana, the needed role and regulation to be pursued by the government to ensure the success of the current market oriented housing industry in supplying housing to professionals. The next chapter discusses the current and past housing policies and regulations.

CHAPTER THREE

HOUSING POLICIES IN GHANA

Since independence in 1957, Ghana has adopted different housing policies, yet the country continues to be saddled by inadequate housing and poor housing quality. The failure of the past housing policies has caused the current government to look towards more private commercial housing development. As a result the government has significantly withdrawn its subventions to the state housing agencies and is relying exclusively on commercial real estate developers to provide the bulk of housing in Ghana. This shift has also limited the government's role to creating a viable and conducive political, economic, and physical environment to stimulate the private sector to invest their resources in the development of housing (Asibuo, 1994; National Shelter Strategy, 1994; National 2015 Housing Strategy). However, studies have shown that housing needs have not improved since the change of policy focus (Konadu, 1998; National 2015 Housing Strategy). Although some of the commercial real estate developers have built over 2000 units, their prices are often beyond affordability of most professionals (Ghana High Commission, London, 2003). This has created concerns on the effectiveness of the new housing policies, as the prices of houses are beyond the affordability of professionals. Many professionals in Ghana feel the need for some form of governmental intervention in the new private housing market to improve affordability among professionals and Ghanaians in general.

This chapter discusses the overview of Ghana's housing policies, and housing regulation prior to independence in 1957, to the present. It also discusses the current housing policies, compares it to the past and makes the case for government regulations. The final part of the chapter discusses housing types in Ghana, housing finance, and defines affordable housing in the Ghanaian context.

Housing Policies and Crisis in Ghana-Historical Factors and Contemporary Realities

Although different governments have implemented various housing policies to improve the housing delivery in Accra, the housing crisis is nowhere near a lasting solution. The housing crisis in Accra is partly attributed to the inconsistency of various housing policies. For example, there is the recognition of the importance of commercial housing development but there is no policy focus to direct commercial housing developers to supplement government's effort. Inadequate empirical data from housing research is also a factor of the poor housing policy. Currently, there is a change of policy focus with special emphasis on commercial housing developers. However, there are issues of concern, which are: are there any barriers hindering commercial housing developers from delivering affordable housing, if there are, what role the government of Ghana can assist to ensure maximum affordability in the private commercial housing delivery system?

The first direct government housing policy in Ghana was in 1920 when the Gold Coast government provided housing for persons dispossessed from the government's redevelopment plan to clear substandard houses in major parts of Accra to build houses for British expatriates (Konadu, 2001; Fiadzo and Meeks, 1996). This policy supported people dispossessed from their homes as a result of government's redevelopment activities, the affected were provided with building material loans. In total the policy supported 188 families, worth £9,280, before it was abandoned in 1933 (Konadu, 2001). This policy was abandoned not because all the over 500 people affected were resettled but because the colonial government thought it was too expensive.

In 1939, the colonial government engaged again in housing supply as a result of an earthquake which rocked Accra and rendered thousands of people homeless (Konadu, 2001; Fiadzo and Meeks, 1996; Obudho and Mbalanga, 1988). After this earthquake, the government set aside funds for the redevelopment of housing estates. This redevelopment

housing policy had three parts. (1) The sale of permanent building (2) Renting of Zongo (residential neighbourhood occupied by migrants from the Northern Ghana) rooms at calculated rents and (3) Temporary structures which was later converted to large permanent buildings. The earliest of this development was built in OSU, Mamprobi, Chorkor, South Labadi and Keneshie in 1949 (Wontumi, 1988; Osie-Brimpomg, 1987; Obudho and Mbalanga, 1988). These towns form the current capital city of Accra. Also, the policy expanded later to include houses for war veterans that had returned from war in 1945.

Another housing scheme was established in 1946. This scheme was a deliberate effort by the government to provide shelter for citizens other than it being prompted by natural disasters as with previous policies. This scheme had two components; one was under the direction of the Department of Social Welfare and Housing. Under this scheme 1-3 bedrooms were to be constructed and rented to people at an economic cost². Only selected few for some special reason were required to pay non economic cost. This was administered mostly in Accra, Kumasi and Takoradi, the three largest cities. The other component offered the opportunity for people to apply to the Town Councils of these cities for financial assistance. Under the second scheme, the applicant could build on own land using his or her own design, with the approval of the Town Council. However, if the applicant had no land he/she could apply to the Development of Social Welfare and Housing for a lease of plot reserved for this purpose (Konadu, 2001). Also, all applicants under the scheme were required to deposit not less than 20% of the cost of the estimated building, including the land, before granted the financial assistance. Senior officers working for the government, however, were exempted in certain circumstances if the government grants an advance payment on their behalf. In such circumstances government paid the initial 20% cost for the “senior officers” and required them to payback in 36 monthly instalments, this support was out of the normal situation

² The economic cost is the cost to cover repairs, maintenance and other incidental expenses. However, laborers who rented houses paid a determined amount which was lower than estimated economic cost due to low wages.

where there was minimal government support for professionals. “Junior workers” were not included in this offer, a practice which has continued today (Konadu, 2001).

Despite these initial attempts to increase supply of housing, the problem of housing shortage continued. This was partly due to increase in population and rural urban migration which was at the peak of the building of new industries in Accra and Tema, which attracted more labour from the rural areas. It is estimated that the urban population increased more than 50 percent during this period (Ababio, Anarfi, Kwankye and Tiemoko, 2003). In an attempt to address the housing shortage, government added housing as the fourth most pressing need to the first comprehensive development budget of the country in 1951³. The purpose of the housing budget was to increase housing supply, stabilize rents and provides security of tenure for tenants. To achieve this, the government allocated £2.5 million for the completion of estate housing projects in Accra, Kumasi and Sekondi-Takoradi (Konadu, 2001). In addition, an extra £1600 was made available for individuals who wanted to construct their own house (Konadu, 2001). This amount was disbursed as loans with interest rate of 2.5% amortized over 30 years. In many ways, this policy was similar to the scheme instituted in 1946 to provide assistance for individuals to build their own homes.

The housing shortage continued despite the various attempts by the government to reduce the problem. To find a solution to the problem the colonial government sought assistance from the United Nations (UN) in 1956 (Konadu, 2001: Fiadzo and Meeks, 1996). In response, the UN sent three experts to study the housing problem and to offer recommendations to government. After initial study, the team and the government selected Accra, the capital city, for detailed study and to derive a housing policy which could be applied to other cities. The policy divided the population of Accra into four groups on the

³ The comprehensive development budget of 1951 categorize: (1) Communication, (2) Education, (3) Health and water, and (4) housing as the most pressing needs in Ghana

basis of income and the ability to pay for housing and developed various policies for each group:

1. The top 4% of the population earning over £800 per annum who could afford to build their own houses. The government was generally to improve the financial and technical system to enable them to build for themselves.
2. About 17% of the population earning between £400-800 per annum who could not afford to build their own houses but who could afford a hire purchase contract. The government was to initiate the construction of houses for economic rentals and for sale at reasonable terms.
3. About 17% of the population who could not afford to build but had the skills necessary to build for they would be encouraged to do so. Government would develop land and provide financial aid particularly with materials.
4. The largest group representing 45% of the population who could not afford any housing of any sort. The government was to build them subsidized houses (Konadu, 2001: Tipple, 1987).

In addition to these four categories the team also estimated 3,000 houses as the annual housing requirement for Accra (Konadu, 2001). Out of this the government was to subsidized 1260, representing (45%), of those who could not afford to live in descent housing units without help. These housing policies were not fully implemented before the British handed over the administration of the country to the people of Ghana. It is worth noting that these policies did not create any room for private commercial housing development as the government took upon itself to deliver housing.

Housing Policy from 1959-1964

This was the first housing policy in Ghana after independence; although most of the policy was adopted from the joint government of Nkrumah and the British Administration

before independence. This policy was to; (1) help individuals own their own house and (2) encourage direct government provision of housing. Under the first policy, the government was to provide serviced lands with electricity, water mains, roads, and lease these at moderate prices to individuals at the cost of investment through the collection of development levy. In addition, this policy was to encourage individuals to build on their own, what was termed, the Roof Loan Scheme, a recommendation by the UN. Under the Roof Loan Scheme, the government offered loans up to £540 to any one who would put up the walls of a house according to some predetermined standard. The loan was for the purchase of a roof, doors and windows (Konadu, 2001; Fiadzo and Meeks, 1996). The assumption behind this policy was that the roof represented the most expensive part of the house and once this help is given to a prospective house owner then the dream of owning a house is almost achieved. Another strategy of this first scheme, was to encourage individuals to build their own homes. This was administered through giving loans to communities of small groups of 30-40. Under this strategy loans from the Department of Social Welfare were disbursed to communities as part of communal building strategy. Loans were also given to individuals under the scheme through the establishment of the First Ghana Building Society.

The second policy involved direct provision of housing by the government. Under this scheme, the State Housing Corporation (SHC) was to provide different types of finished houses to people based on their incomes. The government allocated £2 million to the SHC to construct 200 middle income houses, 1500 lower income and 5,000 labourer's quarters at £2000, £500 and £200 per unit respectively (Konadu, 2001). These houses were to be rented or bought on hire purchase for a 20 year period at an interest rate of 5%, except the laborers quarters which was to be rented at subsidized prices. Also under this scheme of SHC and government housing provision, government allocated £2.5 million for land reclamation at Tema under the directorship of Tema Development Corporation (TDC). The TDC was

established for the purpose of housing production in the industrialized city of Tema. Another development plan was also instituted before these housing policies ran out. Under this new plan 6,000 housing units were to be built in the cities and towns, mainly Accra, Tema, Takoradi, Kumasi, at a cost of £44.5 million. The government was to contribute £20 million with the rest coming from the private sector (Konadu, 2001).

On the whole the Nkrumah government during this period recognized the need for housing provision and the importance of developing various housing strategies. But the focus of the government was industrialization with the assumption that benefits accruing from industrialization would be used to provide for housing and other areas in the economy that needed attention (Fiadzo 2004, Rapley, 2002). This was part of the Nkrumah's government goal where funds from savings generated by the productive sector would be used to finance housing⁴. These expectations never materialised as incomes accruing from the industries went to foreign companies, politicians, the elite, business tycoons, and selected few who exercised influence and was never channelled towards the necessary areas such as housing development (Rapley, 2002). Also, the Nkrumah government did not establish any policy focus for the future growth of commercial real estate development. This was important as was clear that the government could not deliver all the housing needs in the future due to increase population growth and inadequate financial resources. This weak housing policy focus constrained housing delivery because it did not make any provisions for establishing commercial real estate industry to supplement government effort. In addition, there was no foundation for the next government to follow in terms of the development of commercial housing development. Also, there was over concentration of housing efforts on few selected cities which led to the neglect of other cities.

⁴ That is most housing needs were subservient to the nation's massive import-substitution industrialization program.

Housing Policy of the National Liberation Council (1966-1969)

The first coup d'état in Ghana occurred in 1966 and brought into power the National Liberation Council (NLC). The major objective of the NLC government was to stabilize the economy which had been characterized by widespread corruption, civil discontent as a result of economic difficulties, and the enactment of preventive Detention Act⁵ (Fiadzo, 2004: Nkrumah, 1970). Two years after assuming power, the government inaugurated a 2-year development plan. Part of this plan was to provide adequate housing for the people of Ghana. However, the plan did not provide any major alternative aside from what was proposed and started by the Nkrumah government, that is, the preparation and service of plots, encouraging private housing construction companies, and individual housing construction, supporting self-financing housing organizations such as cooperatives and securing the flow of savings (Konadu, 2001).

