

MASTER'S PROGRAMME IN URBAN MANAGEMENT AND DEVELOPMENT

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Stimulating the Supply of Rental Housing by Small-scale Landlords: The Case in Ayigya, Kumasi

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Summary

Increasing urbanization and rapid population growth has made housing one of the most critical issues in Ghana. Despite the fact that more than half of the population are tenants, the national policy hardly recognizes the value of renting as an alternative tenure option. The huge shortage of rental accommodation in the city of Kumasi vis-a-vis demand manifests the failure of the country's housing delivery system.

Ayigya is a sub-urban area in Kumasi whereby 65% of the population are tenants and only a very small population of rental providers. Supply of rental units in the area far lags behind the demand of rental accommodation wherein most of the rental stock are characterized by overcrowding and lack of basic services.

The small-scale landlord is identified as a private actor that has a potential to contribute positively to the supply of rental housing in Ayigya. The main problem identified in the study is that the landlords are not expanding their stock thereby increasing the shortage of rental accommodation. This research seeks to understand the nature of landlords in Ayigya and identify the factors that promote and/or inhibit the small landlords to expand their rental stock. The study further aims to select suitable instruments that could be recommended to stimulate more investments from the small landlords.

The study being exploratory employed both quantitative and qualitative research instruments namely: *survey, in-depth interviews, case studies and a focus group discussion*. Surveys are conducted to both landlords and tenants in Ayigya while in-depth interviews are utilized for key informants from the government. A focus group discussion with landlords complemented the survey results. To draw out lessons and successful strategies in supporting small-scale landlords, three case studies are chosen on the basis of replicability, success levels and relevance.

The main research findings highlighted that the small-scale landlords in Ayigya have high level of desires to produce more rental units but certain factors are hindering them to do so. Most constraints are a result of a lack of a basic framework for a healthy functioning rental housing market such as: *lack of finance, access to affordable serviced land, high costs of building materials and labour, unrealistic planning and building regulations, inadequate provision of infrastructure, and presence of rent control*.

The study concludes that there is a need to remove the constraints faced by small-scale landlords and offer incentives to stimulate new constructions by this group of providers. Decontrol of rent distribution in combination with facilitating access to credits and loans, affordable serviced land, tax incentives, and settlement upgrading are few of the instruments which will enable small landlords to expand their stock. Likewise, there is a need for the Ghanaian government to formulate a national housing policy which recognizes the value of rental housing as an alternative tenure option and an important sector that can positively contribute in addressing the housing needs of the country.

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Abbreviations

AVBR	Academie van Bouwkunst Rotterdam (Academy of Architecture and Urban Design Rotterdam)
CBO	Community Based Organization
FGD	Focus Group Discussion
GSS	Global Shelter Strategy towards 2000
IHS-Erasmus	Institute for Housing and Urban Development Studies of Erasmus University, Rotterdam
ILO	International Labor Organization
KNUST	Kwame Nkrumah University of Science and Technology
MWH	Ministry of Works and Housing in Ghana
ROI	Return on Investment
RCDO	Rent Control Division Office
SDP	Sustainable Dar es Salaam Project
SSA	Sub-Saharan Africa
UN	United Nations
UNCHS	United Nations Centre for Human Settlements (Habitat) since 2002 known United Nations Human Settlements Programme (UN-HABITAT)
UN-HABITAT	United Nations Human Settlements Programme
WB	World Bank

Exchange Rate

As of August 2009, these are the exchange rates from www.xe.com:

1 EURO = 2.02 Ghanaian Cedis (GH¢)

1 USD = 1.46 Ghanaian Cedis (GH¢)

Glossary of Terms Used in the Study

<i>Affordability</i>	the concept of affordability measures the financial capacity of a family to purchase a housing unit
<i>Effective Demand</i>	is an economic principle that suggests consumer needs and desires must be accompanied by purchasing power (money) to be considered effective in discussions of supply and demand for the determination of price.
<i>Floor Area per Person</i>	defined as the median usable living space per person and/or the median floor area, in square metres, of a housing unit divided by the average household size.
<i>Household Occupancy Rate</i>	the total number of people in the household divided by the total number of rooms occupied.
<i>Rental accommodation</i>	refers to the consensual occupation of accommodation by an individual or individuals (lessee or tenant) controlled by another individual or institution (lessor or landlord) on an agreed basis, generally for an agreed payment. This agreement may be written (lease agreement), or verbal and generally sets out the terms on which the accommodation is rented.”(Gardner, 2005)
<i>Small-scale landlords</i>	are those individual landlords and/or households landlords who rent out one (1) to twenty (20) units. (Gardner, 2005)
<i>Supply-Demand Ratio</i>	is calculated by comparing the number of houses for sale at the beginning of each month with the number of total pending sales for the month. The higher the Supply-Demand Ratio, the more supply there is relative to demand.

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Chapter 1: Introduction

This chapter introduces the background and rationale of the study. It gives an overview of the urbanization and housing situation in Ghana and linking them into the shortage of rental housing supply. The important role of small-scale landlords in the provision of rental accommodation is then highlighted and the chapter wraps up by elaborating the aims and the research questions as well as the limitations of the study.

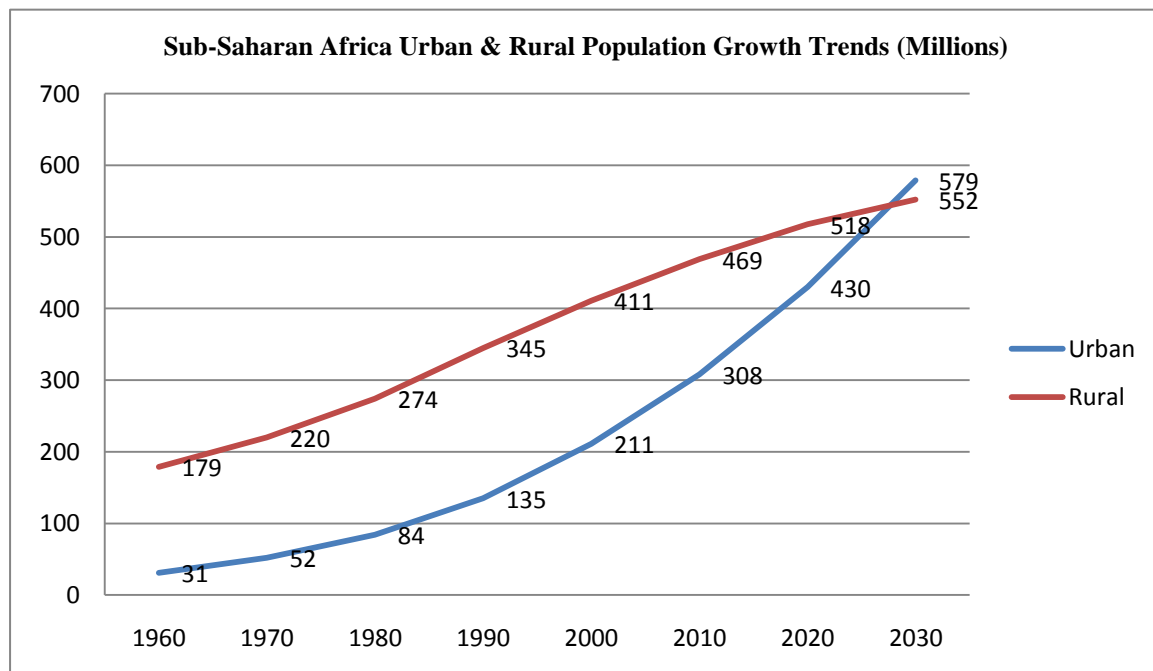
1.1 The Problem

Urbanization and Housing Situation in Ghana

Urbanization is a global phenomenon. UN (2003) estimates that more than half of the world's population will be living in cities by 2020. While cities are regarded as engines of growth and development, one must recognize that there is also the downside of this development. One major impact is the increasing demand of housing and infrastructure especially in cities of developing countries. UN 2003 Global Report projects that approximately 2.825 billion people will require housing and urban services by 2030.

Likewise, the countries in Sub-Saharan Africa (SSA) are facing an enormous challenge of rapid population growth and increasing urbanization. Latest data show that countries in SSA are projected to have urban growth rates above three (3) percent until 2030.

Figure 1. Population Growth Trends in Sub-Saharan Africa (1960-2030)



Source: UN World Urbanization Prospects, 2003

In Ghana, the urban share has reached almost half (44%) of the total population in 2006. This phenomenon of rapid population growth and increasing urbanization has made housing one of the most critical problems currently facing the country today. Increasing overcrowding, rapid decline of quality and access to services characterize much the housing stock of the country.