The plan also reemphasised the critical role of the SHC and the TDC as leading government housing supply agencies (Fiadzo and Meeks, 1996: Konadu, 2001). Under this role, the SHC and the TDC were to produce 2000 housing units annually. Another focus of the plan was to develop strategies to reduce the housing cost in Ghana. This was to be achieved through research to develop affordable designs and inexpensive construction methods, to make possible the use of mass produced components to reduce the cost of estate houses. Despite this plan, housing supply did not change substantially under the NLC regime. A total of just over 1000 units were produced under the regime, from 1966-1969. It is worth noting that all the units were built in Accra, Tema, Takoradi and Cape Coast, the major urban centres in Ghana (Afrane, 1980; Konadu, 2001). In comparison with most of the past housing policies, this policy encouraged commercial housing development. However, there was not much focus, in terms of research, to identify the problems encountered by the commercial

⁵ The detention Act adopted by the NLC government was to allow for the detention of opponents of Nkrumah to imprisoned without trial.

housing developers. More especially, how the problems could be reduced to ensure effective delivery by the commercial housing developers. There was also no effort to address the housing needs of professionals, as the policy was generic in tackling the overall housing need in Ghana, leaving the next succeeding government to tackle issue of housing for professionals for the first time.

Housing under Busia and the Progress Party (1969-1972)

Dr Busia and the Progress Party (PP) came to power in September 1969. The government blamed past failures of housing supply policies on inadequate budgetary funds to support the housing sector. To curtail this, the government increased funding to enable the SHC meet its projected housing supply. Also, during this period the government enacted policies to foster a mixture of public and private efforts in housing supply (Konadu, 2001). This was prompted by government's recognition of its inability to bear the responsibility of housing finance alone. As a result, it directed its policies towards fostering a mixture of public and private sector to raise the level of housing supply (Fiadzo and Meeks, 1996). The private sector identified here mostly constituted of building societies, banks, and insurance companies.

The government after increasing budgetary funding to the SHC, and amending the housing policies to attract more private participation, also acknowledged the importance of commercializing the SHA. This was to make the SHA more profit-oriented companies. The idea behind this was for the SHA to gain self-reliance in order to operate as an independent entity. In order to achieve this government decided to raise existing rents and sell some of the already built houses to recoup the money for some of the SHA's investment.

This regime believed in neo-liberalism. Many have argued that the Busia regime implanted the first structural Adjustment Program (SAP), a development policy formulated

by the World Bank. In all, the focus of the PP governments, more than ever before, was on the use of building societies, housing cooperatives, banks, insurance companies, private financiers, and housing consortia to provide funds for housing development. This differed from past housing policies where the focus was on government supply, although municipal, urban and local authorities were also on the plan of the government to provide housing, the private sector was the main focus. However, there was not any meaningful collaboration established between the government and the private commercial real estate developers especially in terms of addressing the problems being faced by the commercial real estate developers or the professionals.

Housing Policies of the National Redemption Council (NRC)/Supreme Military Council (SMC)⁶ Era (1972-1979)

The Busia government was kicked out of office before it could implement its housing policy. In 1972, Connell Acheampong staged Ghana's 2nd successful coup and took over the administration of the country and formed the National Redemption Council (NRC). The first housing policy of the Acheampong regime was mass production of houses at a minimum cost (Fiadzo and Meeks, 1996). To achieve the policy, the NRC government allocated a huge housing budget unprecedented in the history of the country to housing production (Ministry of Works and Housing, 1976). This resulted in the production of 5,466 housing units which was spread in all the regional capitals. The total construction cost was 47,602,678 millions cedis (equivalent of \$52,886,575), constituting the largest housing construction ever to be recorded in the history of Ghana at the time.

Despite this mass production, the problem of housing continued. To obtain lasting solution to the housing problem, the Acheampong regime created several adhoc committees

⁶ The Supreme Military Council (SMC) regime only lasted for a year without any recognized effect on housing policy and delivery

to study the housing problems and make recommendations to the government. Among the recommendations was need for mobilization of domestic savings from the private sector as the first step in meeting the long run capital requirement for housing. Also, it was recommended that the Social Security and National Insurance Trust (SSNIT) was to invest directly in housing supply.

The NLC also formulated another housing policy in 1975 purposely to house public servants (Konadu, 2001: Fiadzo and Meeks, 1996). Through the policy public servants could obtain loans from the Bank for Housing and Construction (BHC), however, only senior staff public servants whose salaries were considered sufficient to pay back the loan were considered. It must be emphasised that this policy of providing housing for professional was only an isolated and minimal of the existing housing policies.

From the discussions, housing policies since the period 1954 stated the goals of providing adequate housing for the people of Ghana mostly through the public sector with less emphasis on developing the commercial real estate industry (Fiadzo and Meeks, 1996). Specifically, the commercial housing industry taking a major role in housing supply when it becomes necessary that the government is unable to provide adequate housing due to inadequate resources and high population growth than envisaged.

Housing Policy under the Armed Forces Revolutionary Council (AFRC)

The Flight Lieutenant Jerry John Rawlings (FLLT. J. J Rawlings) seized power from the Acheampong/Akuffo's government from June-September, 1979 and formed the Armed Forced Revolutionary Council (AFRC). Although this regime lasted for only three months, housing policy and supply in Ghana was affected significantly due to the efforts to control housing prices. The AFRC's government was bent on bridging the gap between the rich and the poor within the shortest possible time. To achieve this, assets including properties from

the supposed rich in the country were confiscated; business men/women in real estate business were seen as “crooks” and were forced, at times at gun point, to sell their stock of building materials at “controlled prices”. Other measures such as rent control were also enforced as a means of ensuring equity in the country. These measures increased the deterioration and shortage of housing supply in the country as most investors withdrew or held back their investment to avoid any punishment by the government. This crippled the commercial real estate industry that was beginning to develop.

Housing Policy of the People’s National Party (PNP)

The AFRC handed over power to Peoples National Party (PNP) government under Dr Hilla Limann after three months in the office. In Dr Limann’s first address to the parliament of Ghana, he outlined his government’s goal of providing descent housing to Ghanaians (Parliamentary Reports, 1979). He stated his government’s recognition of homeownership as a cherished dream but specified that his government focus would be to increase rental units and encourage the use of local building materials such as burnt bricks and tiles. These goals, however, were not implemented before the government was overthrown by Jerry John Rawlings and the People’s National Defence Council (PNDC) in December 31, 1981.

The Provisional National Defence Council (PNDC)⁷ and the National Democratic Congress (NDC) Government

When the PNDC took over, the government did not establish any formal step to address the housing condition in the country until 1986 when the government appointed a 20 member committee to study the housing condition in the country. The committee narrowed the condition of housing into four main areas upon which to focus the development of housing

⁷ The leader of the Provisional National Defence Council (PNDC), Jerry John Rawlings, formed the National Democratic Congress (NDC) party which won the presidential election in 1992.

policy. These four issues were: (1) current housing situation (2) constraints facing housing delivery system (3) policy objectives and strategies (4) housing delivery program from 1986-1990. The basis of the committee's recommendation revolved around these four criteria:

- (1) The need for effective mobilization of financial resources from various sectors of the economy to form a National Housing Fund for supporting housing development. The fund was to be administered by a National Housing body that shall coordinate all housing activities in the country.
- (2) Accelerated development and use of local materials to enhance desired deliveries at affordable costs.
- (3) Placing of emphasis within the public sector on the provision of infrastructure services, easy access to housing land, security of tenure, more effective land-use management and creation of favourable atmosphere to induce increased participation of the private sector in housing delivery.
- (4) Accelerated programs for the completion of abandoned houses. (Ministry of housing, 1986)

From these four criteria, the government developed these five strategies to serve as the foundation of it housing policies:

- 1) A shift of emphasis by the government from the construction of houses to the provision of infrastructure and serviced sites
- 2) The creation of a sound financial body for effective planning, implementation, coordination, monitoring and evaluation of all actions, plans and programs
- 3) Ensuring easy access to housing land, security of tenure and effective land use management

- 4) Intensifying and encouraging the development and use of local building materials through research and pilot projects to be supported with continuous flows of both building materials and the needed skills in the country
- 5) The improvement of housing standards through the orderly growth of settlements through effective planning control (Ministry of Works and Housing, 1986: Konadu, 2001).

Despite this housing policy the country did not record substantial improvement or increase in housing supply during the 19 years of this government as most of these strategies were not implemented (Konadu, 2001; Asibuo, 1994; Fiadzo and Meeks, 1996). For example, the selected committee's report which was followed by the adoption of a national shelter policy in 1992, government housing production was to increase from 32,000 units to 43,000 units within the first years of the implementation of the policy and to a total of 26,389 annually for the five year period of the plan (Ministry of Works and Housing, 1992). In addition, 21,000 units were to be improved and 30,000 serviced lots developed within five years from the date of the policy. Not even half of these were achieved when the NDC left office. Also, the government was to facilitate the acquisition of land by establishing land banks and assist citizens to obtain credit for new housing and upgrading. Again, this was not achieved as there was no substantially established land banks before the P(NDC) government left office.

The problem of housing finance was also recognised as major constraint for the majority of Ghanaians. To reduce the problem, the Ghana Housing Finance Company (HFC), the bank established to deal with issues concerning housing finance, was encouraged to increase housing loans, and also serves as the secondary mortgage financing company for primary commercial banks. The HFC was also to purchase mortgages from banks, building societies, and life insurance companies which originate and service loans to individuals for the

acquisition of houses. This scheme, however, was not effective as several Origination and Service Institutions (OSIs) were unimpressed by the lack of steady demand of the model and withdrew from active participation (CHF international, 2004). This led to HFC abandoning the system to work directly with borrowers. However, abandoning the system with OSI's has not been effective as the HFC does not have the management capacity or the cost capacity into housing micro-finance, all by itself (CHF International, 2004).

Another factor that contributed to the ineffectiveness of the NDC housing policy was the poor adoption of the Structural Adjustment Program (SAP) (Konadu, 2001; Yeboah, 2000; Asibuo, 1994). The SAP was adopted without establishing proper tools to ensure effective implementation of the program. The adoption and implementation of the SAP resulted in a shift of government housing assistance to the State Housing Company (SHC) and other Housing Agencies who had been major contributors to housing supply in Ghana. The implementation of the SAP caused government to withdraw its assistance to these agencies. The purpose of the withdrawal was to actively involve private developers to invest in the housing sector and for government to serve as the enabler by ensuring that the necessary infrastructures are provided for planned communities. However, there were no specific efforts by the government to collaborate with private developers to establish goals and objectives which focus on increase in housing supply and set targets. So despite the incentives that were given to commercial housing developers, housing delivery did not increase substantially. Also, houses that was built by the commercial housing developers for the period, and even now has been beyond the reach of many Ghanaians (Konadu, 2001: CHF International, 2004). However, the idea of the government as an enabler was a right direction for the country especially as there were not enough resources for the government to support housing delivery all by itself. However, setting a clear objective to involve the private sector would have made the situation better. Most especially conducting studies in

collaboration with the commercial real estate developers to identify the problems in the real estate industry and further develop measures and policies to curtail the problems to make the commercial real estate industry efficient and beneficial to majority of Ghanaians, most especially the professional class. This lack of collaboration and fully engaging the commercial real estate developers to identify the existing problems in the industry is to be inherited by the succeeding government.