Table 1. Urbanization trends in Sub-Saharan Africa's Ten Most Populous Country

Major SSA Countries	Total Mid-2006 Population	Percentage of Urban Estimates
Sub-Saharan Africa	767,000,000	34
Nigeria	134,500,000	44
Ethiopia	74,800,000	15
D.R. Congo	62,700,000	30
South Africa	47,300,000	53
Sudan	41,200,000	36
Tanzania	37,700,000	32
Kenya	34,700,000	36
GHANA	22,600,000	44
Mozambique	19,900,000	32
Cote d' Ivoire	19,700,000	47

Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat. World Urban Population Prospects 2006

In year 2000, the Ghanaian government tried to quantify its housing need and project the new houses required for the period 2001-2010 in an aim to eliminate the current housing backlog as well as to meet annual population increases and replace “non-upgradeable” housing in both rural and urban Ghana. In the next page, **Table 2** illustrates the projected housing requirements of the country.

The country’s annual housing requirement is approximately 170,000 units per year yet various data suggested that actual supply capacity vary between 25,000-40,000 units per year living an unsatisfied demand of approximately 100,000 units. (Mahama and Antwi, 2006) Currently, the national annual housing supply to demand ratio for new housing is estimated at about 35%. (UN-HABITAT, 2008)

The failure of the housing delivery system in the country to meet the effective demand over the years has created a huge strain on the existing housing stock and infrastructure most especially in urban areas. The housing needs of the urban inhabitants are often restricted to sub-standard structures and unsanitary environments. (Intsiful, 2004)

Intsiful (2004) describes Ghana’s inadequate housing being explicitly demonstrated by overcrowding, the lack of basic facilities like toilets, pipe-borne water and playgrounds for children among others.

Table 2. Projected Housing Requirements 2001-2010

<i>TOTAL COUNTRY</i>	<i>2001-2005 ('000)</i>	<i>2006-2010 ('000)</i>
Population Increase	3,267	3,367
Housing Stock at Commencement of Period (1)	2,556	3,296
New Houses (Pop. Increase)	408	481
New Houses (backlog) (2)	332	332
New Houses (replacement) (3)	128	165
Housing Stock at the end of the period	3,296	4,109
Total New Houses Required	868	978
<i>Average Annual Requirement</i>	<i>174</i>	<i>196</i>
Population at end of the period	23,624	26,991
<i>Assumptions:</i> (1) Ave. annual increase of housing stock 1.5% between 2000-2005 (2) Elimination of current backlog by year 2010 (3) Replacement of non-upgradeable housing stock of 1% per annum		

Source: Government of Ghana, Ministry of Works and Housing, Housing Investment Profile 2004

Housing policy development in Ghana

Housing policy direction in Ghana has always been that government is directly involved in housing production or supply. A number of measures to influence demand were implemented which included the subsidies for renting; purchase of government-built dwelling; subsidized interest rates for borrowers from institutions involved in housing finance; and the passage of the rent control policy. (Tipple and Korboe, 1998)

Influenced by the international shift in housing policies, the Ghanaian government tried its best to adopt these policies without taking into account the local circumstances. In the 1970s, cooperative housing was carried out in Tema¹ but then it failed because it is very difficult to implement. Upgrading projects and sites and services schemes were tried out but there were little success in these undertakings. (Tipple and Korboe, 1998)

And in 1993, the National Shelter Strategy of Ghana represented the main urban housing policy of the country which was formulated with the assistance of the United Nations. Despite the fact that the policy made suggestions to enable inputs to housing, the national strategy carried out in the government's plans seems to be inconsistent with the objectives. Bulk of the public sector funds continued to be spent on few completed units for a few middle-class urban households. (Tipple et al., 1999) Tipple, who has carried out research work in Ghana, further concludes that little recognition has been given to renting and

¹ Tema is the sixth largest city in Ghana located at the Southeast near Accra. The city was built in 1960 as a manmade harbour. With the opening of an artificial harbour in 1961, Tema developed from a small fishing village to become Ghana's leading seaport and an industrial center. (www.ghanaweb.com)

multi-occupancy as alternative tenure options despite the fact that Ghanaian urban housing is dominated by these tenure options.