Housing Policy under the New Patriotic Party (2000- Present)

After 19 years of power the P(NDC) handed over the administration of the country to the Kuffuor administration in 2000. The first budget statement outlined the government's goal of increasing housing supply in the country through a housing scheme called "Housing the People". The purpose of this scheme was for the supply of low-income and rural housing (Budget statement, 2001). This is a more specific policy in comparison to the NDC housing policies especially embarking on rural housing. Also, the government acknowledge the constraint in housing finance in the country and stated the government's policy of establishing mortgage insurance to ensure security of mortgage transactions to foster loans from banks to individuals. In addition, the government policy emphasised the goal of the government as the "enabler" by facilitating the land acquisition process for private housing developers and providing basic infrastructure to support housing developments. In line with the "enabler" paradigm, the government outlined the objective of securing loans for members of Ghana Real Estate Developers Association (GREDA), the association that deals with activities of real estate in Ghana. The government also announced that it had already started the negotiation of a \$50 million loan package for the members of GREDA to increase housing for both rental and home-ownership (Budget Statement, 2001). In addition, a \$ 50 million loan deal was sought for land servicing development and construction of rental and

homeownership. Also, the government expressed the desire for establishing a housing program to house security personnel.

Subsequent government budget statements of the NPP have also re-enforced these objectives. They have also stressed on the three main policy objectives. The first involves government direct assistance and provision of housing. For example, the government is currently undertaken construction of low cost housing at Borteyman and Nungua, suburbs of Accra. This project is aimed at building 133 blocks of houses to give a total of 1,138 units of flats of various types (Budget Statement, 2006). The second objective involves the government's role in facilitating land acquisition and infrastructure for housing construction. The third objective is an active private real estate developer's involvement in housing supply, with this the government is working to secure loans for members of GREDA to make available finance for their operations. The NPP government has also offered tax incentives for private estate developers as a means of encouraging private participation (CHF International, 2004). Mr Kwamena Bartel; the minister of works and housing at the 2005 GREDA exhibition held in London stressed the government's interest in encouraging private real estate developers (Ghana.co.uk, 2005).

The NPP government has also initiated the review of the past housing policy. This initiative is to make the goals in the policy more achievable and responsive to the needs of Ghanaians. The review is also to incorporate the NPP's housing objective to the past housing policy (CHF International, 2004). The drafting of the policy and its strategic framework is on-going (Budget Statement for 2007), however, the main focus is to respond to the needs of the low income groups.

From the NPP's budget statements, other statements made by the president, government officials, and draft of the revised shelter strategy, it is clear that the NPP government strategy for increasing housing supply is through minimum government direct

housing supply and heavy reliance on the emerging real estate industry. However, there has not been any specific policy focus to provide housing for professionals who are the backbone of the Ghanaian economy. The only expression by the government concerning providing housing for professionals was the 2001 budget statement where the government expressed interest in developing a programme to house security personnel, specifically those of the Ghana Armed Forces.

Despite the discussions of maximum participation from commercial real estate developers, there has not been any substantial policy focus that inquires about the problems that the private developers encounter and how the problems could be resolved by adopting specific policy guide. This is important as the failure of various housing policies is attributed to lack of specific policy focus and a defined housing policy for professionals. In addition, governments' not actively involving the commercial real estate industry of how the industry could supplement governments' effort in providing housing to professional is also blamed. Until a deliberate effort is made to cater to the housing needs of professionals these housing needs will still be a major problem in the country. A government policy that only encourages private participation in the effort to increase housing supply will not solve the housing need of professionals, especially, as studies have shown that most houses provided by private developers are beyond the reach of most professionals and are purchased by Ghanaians living in the diasporas and other foreign nationals (CHF International, 2004; Konadu, 2001: GhanaWeb.com, 2006). The idea of providing housing for professionals has become important as developed countries such as the United States have realized the importance of professional housing hence the current discussions on workforce housing (FAPA conference, 2006; APA conference, 2007). Developing specific program to address the housing needs of professionals in Ghana through private realtors has therefore become necessary, as inadequate resources has led to the government to focus on the investment in commercial

housing development. To advance the discussion it is important to explore the different forms of housing development to enlighten readers about what commercial real estate housing production in relation to other forms housing production in Ghana.

Forms of Housing Development in Ghana

The desire for many in Ghana to own a house but without adequate financial resources, including easy access to loans, has resulted in different forms of housing development than the conventional methods known in many developed countries. There are three main forms of housing development in Ghana; (1) Self built (2) Government built and (3) Private estate developers built (Yeboah, 2005: CHF International, 2004: Konadu, 2001: National Shelter Strategy, 1993)

(1) Self-Built: These are the most common and traditional form of housing development in Ghana. Houses of this nature are built on incrementally by owners. It can take a period of 5-19 yrs for owners to complete the house. However, individuals sometimes occupy the house while incomplete and continue to build until it is completed. Self built houses ranges from middle- class homes to small- size low income homes. Also, in this type of housing development, individuals solely finance their own project on an incremental basis as they get the money and does not usually secure loans from the banks (Yeboah, 2005).

(2) Government Built: These are houses built by government owned enterprises. This form of housing development used to be the main form of housing for senior civil servants. Presently, the State Housing Corporation (SHC), Social Security and National Insurance Trust (SNNIT), Tema Development Corporation (TDC) is still involved in this type of housing development but the focus is changed to providing housing to vas majority of Ghanaians and companies. These agencies build to rent and sometimes sell the houses directly to companies or individuals who can afford to buy them (Atieku, 2006: Konadu,

2001). This type of housing represents 10-15 percent of general housing delivery in Ghana (Asibuo, 1994).

(3) Private estate developers: This is the most recent form of housing development in Ghana. Houses built by these private developers are classified by many as high class homes because of their prices, modern facilities, and their locations. Prices of these homes start from \$50,000 and beyond. Most of these houses are sold outright or rented to reputable companies. It is not common to find the prices of these houses on the market because of the absence of a well developed brokerage system in the country. Lack of effective system has led arbitrary housing prices often depending on an individual's bargaining power (Noah, 2002). It is worth noting that despite the high prices associated with realtors' homes, the industry is booming in Ghana. One of the factors, accounting for this boom is that there is more security in owning land and the building when you buy from realtor than an individual because of the multiple sales of land by private owners which often results in land disputes (Gough and Yankson, 2001). Also, most of the communities where these private realtors' houses are built have basic infrastructure such as paved roads, telephone services, and private security that are not available in other neighborhoods. This makes the communities more attractive to live in compared to new developing areas in Accra.

Housing Finance in Ghana

Housing finance in Ghana is not different from other African countries. The challenges faced by most African countries, including scarce financial resources and credit facilities to support housing development is the same in Ghana. As Okwonkwo (1997) puts it, there is a positive correlation between housing finance and economic development of a country. The Ghanaian economy is limited by fewer savings and borrowing than that of more

developed countries. In addition, the demand for resources in all sectors of the economy also results in a under funded housing finance system as described by Okwoonkwo (1997).

The Home Finance Company (HFC) is the main primary mortgage lender in Ghana (Yeboah, 2005; CHF international, 2004; Fiadzo and Meeks, 1996). The HFC assists first time home buyers to purchase homes within the major urban areas. The main financial instruments offered by the HFC ranges from uncompleted housing loan schemes, home improvement loans, home purchase schemes to non-resident Ghanaian loan schemes. Usually a 25 percent minimum down payment is required with interest rates ranging from 4 to 6 percent before a mortgage loan is granted (CHF international, 2004; Fiadzo and Meeks, 1996). Other banking institutions such as Ghana Commercial Bank, Standard Chartered Bank, Barclays Bank, etc also participate in mortgage financing but these banks mostly service mortgages originated by the HFC (CHF international, 2004).

The problem of housing finance among the banks is that most are portfolio lenders (Noah, 2002). This means that the banks run a low-cost and low risk business where mortgage lending fits well in relation to other investment activities. Also, because the banks have short-term funding and are unable to lend on a medium- or long term basis, the support of mortgage financing, which take about 25 to 30 years before full payment is made, is not common. This cripples the housing industry (Noah, 2006, Fiadzo and Meeks, 1996). In addition, the 25 percent initial deposit required of buyers by the banks before a mortgage loan is granted has been a major barrier to mortgage financing in Ghana, as the majority of workers are unable to meet this requirement (Yeboah, 2005, CHF international, 2004; Fiadzo and Meeks, 1996).

Despite these barriers in mortgage financing, Ghanaians still have high expectations for the financial institutions in terms of helping to provide financial resources to support programs that will lead to adequate and affordable housing (Noah, 2002). Decades of

mismanagement by various governments that have drained the national economy and the recognition of these inadequate national resources have given rise to this expectation (Noah, 2002).

Affordable Housing in Ghana

There is no generally acceptable definition of “affordable housing” in Ghana. Unlike developed countries, comprehensive data on what is not available to determine precise affordability indices (National Shelter Strategy II, 1993). Another factor that makes the determination of housing affordability difficult is that household incomes are estimated to be considerably higher than those reported by heads of household, perhaps 2 to 3 times (National Shelter Strategy II, 1993). This is due to the fact that many households survive on earnings in the informal sector and from pooling family and extended family resources. Also, there is vast variation in rent and house prices even in the same community. This arbitrary nature of house prices and renting makes it difficult to obtain data on median house rent and sale price necessary to calculate housing affordability (Noah, 2002).

The National Shelter policy categorized three income groups for determining housing affordability; (1) High Income Earners (e.g. chief executive’s of private and government firms) who earn over \$3945 per month in terms of average income, (2) Middle Income Earners (e.g. doctors, engineers, architects, university professors) who earn \$3945 measured in terms of average annual income, and (3) Low Income Earners (e.g. Cleaners, typist, clerical officer) who earn below \$1643 of average annual income. However, after this categorization no definite percentage spending of a person’s income on housing has been entrenched as the affordable, unlike countries like the United State with housing affordability is considered to be 30 percent of a person’s income (Hock, Dalton, So, 2000).

Using this definition as a comparison, if the 30% of a person's income on housing is adopted in Ghana, it implies that the middle class, composed of doctors, engineers, pharmacists, should spend not more than \$473 (equivalent of ₵4500,000) based on the current salary of civil servants and other professionals (Accountant Generals Department, 2006). This amount is not close to the price of houses being sold or rented in the Ghanaian market. Houses being sold by commercial estate developers range from \$50,000 and beyond (Ghanaweb.com, 2006; Regimanuel Gray, 2006). What this means is that it is impossible for doctors, nurses, teachers, and other civil servant, to own their own homes or even rent a decent home spending 30% of the salary they receive. The importance of addressing the situation to help improve the quality of life of professionals demand some form of policy focus to help directly solve this problem of housing. Most important as the problem of housing shortage seems not to get better even with the increase of private housing developers and other agencies in the housing supply (CHF international, 2004).

Housing Regulations in Ghana

There are currently no policies regulating the housing market in Ghana. Regulations in this sense does not only means the do and don'ts in the real estate market but identifying strategic procedures that would directly or indirectly ensures transparency in the real estate market. Regulations also include policies which seek to remove barriers to housing productions. In addition, most regulation pertaining to the market has been relaxed partly due to the failure of the various rent control Act's in Ghana, specifically, 1963(Act 220): Rent (Amendment) Decree, 1973; NRCD 282(1974): SMCD 115(1977): Rent (Amendment) Decree AFRC 5 (1979): Rent Control Law 1986 (PNDCL 138), (Konadu, 2001, Malpezzi, 1989, National Shelter Strategy II, 1993). The failure to encourage housing investment is blamed on these rent controls in Ghana. A majority of the rent control policies in Ghana have

been said to be unrealistic. These controls do not reflect market prices of housing construction cost (Konadu, 2001: National Shelter Strategy II). This has deterred the majority of Ghanaians and investors from investing in the housing sector (Konadu, 2001, National Shelter Strategy II, 1993). Also, the World Bank has influenced policy on housing, presenting Ghana with the do's and don'ts of an effective housing markets (World Bank, 1993). This is evidenced in the shift of housing investment from government supply to government assistance in Ghana (National Shelter Strategy II, 1993).

Regulations in the housing market have also often led to increase in the cost of development which is passed on to the consumer in the form of higher prices (Nicholas, Olsen, Costomiris, Levesque, 1982). This has made housing regulation difficult for governments in developing countries, especially, as governments seek to encourage housing investments and developments, but at the same time want to make the developments affordable to a majority of its citizens. This is a major concern that the government of Ghana is facing in developing effective regulation in the housing market.

Why the Need for Regulation in the Commercial Real Estate Market

The importance of developing regulations to encourage commercial housing development investment and ensure that housing developments are within the reach of the professionals' class cannot be overemphasised. This is necessary as the government is encouraging more private participation than before (National Shelter Strategy, 1993: Ghana High Commission, 2003: Yeboah, 2005). However, encouraging private participation without well enacted regulations has proven to be ineffective because prices of houses have been beyond affordability of most professionals in Ghana (Konadu, 2001). For example, the average three bedroom house for realtor built house is \$ 50,000 (RegiManuel estates, 2006: Ghanaweb.com, 2006). This is unaffordable to the normal professional based on the average

annual income of \$1643 for lower level professional such as secretaries, and \$3945 for professionals such as; planners, architects, accountants, law officers among others (Foreign_Direct_Investment, 2006). If the 30% affordability measure is used, the affordable house price should be in the range of \$9,840 to \$23,679 for mortgages amortized within 20 years, however, this is not the case. Developing policies to encourage commercial housing developers and at the same time enacting regulations to make commercial real estate developments beneficial to professionals has therefore become necessary.

In conclusion, the past housing policies which focused on direct government housing supply have not been effective in solving the housing needs of professionals; however, the current policy shift towards commercial real estate development cannot be effective in solving the housing needs of professionals unless: (1) the barriers hindering the commercial real estate developments are reduced. (2) And also direct policies of providing housing for the professional class with active participation of the commercial real estate developers are enacted. The importance of identify the issues face by the emerging real estate developers and identifying the necessary solution has led to this study. The next chapter discusses the problems faced by the commercial real estate developers and the necessary role that the government of Ghana can play to help reduce the problems in the commercial real estate industry. The government is mandated to enact regulations to help reduce the problems being face in the commercial real estate industry.

CHAPTER FOUR

REAL ESTATE DEVELOPMENT COMPANIES IN ACCRA AND TEMA AND HOUSING PRODUCTION

In the previous chapters I discussed the reasons for the failure of past housing policies and made the case for the need to encourage commercial real estate housing development in Ghana. This chapter presents the survey results of real estate companies in Accra and Tema. It explores how the commercial real estate industry is organized, their problems and their ability to provide adequate housing in Ghana. This chapter is divided into four parts: Part 1 discusses the research method; part 2 focuses on the Ghana Real Estate Development Association (GREDA); part 3 presents the background information of surveyed companies; and part 4 is the survey data analysis.

Research Method

The objective of this research is to explore how the real estate industry is structured in Ghana. Structure in this sense is defined as the make-up of real estate companies in terms of a centralized real estate agency that regulate the activities of real estate companies. In addition, in this study, investigated are the barriers to effective housing production by real estate companies and their ability to provide adequate housing in Ghana. Finally, the role and regulations that can be used by the government to increase efficiency in the commercial real estate industry is discussed. To answer these questions, we need to understand the characteristics of real companies in Ghana.

The data collection methods included the administration of survey questionnaire to real estate companies in Accra and Tema. Questions were derived from the review of housing literatures on Ghana. Topics covered in the questionnaire included how the real estate is organized, the governments' role and regulation and its effects on realtor housing supply,

costs of housing production, and general operations and future expectation of the role of government from realtor's perspective. Various governmental publications such as the 2005 government's statement, Ghana housing and shelter policy also provided additional information. Publications by the various institutions such as the World Bank and IMF were also consulted.

First, to identify real estate companies in Ghana, various journals and government documents were studied. Through these studies, information on real estate companies, the names, location and address were obtained. This information was mostly obtained from the Ghana business services, a Ghana website, and Ghana city guide (Ghanaweb.com). From these websites which publish the names of real estate companies in Ghana, a total of 60 real estate companies were obtained.

However, not all of these 60 companies participated in the study. Some were eliminated after unsuccessful attempts to contact the companies through the phone calls or without a location address. In the end, the survey was distributed to 40 companies and 30 of them responded, given a response rate of 75%. The questionnaire for the study included both closed and open ended questions, and solicited information on the organization of the real estate industry in Ghana, housing prices of homes, perceived role of government in the real estate industry among others (See Exhibit A).

Microsoft Excel and Statistical Package for Social Sciences (SPSS) were used to organize and summarise the survey data. Through using SPSS and Excel; (1) Frequency tables were constructed to examine the pattern of response to each of the answers from the questionnaire survey. (2) Percentage distribution tables were used to convert frequencies, from the distribution tables, into more meaningful measures such as the bar graphs. In addition, SPSS was used for the test of statistical significance of the variables. Through this analysis various issues facing the real estate companies were identified which through

research and case studies various recommendation were made pertaining to the necessary role that the government of Ghana can play in the commercial real estate industry to provide housing for professionals.

Ghana Real Estate Developers Association (GREDA)

Ghana Real Estate Developers Association (GREDA) is the main real estate association in Ghana. The association coordinates the activities of commercial real estate developers and assist in the restructuring of Ghana's housing delivery program. The association consists of a board, which is comprised of representatives from the Ghana Institute of Architects, Ghana Institute of Engineers, executives from the State Housing Company, other estate companies, and service companies such as the electricity company, Ghana Water and Sewerage Corporation and the Department of Urban Roads. The objectives of GREDA are:

- (1) To provide a central organization for real estate developers.
- (2) To provide a united front in making recommendations to government on ways of promoting Real Estate Development in seeking solutions to the practical problems in the property market.
- (3) To poll the development of residential estates, to increase the stock of housing for all classes of the population.
- (4) To pool resources towards greater economies of scale in Real Estate Development and also ensure that products of members conform to national building standards and planning laws.
- (5) In the spirit of the search for appropriate technology, Association shall promote the use of inputs and finances research into the suitability of local building materials in the country

- (6) To liaise with financial institutions in developing an effective mortgage house ownership scheme for prospective owners and also impress on the institutions the need for long term financing in real estate development.
- (7) To establish links with Real Estate Institutions and allied bodies at home and abroad with the aim of promoting the development of the industry (Ghana Real Estate Developers Association, 2006).

Real estate companies in Ghana are not required to be registered members of GREDA. However, GREDA objective of helping to remove barriers of housing production for its members, and by having a unified front to deal with problems associated with the industry, as well as collaborating with the government in ensuring efficient housing supply should make GREDA attractive for all real estate companies. This is important since the high prices of housing in Ghana is partly attributed to government regulations such as complicated procedures of obtaining permits from different departments at different locations. This barrier of obtaining permits prolongs building projects resulting in high interest rates on loans which eventually get passed on to house buyers (GREDA, 2007). What make the situation complicated is the arbitrarily nature of issuing permits in Ghana (Ghana web, 2005). In addition, the long procedure involved before identifying the title of ownership of land often creates unnecessary delays which results in companies buying land to later realize that there is more than one owner to the land than the person who sold the land to the company. This results in land litigations (GREDA, 2007), which delay projects as a result of court injunction. For example, there are over 4000 cases pending at the courts of Ghana to determine the right ownership to lands (GREDA, 2007). Part of the objective of GREDA is to liaise with the government to tackle all the major issues including land acquisition to ensure effective commercial housing development.

Identifying the objectives of GREDA is important in this study to answer the question of how the real estate industry is structured in Ghana. Specifically, exploring the objectives of GREDA to make a case for the Association, and identify the number of companies that are members and Non members of GREDA to explore the number of companies associated with GREDA. The identification of GREDA and Non GREDA membership is helpful for exploring if membership is important in terms of housing production, house prices, and impact of government regulations. The membership of GREDA is to be found in the survey results.

Table 1. Background of real estate companies in Ghana

	GREDA membership (%)	Location		Median Age of Company (establishment in years)	Average number of employees (full-time)	Average number of employees (part-time)
		Accra	Tema			
GREDA members	63	18	2	14	82	370
Non GREDA members	37	11	1	5	50	60

Some companies have offices both in Accra and Tema

Table 1 provides the background information of real estate companies in Ghana. The companies are categorized into members and non-members of GREDA. From the survey, 63 percent of companies are members of GREDA. Thirty seven percent (37%) are not members of GREDA. GREDA member companies have been operating in Ghana longer than Non GREDA members. The median age, in terms of years of establishment, for GREDA members is 14 years, which is higher than Non GREDA member companies. GREDA companies employ more labour in comparison with Non GREDA members. GREDA member companies on average employ 82 full-time and 370 part-time employees. This is higher in comparison with the average of 50 full-time and 60 part-time employees by Non GREDA

members. In terms of locations, the majority of the firms, both GREDA and Non GREDA member companies are located in Accra.

In summary, it can be discerned that GREDA-member companies operate on large a scale in comparison with Non GREDA members based on the number of labor. This suggests that most large scale real estate companies are link with GREDA. A case study may be needed to explore this situation, as it could be that the objectives of GREDA do not meet the needs of small scale real estate companies in Ghana. The data analysis in the next chapter discusses in detail the number of houses produced by GREDA and Non GREDA member companies. The analysis also discusses whether membership in GREDA makes a difference concerning the effects of government regulations, and the general problems encountered by real estate companies.

Satisfaction with GREDA

A question was asked to determine the companies' opinion in terms of satisfaction with GREDA. For the purpose of this study satisfaction with GREDA is defined as; whether GREDA members are satisfied with the efforts by GREDA in dealing with housing production issues.

Figure 1. Satisfaction with GREDA's Support



For the purpose of this question, the satisfaction with the activities of GREDA is based on the fulfilment of its objectives of seeking solutions to the problems encountered in the commercial real estate housing productions for the members, or the support offered to companies. The question asked whether GREDA members were satisfied with how the association (GREDA) has been dealing with issues relating to the real estate industry, as it presumed that GREDA companies are to be less affected by government activities and other barriers to effective housing production. That is, if the objective of GREDA making recommendation to the government and tackling the general problems in the commercial housing industry, as outlined in the objectives, is being implemented. From the response of GREDA members (52.9) satisfied with GREDA, GREDA members should encounter fewer barriers to housing production in comparison with Non GREDA members. This satisfaction should reflect GREDA members housing productions.

Table 2. Government Regulation

Effects of Government regulations	GREDA Members N (%)	Non GREDA Members N (%)
Delays building projects	12 (42.86)	10 (45.46)
Increase cost of construction	13 (46.43)	9 (40.9)
Delays sale of houses	3 (10.72)	3 (13.64)
Total	28 (100)	22 (100)

Some of the respondents listed more than one item of regulation.

Table 2 shows real estate organizations perception of the impact of government regulations on their operations. In all 22 respondents, 42.86% of GREDA members and 45.5% of Non GREDA members believe that government regulations results in delays of

building projects. The difference in perception in of GREDA and Non GREDA members, although interesting, did not turn out to be statistically significant ($\chi^2 = 2.73$; $P = 0.132$).

In terms of the impact of government regulations on the cost of construction, 46.43 percent of GREDA members answered that government regulations increase cost of construction. About 41% of Non GREDA members responded that government regulations increase cost of construction. However, there is no significant difference between GREDA and Non GREDA members in relation to effects of government regulations and the increase cost of construction ($\chi^2 = 0.63$; $P = 0.802$). Based on the test of significance, the cost of construction as a result of government regulation equally affects both GREDA and Non GREDA members. For the government assisting in acquiring land to build upon, only one GREDA member company answered that government regulations offer help in acquiring land for developments. No Non-GREDA member answered this question.

In summary, it is interesting to know that GREDA and Non GREDA companies are equally affected by government regulations which cause delays in building projects and increase cost of constructions, as there is no significant difference between GREDA and Non GREDA members. This is important because given the objective of GREDA, one would expect GREDA members to be less affected by government regulations if GREDA's objective of working with the government to remove barriers in the housing industry is being implemented. For further analysis of Real Estate Development in Ghana, it is important to discuss if GREDA companies produce more housing in Ghana despite encountering the same problems as Non GREDA members.

HOUSING PRODUCTION

This section discusses the annual housing production of real estate companies. The discussions focus on general trends of housing production, in terms of average annual

housing production. I also examine the difference in housing production between GREDA and Non GREDA members in terms of annual housing production.

Table 3. Annual Housing Production

House Production	GREDA Members N (%)	Non GREDA Members N (%)
Below 10	3 (20)	3 (27.3)
10 to 20	5 (33.3)	6 (54.5)
21 to 40	2 (13.3)	2 (18.2)
41 to 50	1 (6.7)	-
Over 60	4 (26.7)	-
Total	15 (100)	11 (100)

Table 3 shows annual housing production of Real Estate companies in Ghana and annual housing production between GREDA and non GREDA members. In general most companies build less than 21 homes a year. About 33.3 percent of GREDA and 54.5 percent of Non-GREDA members reported annual housing production of 10 to 20 housing units per year. Twenty percent (20%) of GREDA and about 27% of Non-GREDA members produce below 10 housing units a year. It is interesting to know that there are substantial numbers of both GREDA and Non GREDA companies whose annual housing production is below 10 houses. It is important to note that, one GREDA member company reported producing over 60 houses a year. Although, there are percentage difference for GREDA and Non-GREDA members, the difference in housing production for GREDA and Non GREDA members is not statistically significant different at any level of production.

Table 4. House Prices

Average price for 3 bedroom house (\$)	GREDA Members N (%)	Non GREDA Members N (%)
41,000-60,000	6 (42.9)	2 (20)
61,000-100,000	5 (35.7)	7 (70)
101,000-150,000	2 (14.3)	-
Over 150,000	1 (7.1)	1 (10)
Total	14 (100)	10 (100)

Table 4 shows the average house prices of GREDA and Non-GREDA members. The majority of GREDA member houses are in the price range between 40,000 and 100,000. For Non-GREDA members, the majority (70%) price range is 61,000 and 100,000. There is no significant difference for the price ranges between GREDA and Non-GREDA members, except for the range of 61,000 and 150,000 ($P=0.04$). The majority of Non GREDA member's houses cost over 60,000. Although there is no significant difference in terms of the average house price for the majority of the prices ranges for GREDA and Non-GREDA members, the price of a house alone does not determine affordability especially in Ghana where there is limited mortgage finance (Yeboah, 2005: Asibuo, 2005: Noah, 2002). Therefore, it is important to identify the method of payment for both GREDA and Non GREDA members in order to explore which of the two (GREDA and Non GREDA) have more flexible payment method for house buyers in Ghana.

Table 5. House Payment Options

Financing Options	GREDA Members N (%)	Non GREDA Members N (%)
Full Payment	13 (76.47)	8 (72.73)
Full Payment Not required	4 (23.53)	3 (27.23)
Total	17 (100)	11(100)

Not full payment in this discussion is when house buyers are given a period more than, on average, five years before the total payment of the house is completed.

Majority of companies in Ghana require full payment upfront for their homes. Only 7 respondents do not require full payment of homes. For GREDA companies, 76.47 require full payment when purchasing a house in comparison with 72.73 of Non GREDA members. For

companies not requiring full payment 27.23 percent of Non GREDA members accept house buyers to move into the house before making full payment in comparison with 23.53 required from GREDA members. Although there are percentage difference of house payment options between GREDA and Non GREDA members, the differences is not statistically significant ($P > 0.05$).

Cost to Housing Construction

To explore the contribution of other factors to the cost of housing in Ghana, companies were asked to identify housing construction cost in terms of building materials, land, labor, etc. The purpose of this question was also to explore the difference in housing construction cost between GREDA and Non GREDA members. Recall that GREDA does not directly address these issues.

Table 6. Builder's perception of major items of cost associated with housing production in Ghana

Membership of Association	Building Materials N (%)	Land N (%)	Labour N (%)	Tax N (%)
GREDA Membership	16 (64)	13 (54.2)	5 (83.3)	2(66.7)
Non-GREDA Membership	9 (36)	11 (45.8)	1 (16.7)	1(33.3)
Total	25 (100)	24 (100)	6 (100)	3 (100)

Some companies listed more than one item of cost.

Table 6 shows builder's perception of major items of cost associated with housing production in Ghana both for GREDA and Non GREDA members. Overall building materials and land are the major cost items for the real estate industry in Ghana. Labour and taxes do not seem to be significant cost. This pattern applies to both GREDA Members and Non-GREDA Members. In total, 64 percent of GREDA members identified building materials as a major factor adding to high cost of housing in Ghana. Thirty six percent (36%) of Non GREDA members also identified building materials as a major factor adding to high

cost of housing production in Ghana. Land, labour and tax were the other items that were identified as adding high cost to housing production in Ghana. From the percentages, GREDA members perception of the factors that increase the cost of housing in Ghana (land, labour, building materials, tax) is high than Non GREDA members but not significant different ($P>0.05$) except the cost associated with Land ($P=0.037$), where GREDA members perceive Land to add more to the cost of housing in Ghana.

In summary, building materials and land are the two major items which increase the cost of housing construction in Ghana for both GREDA and Non-GREDA Members. The membership of a structured centralized organization such as GREDA does not make a difference in terms of the items that add more cost to housing. Although one would expect GREDA to assist its members to reduce the effects of high building materials and Land on their production. The existing problem of housing production such as the cost associated with land acquisition (Yeboah, 2005: Konadu, 2004) is still a major issue in the housing industry regardless of GREDA membership.

Capability to Provide houses for Professionals.

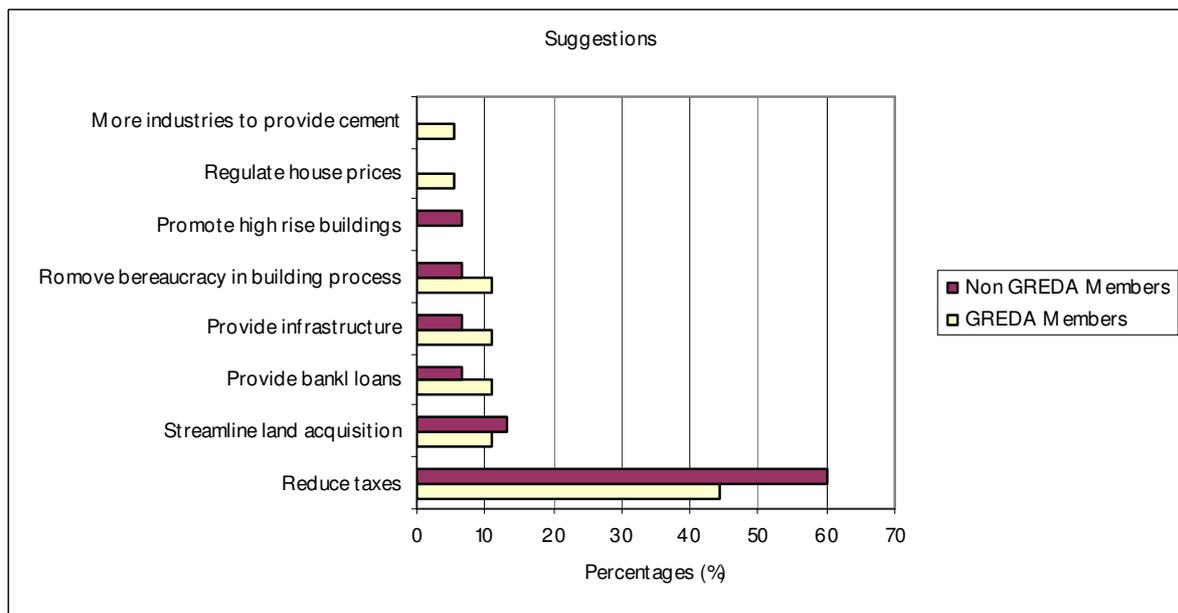
The discussions so far suggests that membership of GREDA does not make a difference for housing production; however, it is important to explore whether GREDA members are more capable than Non GREDA members in working with the government to increase housing production outlined in GREDA's objective. "Capability" is based on respondents working with the government to provide housing for professionals. Therefore, to explore how capable GREDA and Non GREDA members are to work with the Government, a question was asked as to how capable companies are to work with the government. Respondents were asked to rank from 1 to 5, with 1 being the very capable to 5 being less

capable. Using the Mann-Whitney⁸ test to analyze this question, the mean rank (14.05) for Non GREDA members was higher than GREDA members mean rank of 10.42. However, it is not statistically significant ($p=0.163$) therefore it cannot be concluded that Non GREDA members are more capable of working with the Government to increase housing production than GREDA members.

Improving Housing Affordability

Respondents were asked to suggest ways that the government can help to reduce the cost of housing in Ghana. The question sought what measures that respondents think would help remove some of the impediments associated with commercial housing development in Ghana. In addition, the question was also to examine whether GREDA members would have different suggestions than Non GREDA members. This is to explore if the suggested solutions from Non GREDA members are issues that is already being address by GREDA. Figure 2 shows the suggested issues that respondents think government can pursue to reduce the cost of housing in Ghana.

Figure 2. Responses for Reducing Cost of Housing



⁸ The Mann-Whitney test is a non-parametric test used to compare 2 unpaired rank groups (vassarstats, 2007)

Overall, reducing taxes and streamlining land acquisition process seem to be what are important for housing developers in Ghana. For GREDA members, 44 percent suggests that the government reducing taxes would reduce the cost of housing in Ghana, 60 percent of Non GREDA members also believes that the reduction in taxes would reduce the cost of building materials. It is worth noting that respondents did not specify if the reduction in taxation pertains to only building materials or the overall taxation in Ghana.

In comparing the suggested solutions to improve housing affordability with the barriers to effective cost of housing production outlined in Table 6, it is important to note that the highest number of respondents identified the cost of building materials, not taxes, as the major hindrance. Interestingly most respondents, that is, 44.4% of GREDA and 60% of Non GREDA members suggested tax reduction as the way to reduce housing cost and improve housing affordability.

Streamlining land acquisition was the second highest suggested solution by both GREDA and Non GREDA members. About eleven percent (11.11%) of GREDA and thirteen percent (13.33%) of Non GREDA members suggested streamlining the land acquisition process as a solution to reduce the high cost of housing in Ghana. This concern suggests that the land Registry Act, 1962 has not been effective as previous studies have also reveal the weakness in the system of land acquisition in Ghana (GREDA, 2007). The finding suggests that a serious look at the land acquisition process in Ghana is needed.

Providing bank loans at concessionary (i.e. government subsidized interest rate) rate to real estate companies was the third most suggested solution. About eleven percent (11.11%) of GREDA and 6.67% percent of Non GREDA members suggested that the government working with financial institutions to provide loans at concessionary interest rates is a way to reduce the cost of housing production in Ghana. In comparison with items

creating high cost of housing in Ghana outlined in Table 6, labor cost was the third issue identified as creating high cost to housing production; however, labor cost is not suggested in the perceived solution to improve housing affordability.

Another third issue suggested by respondents is removing bureaucracy in the building process. About eleven percent (11.11%) of GREDA members and 6.67% of Non GREDA members suggested that improving the bureaucratic process of obtaining building permits is a way that the government can assist in reducing the cost of housing. This erupts as the delay in obtaining permits prolongs the time frame for completion of building projects. These extensions increases budgets for projects as a result of factors such as paying labour for longer periods than planned. In addition, there is accumulation of interest rates on loans borrowed for the project as the project timeline is extended due to the inability to proceed as a result of governmental permit delays. Further, keeping hire equipments and making payments when not in used among other factors. The other suggested solutions identified by respondents of reducing cost of housing are; government should assist by developing more industries to provide cement, regulating house prices, promoting high rise buildings, and government providing infrastructure in developing areas.

The solutions suggested by respondents do not correspondent directly with the issues creating high cost of housing identified in Table 6, except the issue of land. The most suggested solution (reduce taxations), identified by both GREDA and Non GREDA members could be that the reduction in tax will reduce the cost of building materials which suggests the reason for tax reduction by respondents. However, a more in-depth study of the tax system is needed since paying taxes is not a desirable thing for any company. In addition, respondents did not specify if the reduction in taxation pertains to only building materials or the overall tax system in Ghana, as this question was not asked in the questionnaire survey. Also, three of the four factors identified in Table 6, as creating high cost of housing production are

directly affected by tax which could suggest the reason for reduction in tax as a solution to reducing the cost of housing in Ghana.

Suggestions to Strengthen the Real Estate Industry in Ghana

The purpose of this section was to identify areas where the government can channel efforts to develop policies in collaboration with GREDA to strengthen the real estate industry in Ghana. Table 7 shows the suggested solution by respondents to strengthen the real estate industry.

Table 7. Role of government to strengthen the real estate industry

Solutions for Government	GREDA Members	Non GREDA Members
	N (%)	N (%)
Help acquisition of land	6 (40.00)	4 (40)
Assist in the loan acquisition	2 (13.33)	2 (20)
Provide workshops	1 (6.66)	-
Provide infrastructure	2 (13.33)	-
Form partnership with real estate companies	2 (13.33)	4 (40)
Provide necessary infrastructure	2 (13.33)	-
Total	15 (100)	10 (100)

An active role of government in the land acquisition process is considered as one of the ways that government can assist to strengthen the real estate industry in Ghana. Forty percent (40%) of both GREDA members and Non- GREDA members suggested that the government assisting in the land acquisition process would strengthen the real estate industry in Ghana.

Another suggestion was for the government to form partnership with the real estate companies to develop properties. About thirteen percent (13.3 %) of GREDA members and 40% of Non-GREDA members suggested government partnership to strengthen the real estate industry. The third issue suggested by respondents is that the government should assist with loan acquisition. About thirteen percent (13.3%) of GREDA members and 20% of Non-GREDA Members believes that the government assisting with the loan acquisition process would strengthen the real estate industry.

For GREDA members, reducing taxes, and providing infrastructure are other suggestions for government to intervene. For Non- GREDA members, encouraging local building materials and organizing workshops are the other suggested solutions to strengthen the real estate industry. The suggested ideas to strengthen the real estate industry was aimed toward obtaining ideas specifically toward strengthening “the real estate industry” however, it can be discerned that the ideas expressed is not different from the perceive policies suggested to improve housing affordability discussed previously.

In all, the suggestions to strengthen the real estate industry are not different from the suggestions to be pursued by the government to reduce costs associated with housing production. The issue of land acquisition, loan assistance, taxes reduction, and providing infrastructure, emerged as the way to reduce the cost of housing production and also suggested as a way to strengthen the real estate industry in Ghana by GREDA and Non GREDA members.

Summary

There does not seem to be any significance difference between GREDA and Non GREDA members in many of the factors studied. For instance; the members of GREDA do not significantly produce more housing units in Ghana than Non GREDA members. There is

no difference between the average house prices of GREDA and Non GREDA members. In addition, the membership of GREDA does not help in reducing the impacts of the problems that add cost to housing production in Ghana, such as the cost of building materials, tedious land acquisition processes, the cost of labour, and taxes.

Despite the common barriers encountered by all the commercial real estate companies, studies by Black, Jaszolt, and Lee (2000) in Poland show benefits of a centralized real estate agency, the benefits are discussed in chapter 5. The objective of GREDA is a good starting point to develop policies for the real estate companies in Ghana as effective policies and regulation in the real estate industries would bring substantial improvement in the commercial industry as learnt from countries that have developed strong real estate industry. The chapter that follows discusses the importance of a centralized real estate agency in detail.

The surveyed companies exhibited the ability to supply adequate housing in Ghana, if the barriers creating high cost of housing production are removed. The companies also exhibited the capability to work with the government in ensuring adequate housing production in Ghana. In addition, companies exhibited the willingness to collaborate and partner with the government in terms of establishing appropriate rules and regulation that would strengthen the industry and ensure efficient housing production. It is important to note that the identified central issues creating barriers to efficient housing production is in line with studies conducted by Yeboah (2005); Asibuo (2005); Konadu (2004); Noah (2002) and Fiadzo (2002). Chapter 5 provide recommendations in terms of policies and regulations to help improve the real estate industry in Ghana.

CHAPTER FIVE

RECOMMENDATIONS, FUTURE CONTRIBUTIONS, AND CONCLUSION

The shift towards privatization in the housing industry has resulted in the emergence of commercial real estate companies in Sub Sahara African countries including Ghana. This shift has resulted in a change in housing policy that focus on ways that government can collaborate with commercial housing developers and concurrently improve the commercial housing industry to increase housing supply. This policy focus has resulted in the debate as to the specific role and regulation to be played by governments as the commercial housing developers encounter many problems in the housing industry including the high cost of house (Ghana.co.uk, 2007).

The housing production by the commercial real estate developers has become a vital contributor to housing supply in Ghana. However, to make the industry more beneficial to the majority of Ghanaians, there is the need for governmental intervention to help reduce the prices and provide financing options. In addition, it is important to strengthen and regulate the commercial real estate to ensure continual growth and to make it more efficient and reliable for effective housing production.

This study has shown substantial numbers of real estate companies in Ghana are not under any real estate rules and regulations or do not belong to any centralized real estate association. However, the benefits to be obtained from having a centralized structured real estate association like the objectives of GREDA calls for the need to ensure that the industry is structured. As studies (to be discussed in detail in the chapter) have proved that forming a centralised real estate organization is one of the effective ways of developing a strong real estate industry (Black, Jaszolt, Lee, 2000).

The objective of this study was to investigate the role that can be played by the government of Ghana to strengthen the emerging real estate industry help provide housing to professionals in Ghana.

After receiving feedback from thirty commercial real estate developers in Ghana, some trends were observed in terms of the nature of the real estate industry and the problems being encountered. The analysis of this study is more specific to real estate companies in Accra and Tema. This study was conducted under the assumption that there problems encountered by commercial real estate companies which has made houses produced by commercial real estate industries unaffordable to the majority of Ghanaians. In addition, the problems were attributed to the unstructured nature and lack of effective rules and regulations in the commercial real estate industry.

The real estate companies in Ghana are not structured like most developed real estate markets (Konadu, 2002). Sixty three percent (63%) of companies are registered members of the Ghana Real Estate Association; however, there are substantial numbers of companies who do not belong to any real estate association. Fifty percent of both GREDA and Non GREDA members produce, on average, 21 and 40 houses annually. These show that the real estate industry can be a major contributor to housing production with improvement in the efficiency of housing production. The 2005 government budget statement (Ghana government, 2005) recognizes the potential of the real estate companies and suggests calls on the government to work with the companies to ensure effective housing production in Ghana. However, there are multiple barriers encountered in the real estate industry which need to be resolved to ensure effective housing production. In fact, 54.2% of GREDA and 45.8% of Non GREDA members are not able to operate efficiently because of high prices associated with land acquisition and administration system. Sixty-four (64%) of GREDA and 36% of Non GREDA members are also hindered due to high building cost materials. In addition, 83.3% of

GREDA and 16.7% of Non GREDA members are made less effective due to high labour cost. Sixty- seven percent (67%) of GREDA members and 33.3% of Non GREDA members believe that high tax system affect their housing production in Ghana. The aforementioned problems are not above the capability of the government of Ghana to help reduce the problems which would make commercial real estate companies more efficient. Especially the ability to improve the land administration system, efficient taxation methods and relief, appropriate measures to reduce building material cost as identified through the survey. The numerous problems encountered in the commercial real estate development in Ghana can be reduced through effective governmental participation confirms the hypothesis that effective governmental involvement, government playing the necessary role, would ensure effective housing delivery by commercial real estate companies in Ghana.

The purpose of this research was also to explore how the real estate industry is structured, in terms of, rules and regulations guiding the industry. From the survey a substantial amount of companies are not registered members of any real estate organization. The information obtained from GREDA (2007), and other related real estate companies website indicates that companies are not required by any regulation to be registered members of any association. It can be discern that the real estate industry in Ghana is not well structured, more especially, as there is no mandatory central agency to monitor and regulate the activities of real companies.

In addition, the objective of this study was to explore the role, rule, and regulation necessary from the government of Ghana to make the real estate industry efficient in producing housing for professionals. Further, to structure the industry to ensure continual growth and discipline. The way to explore the necessary role of government was to investigate the current problems being encountered by companies and discuss the necessary policies likely to reduce the problems. The following paragraphs consider the potential role,

rules and regulation that would strengthen the real estate industry and improve the efficiency of commercial real estate production in Ghana.

The Association of Ghana Real Estate Developers

Although the survey study did not show any significant difference in housing production, housing prices and problems creating barriers in housing production between GREDA and Non GREDA members, there are benefits of a centralized real estate organization which ensure efficiency in housing production. For example, a centralized agency can help to strengthen the Real Estate Industry in terms of developing regulations and ensuring that members adhere to the ethics of the association. Poland and Hungary, for instance, were able to strengthen their real estate industry by establishing a central real estate agency, the Polish Real Estate Federation (PREF), to specifically represent commercial real estate companies. The PREF was established to represent all commercial real estate developers and brokers. The underlying principles was to offer training to members, organize conferences, and most important to liaise with government to develop real estate market legislations. In addition, the association also represents its members in parliament, government and other national institutions. The success recorded in Poland and Hungary's real estate industry from 1994 to present is attributed to the establishment of PREF (Black, Jaszolt, Lee, 2000). This experience can be partially adopted in Ghana more especially as these countries were developing countries which had similar problems as Ghana but were able to develop strategies which have worked in the commercial real estate industry.

As discussed in the previous chapter, some Real Estate Companies in Ghana are not registered members of GREDA or any Real Estate Association. Although the survey suggests that GREDA members are equally affected by governmental rules and regulations there are other benefit to GREDA members which non GREDA members are not enjoying. For

instance, GREDA members are able to pull resources together to organize seminars in search of appropriate and effective ways of housing development. Although the benefits is yet to reflect on GREDA members housing production there could be substantial difference in housing production for GREDA members when GREDA fully achieve it set goals. Also, one of the objectives GREDA is to help pool resources together towards economies of scale to reduce the overall cost of housing production. This would contribute to the ability of GREDA members to produce more houses efficiently when the objective fully materializes. GREDA is to liaise with financial institutions to develop effective mortgage house ownership scheme for prospective owners and for real estate companies. Further, GREDA is working to establish link with Real estate institutions and allied bodies at home and abroad to promote the development of the real industry in Ghana. These are good principles which when fully materialize would assist to strengthen the real estate industry.

From the benefits that real estate companies could obtain if the outlined objectives of GREDA materialize; it is meaningful to suggest to the government to work with GREDA to achieve its set goals, more especially as GREDA has the foundation of a centralized real estate industry. Further, to liaise with GREDA to develop goals which would strengthen the commercial real estate industry in Ghana. Also, the government can enact regulation which would ensure that real estate companies are recognised by being registered members of an accredited centralized real estate organization such as GREDA, as there is no such law in Ghana. Enacting such regulation would assist the government to evaluate real estate companies through its association. This would also ensure transparency in the operation of real estate companies and the industry in general, as adherence to the code of regulations of the associations would assist in obtaining transparency. The experiences from successful real estate markets in recent times have proved this.

Land Administration

Majority of respondents (24), 54.2 percent of GREDA and 45.8 percent of Non GREDA members, identified land administration as an issue facing the real estate industry in Ghana. This is attributed to the traditional land administration system in Ghana where ownership of land takes different forms; each with peculiar legal rights and incidents attached thereto (Ollenu, 1962). The land ownership right has been a major barrier to real estate developers, especially, for realtors to be able to obtain large tracts of land for real estate development. These results confirm it. The results side with issue identified by Yeboah (2005) and Rokodi (1997) on barriers to housing development in Ghana, and the recent statement by the vice president that commercial real estate development is hindered by “bogus” land administration system in Ghana (Ghanaweb.com, 2007).

The majority of the land administration and acquisition problem is attributed to the notion that land “belong to a vast family of whom many are dead, a few are living and countless host are still unborn” (Ollenu, 1962). What this means is that majority of land in Ghana is vested in a community. Therefore, to be able to purchase land, especially a large tract of land, the whole community must agree to the sale of the land (transfer of ownership as there is no absolute land ownership) before the transfer can be possible. Although there are instances where the sale of land takes place without this process it often results in land disputes between other members of the community and the purchaser, for example there are Over 4000 land litigation case pending before the courts in Ghana (GREDA, 2007). This process of acquiring land for real estate development has contributed to the major issue being encountered by the real estate industry in Ghana. Another problem contributing to the ineffective land administration process is the lack of efficient system to take inventory of land ownerships (National Shelter Strategy, 1993: Ghana Web, 2006). The absence of efficient system to take inventory of land ownership has results in multiple sale of land creating an

issue for real estate developers. This dispute has often led to unnecessary delays of projects as a result of legal suits.

In order to curtail the ineffective to land administration in Ghana the government should acquire land banks and hold the title to the land, as suggested by Yeboah (2005) Rakodi, (1997): Grimes, (1976), and National Shelter Strategy, (1993). The government can then make the land available to real estates developers who are willing to build certain percentage of their houses for professionals. Although this will not be the ultimate solution in solving the housing needs of professionals as other factors such as mortgage loans among others have to be obtained by professionals it would improve the housing needs of professionals. In addition, there are enough laws which give legal backing to the state in acquiring land for development (Greda today, 2001). The government can utilize the power to acquire land for commercial housing development for the benefit of the public. On the issue of land inventory, the World Bank in collaboration with the Lands Commission and Valuation Board is currently undertaking inventory of lands in Ghana (Land Valuation Board, 2006; Grant, 2003). The inventory should include specific land ownership to enable the public and any potential developer to identify who owns any specific piece of land. This would avoid multiple sale of land from different self acclaimed land owners. The inventory, if possible, should also be digitized to make the information accessible from every where in the world to help attract more investment into the commercial housing industry as land play an important role in the industry.

The Cost of Building Materials

High cost of building materials is one of the factors identified in the study as to the factors adding high cost to housing production in Ghana. Available data suggests that the cost of construction components has risen in recent times, not only in Ghana, but even among

the lowest construction cost countries in the World such as India (Konadu, 2001: Gardiner and Theobald, 2007). Therefore, it is not surprising that the cost of building materials is a major barrier to effective housing production in Ghana. Building materials account for 50 percent of the total value of construction in Ghana (Asibuo, 1995). In addition, the high cost of building materials in Ghana is attributed to the over-dependence on imported raw materials for buildings for which local substitutes can be developed (Yeboah, 2005, Asibuo, 1994, Ghanaweb, 2005). The high demand on imported raw materials is because local raw material resources have not been exploited to the maximum advantage of the building industry (Asibuo, 1994: Konadu, 2001). Also, the high foreign exchange component of capital, operational and maintenance costs of building materials factories, and lack of efficient and effective management of existing local factories (Asibuo, 1994) has contributed to the high cost even local produce building materials. In addition, the lack of trust in the sustainability of local raw materials has also contributed to the overdependence on imported building materials which is creating high cost of building materials.

In addressing the role of the government in ensuring reduction in the high cost of construction materials; for the short term, the government can revisit the reduction of taxes on imported raw materials for real estate companies who build substantial amount of their houses for professionals in Ghana. Although the current 5 percent tax on building materials (Custom Exercise and Preventive Service, 2006) is lower in comparison with the standard 20 percent on imported goods, there is still the need to consider further reduction until a lasting solution to the import of building material is achieved. More especially as the cost of building materials still persist as a major factor to the high cost of housing in Ghana. In addition, the government can explicitly grant tax free to or tax bonus to selected companies who seek to build to the need of professionals, if such companies can prove the category of occupations that forms the majority of their house buyers. To find a long term solution to the

high cost of importing building materials, the alternative of local raw materials should be pursued as suggested by Yeboah, 2005. Also, the government should continue to invest in organizations such as the Institute of Building and Road Research to conduct and improve their research on the use of local raw materials (Konadu, 2001). The emphasis on the research should seek to identify if producing local raw materials would be economically feasible than importing building materials. The ultimate idea of producing local raw materials is that the government should encourage private investment into the sector, if possible form partnership with companies that would invest in the local building materials producing sector. Tax incentives could also be given to the companies, as currently being given to certain companies in Ghana. To make these suggestions achievable the government of Ghana should “practice what it preaches” by using the local raw materials for its own project as an example.

Labor Cost

Many building projects in many developing countries take too long to complete because they are too labour-intensive. This is attributed to the social obligation to adapt labour intensive method of building production rather than capital intensive due to the surplus of labour in developing countries (Grime, 1976). However, the use of labour intensive technique has become predominant even under circumstance where it makes economical sense to utilize capital incentive. However due to social obligation companies adopt the labour intensive techniques which turn to increase the cost of production at the long run, in certain circumstances. The real estate companies in Ghana are not different from companies in many developing countries who face the choice between labour and capital intensive. However, due to cheap labour in Ghana the choice of labour in place of capital intensive should not be a major contributing factor to real estate productions. From the questionnaire

study, 20 percent of companies attributed the high cost of building production to labour cost. This cost of housing production can be efficiently reduced by adopting appropriate construction method, the combination of capital and labour intensive methods (Grimes, 1976).

The mention of capital intensive methods is not to suggest that companies should overlook the social responsibilities to create employment in the communities. Companies should seek appropriate labour utilization methods which reduces the cost of labor in housing. The effective utilization of labour techniques can be practice through education such as organizing training seminars either by the government or the government in collaboration with GREDA. The training is to utilize the services of trained personals to offer advice and training to real estate companies as to the ways to conserve labour in order to reduce the overall cost of housing construction.

In addition to the discussion of the role of government in addressing the barriers to housing production in Ghana as identified in the discussions, the following issues were also suggested by respondents as to ways to improve the housing production and affordability. Most of the suggestions are discussed either in full or partially, however, it is important to pay attention to the issues raised that have not been discussed;

Finance

In the suggestion of the ways that companies think government can assist in improving housing affordability the issue of finance in terms of government assisting buyers and real estate companies to obtain loans at concessionary rates was raised. The idea behind loans at concessionary rate is for government to assist companies in obtaining loans at lower interest rates than the current interest rates for bank borrowing. Studies have shown that banks in Ghana tend to focus on home buying without paying the necessary attention on

home production (Ghanabanks.com, 2006). However, the real estate industry is made efficient if there is adequate demand and supply. In addition, the period for the repayment of a mortgage loan is very short. For example, the maximum term for the repayment of \$120,000 mortgage loan is 10 years with an interest rate of 12.5% for loans acquire through the Home Financing Company (HFC) in Ghana. These make it very difficult for a professional such as doctors, university professors, lawyers, etc to buy a house with such a mortgage payment.

To improve the situation of housing finance, the government have to encourage the banks to offer loans at reasonable interest rates to companies based on the recommendation of GREDA. In addition, the current prime rate of 14.5% (Bank of Ghana, 2006) should be reduced for commercial housing developers who can demonstrate that a number of their housing units would be occupied by professionals. With this collaboration between banks, the government, and real estate developers, enough finance would be directed towards substantial housing production.

Infrastructure

Providing of infrastructure was also suggested by commercial real estate developers as the way of making houses affordable. In making a recommendation to the government, the clustering of development in certain areas through the idea behind cluster development and master planning (Dalton, 2000) would reduce the average fixed cost of providing infrastructure at different areas where there is anticipated housing development. This master planning would also result in better planned communities (Dalton, 2000). In addition, the government can choose specific selected areas and purposely reserved for professional housing developments. If possible this should be land banks with infrastructure such as water, electricity, sewer, parks, etc, in place made available to developers specifically

for professional housing. In this case, the government can ensure that a percentage of the housing development is sold to professionals in Ghana.

Self Built

As discussed in chapter three, the most common and traditional form of housing development in Ghana is individuals building their homes incrementally. The adoption of neoclassical policies of commercial real estate production should not make the government to overlook the importance of this form of housing development. Government should seek ways of strengthening the self built form of housing development. Measures such as effective loan schemes, providing land banks, providing master planned communities with infrastructure in place among others would improve shelter for professionals. In addition, creating an alternative to commercial real estate housing development would create a healthy competition in the housing industry. It would also offer different alternative and opportunities of housing production.

Future Contributions

Further studies of commercial real estate housing production and effective rules and regulation in Ghana should be conducted outside the urban centers of Accra and Tema to explore if there is difference in the problems encountered by commercial housing developers that are not located in Accra and Tema. The understanding of the general commercial housing development would assist in developing general policies which would address housing problems in Ghana. In addition there were few flaws in the questionnaire survey. For example, there was not clear distinction in the questions in terms of what suggestion companies have about measures that could be adopted to strengthen the real estate industry and measures to increase housing affordability. The answers suggested for the two questions

seemed the same. Future studies of similar nature should use different method of obtaining information, example, both telephone interviews and survey questionnaire could be used for the test of validity. The ultimate goal would be the administering of the questionnaire by the researcher himself, as the researcher would be able to personally explain the questionnaire to respondents.

One fundamental flaw of this study is the failure to have asked companies to specifically evaluate GREDA in terms of the outlined objective of GREDA. In addition, the failure to ask companies of how representative GREDA is when it comes to making a generalization as to GREDA member companies and how it represents commercial real estate companies. For future studies, GREDA's outlined objective should be evaluated overtime. This can be conducted through continual survey of GREDA member companies and general question directed to the office of GREDA. Such studies would be important in evaluating the impact of GREDA and the importance in developing such a centralized real estate organization.

In terms of the survey administration, some of the questionnaire had blank answers; however, full analysis of such a particular questionnaire indicates that the respondent could have the information to answer the question. For future studies, if a research assistant is used, the assistant should scan through the questionnaire with respondents, when picking questionnaires, to address important questions which could have been answered.

Time constraint associated with this study did not make it possible to develop and administer survey questionnaire to banks in Ghana. This would have been important to explore the problems that banks encounter in providing mortgages to professionals in Ghana, the available mortgage programs, and future expectation of banks in the real estate industry. Future housing studies on commercial real estate production should investigate the role of

banks in the industry in terms of mortgage financing programs and offering loans to commercial housing developers.

In summary this research has open up the discussion of the role of government in the commercial housing industry in Ghana. It is expected that future studies would continue the discussion and investigate beyond just the problems facing the real estate industry, the role of government and regulation in the industry but on policies that extend beyond developing regulations, and possibly include the evaluation of the implementation process of the developed policies.

Conclusion

The commercial housing industry has an important role to play in producing housing for professionals. However, it is up to the government of Ghana to open up a forum to dialogue with realtors of regulations that will strengthen the industry but at the same time ensure an adequate supply of descent housing to working professionals in Ghana. Also the government should collaborate with realtors through their associations such as GREDA to enact real estate laws that seek to guide the operations of the real estate industry.

In conclusion, the government of Ghana should start being more active in the real estate industry if housing needs of professionals are to be met, especially through commercial real estate developers. As governments active participation will strengthen the infant industry and also brings transparency. The government can also dialogue with realtors in ensuring housing supply to professionals if there is a good relationship between the government and realtors.

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EXHIBIT A
THE ROLE OF GOVERNMENT AND REGULATION IN THE EMERGING REAL
ESTATE SECTOR IN GHANA

REAL ESTATE DEVELOPERS QUESTIONNAIRE

Organization Name: _____
Position in the Organization _____
Address(Description) _____
Date of Completing Questionnaire ____/____/____/ e.g. (m/d/yr)

Part 1: The real estate organization

1. Many real estate developers in Ghana belong to associations such as Ghana Real Estate Developer’s Association (GREDA). Does your company belong to any association(s) such as this?

___ Yes ___ No

If no, go to question 6

2.

Name of Association	Years of membership	How often does the association meet(e.g once a month)	How often does a representative in your company attend meetings(e.g, once a month)	How much do you pay as dues?

3. What benefit does your company derive from the membership in this association(s)?
Select all that apply?

Name of Association	Help find Buyers	Help obtain building materials	Help obtain loans for project	Represent the company in negotiating with the government on issues relating to the industry	Other ,please specify

Part 3: Governments role and regulation

10. In what ways do government regulations affect your operation, select all that apply.

- 1) ___ Delays building projects
- 2) ___ Increases cost of construction
- 3) ___ Delays sale of houses
- 5) ___ Helps in the sale of houses
- 6) ___ Helps in acquiring land to build on
- 7) ___ Other, please

specify _____

11. On a scale of 1 to 5, please rank (circle one number) how government activities affect the operation of your business.

- (1) (2) (3) (4) (5)
 Positively affect business → negatively affect business

12. In your opinion, how do government institutions such as the A.M.A affect your activities,(e.g. delays building projects, or helps in the selling of houses)?

Government Institution	Affects

13. On a scale of 1 to 5, please rank how capable you are to work with the government to provide housing for professionals; such as doctors, teachers, nurses, and lawyers in Ghana?

- (1) (2) (3) (4) (5)
 Very capable → less capable

14. Overall, what do you think about the prices of houses in Ghana?

- 1) ___ Very expensive
- 2) ___ Expensive
- 3) ___ Moderate
- 4) ___ Inexpensive
- 5) ___ Very inexpensive

15. Who are the clients of your homes,(e.g Doctors, Engineers, business men, etc)

A. _____, B. _____, C _____,
 D _____,

E _____, F _____, G _____,

H _____

16. By your experience can professionals afford your homes?

___yes, ___no

If no, what do you think can be done to help them?

- 1) ___ Reduce price of homes
- 2) ___ Bank loans

- 3) ___ Build small houses for them
- 4) ___ Other, please specify, _____

17. Do you think any of the following adds unnecessarily to the cost of housing in Ghana?

- 1) ___ Building and raw materials
- 2) ___ Land
- 3) ___ Government regulations (permit, etc)
- 4) ___ Labour
- 5) ___ Other, please specify _____

18. What do you think the government can do to reduce the cost of houses in Ghana?

19. Do you think the government can play a meaningful role in providing housing for professionals?

- 1) ___ Yes
 - 2) ___ No
- If yes, in what ways?

20. Please list the government ministry(s)/department(s) to which you pay fees and indicate the average amount paid?

Name of ministry	What do you pay the fee for?	How much do you pay ?

21. On a scale of 1 to 5, please rank how much these government fees affect house prices in your development?

- (1) (2) (3) (4) (5)
- Very much affect on house prices → Very little affect on house prices

22. According to the ministry of housing, real estate developers are exempted from paying taxes during the first 5 years of establishment in Ghana, are you aware of this benefit?

- ___ Yes ___ No
- If no, go to question 26

23. Does this incentive have any effect on your activities?

- 1) ___ Yes
2) ___ No

If yes, please rank how much this reduces the prices of your homes

- (1) (2) (3) (4) (5)
Very much reduced → very little reduced

24. Do you pass on this savings in the form of lowered prices for your homes?

- ___ No ___ yes

25. What suggestions would you like to see implemented by the government to strengthen the real estate industry in Ghana?

Part 4: Operation and future expectations

26. On average how many homes does your organization *build in a year*?

- 1) ___ Below 10
2) ___ 10 to 20
3) ___ 21 to 40
4) ___ 41 to 50
5) ___ 51 to 60
6) ___ over 60

27. How many of the homes that your organization built *in the last six months* are occupied?

- 1) ___ Below 10
2) ___ 10 to 20
3) ___ 21 to 40
4) ___ 41 to 50
5) ___ 51 to 60
6) ___ over 60

28. Of the homes *built in the last year*, how many are owner occupied?

- 1) ___ Below 10
2) ___ 10 to 20
3) ___ 21 to 40
4) ___ 41 to 50
5) ___ 51 to 60
6) ___ over 60

29. How many of these houses are rented?

- 1) ___ Below 10
2) ___ 10 to 20
3) ___ 21 to 40
4) ___ 41 to 50

5) ___ 51 to 60

6) ___ over 60

30. Do you require buyers to pay the full price of the house before they move in?

___ Yes ___ No

If yes, go to question 34

31. If no, how much time do you give to finish paying for the house?

1. ___ under 1 year

2. ___ 2 to 5 years

3. ___ 6 to 10 years

4. ___ 11 to 20 years

5. ___ over 20 years

32. What are the regular payment plans for these buyers?

1) ___ Monthly

2) ___ Biweekly (every 2 weeks)

3) ___ Quarterly

4) ___ Other, please specify _____

33. What other payment arrangements do you have for buyers?

34. Does your company work with any mortgage bank(s)?

1) ___ yes

2) ___ no

If yes, what are the names of the banks?

A. _____, B. _____, C. _____,
D. _____,

E. _____, F. _____, G. _____,
H. _____

35. How do these banks help people buy your homes?

36. In 2005, what is the average price of the typical 3-bedroom homes you sold?

1) ___ under \$20,000

2) ___ \$20,000 to \$40,000

3) ___ \$41,000 to \$ 60,000

4) ___ \$61,000 to \$ 100,000

5) ___ \$101,000 to \$150,000

6) ___ over \$150,000

37. On average, how many bedrooms are in these houses?

Bedrooms	(e.g Bedrooms)
One bedroom	
Two bedrooms	
Three bedrooms	
Four Bedrooms	

38. What proportion of your current clients live in Ghana, or outside Ghana (e.g., 10%)

- 1) _____ Ghana
- 2) _____ Outside Ghana
- 3) _____ Don't know

39. What proportion of your clients work in Ghana?

- 1) _____ (e.g., 5 out of 20)
- 2) _____ Don't know

40. Please list the towns in Ghana which have most of your ongoing projects in ascending order?

Town	Number of projects	Completed	Under construction
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

41. Do you have any concerns about the future of the real estate industry in Ghana?

Part five: Background Information

42. How many employees are there in this company?

Employees	Total number
Full-time	
Temporary	

43. When was this company established?

____/____/____/ (m/d/yr)

44. How many offices do you have in Ghana?

- A) ___ 1
- B) ___ 2 to 4
- C) ___ 5 to 10
- D) ___ Over 10

45. Where are the offices located?

(A)_____ (B)_____ (C)_____ (D)_____ (E)_____

46. A. Do you have any offices outside Ghana?

No ___

Yes, where _____

47. Do you have a partnership with any company outside Ghana?

___ No

___ Yes, where _____

48. What kind of partnership is it? (e.g monetary, provides expertise/ knowledge, helps market houses outside Ghana)?

- 1) _____
- 2) _____
- 3) _____

Thank you.

If you would like additional information about the purpose of this study or need help in completing this questionnaire, please contact **Richmond Aryeetey: 0244-203061** or e-mail **Nana Kusi Appiah: naka@iastate.edu**. Thank you very much.

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