Gilbert (2003) also noted that in as much as there has been a great deal of work in the 80s and 90s to clarify how the rental market operates, there are very little changes in government policy. The recognition of the importance role played by the rental sector still constitutes perhaps the greatest hole in most national housing policies. (Gilbert, 2003)

Rental Housing in Ghana: Supply and Demand

Intsiful (2004) classifies housing development in Ghana into private and public. Between the two, private housing development constitutes the greater proportion of housing supply comprising 80% of the stock in urban Ghana.

This is further supported by Tipple's (1994) study showing that the vast majority of the people in Ghana are housed by their own efforts and those of the small-scale private landlords. Renting, usually in the private sector provided by small-scale landlords in multi-habited compounds will continue to be very important in urban Ghana. In Accra, 43% of households rents while in Kumasi about three-quarters of household rent. (Tipple and Korboe, 1998)

Table 3. Housing Tenure for selected cities in Africa, percent (1994-1998)

City	Country	Year	Ownership	Renting	Other
Alexandria	Egypt	1996	38	62	-
Cairo	Egypt	1996	37	63	-
Addis Ababa	Ethiopia	1998	38	60	-
Kumasi	Ghana	1998	26	57	17
Kisumu	Kenya	1998	14	82	4
Tripoli	Libya	1995	67	34	-
Lagos	Nigeria	1998	49	49	2
Cape Town	South Africa	1996	55	44	1
Johannesburg	South Africa	1996	55	42	3
Pretoria	South Africa	1996	63	35	2

Source: UNCHS, 2001 Global Report on Human Settlements 2001

Across Africa, the demand of rental housing is on the increase growing out of a general decrease in affordability for ownership among middle to low-income households. In Kumasi, the second largest city in Ghana, urban land prices range from \$20,000 (€15,000 to \$40,000 (€30,000) for un-serviced land close to major road networks. Mahama (2004) reveals that less than 5% of people living in Kumasi and Accra could comfortably service

loans of about 50,000 Gh¢ (€25,000) in a ten year repayment period. It will take someone on the 2004 minimum wage (1.3GH¢/day) seventeen years to service the loan, excluding interest and committing his or her salary to it. (Mahama, 2004) The high cost of housing is caused by the price of land and high cost of utilities such as roads, water and electricity on such lands. These constraints make it impossible for an ordinary Ghanaian to own a house. (Mahama and Antwi, 2006)

On the other hand, the supply of housing in general lags behind the ever increasing demand for rental accommodation. Although there have not been clear data on the total number of rental stock supply in Ghana, various sources of data showed that approximately 25,000 to 40,000 housing units are being supplied annually in the whole of Ghana. In Kumasi, the mean occupancy rate of rental accommodation per room is four which obviously provides a picture of overcrowding. (Tippie et al., 1999)

In general, household or small scale rental still comprises the bulk of rental housing supply in Ghana making this specific group of providers a very important group in rental housing supply. Kumar (1996) supports the need to focus on rental housing markets in low-income settlements but argues that these markets have been examined from the point of view of the tenants, almost to the exclusion of landlords. As landlords constitute a huge share in the producers of rental housing, he argued that their role should be seriously considered in policy. (Kumar, 1996)

Statement of the Problem

Increasing urbanization and rapid population growth has made housing one of the most critical issues in Ghana. With the emergence of the shelter strategy in 1993, it marks housing as an important agenda in government policy. However, the national policy hardly recognizes the value of renting and multi-habitation as alternative tenure options despite the fact that more than half of the population are tenants.

The gap between supply and demand of rental housing across the country and specifically in Kumasi is increasing each year. And even if the majority of the rental housing stocks in Kumasi are being supplied by private small-scale landlords, not much recognition and research work has been given to this group of providers.

The main problem identified in this study is that small-scale landlords are not expanding their stocks thereby increasing the rental housing shortage in Kumasi.

Having recognized this problem, the study focuses on the small-scale landlords and the factors which influence their decision to expand and/or not expand their rental stock. It further hopes to contribute to the limited number of researches done on rental housing especially from the perspective of the landlords in Ghana.

1.2 Purpose and Rationale of the Research

Research Objectives

The study aims to identify the factors that promote and/or inhibit small-scale landlords in expanding their rental stock in Ayigya, Kumasi.

Furthermore, it has the following sub-aims which are to:

1. Understand the nature of the small-scale landlords in Ayigya, Kumasi;
2. Ascertain the factors that affect the landlord's decision to expand their rental housing stock;
3. Identify key strategies and lessons learned from international cases in relation to stimulating supply of rental units by small-scale landlords;
4. Select, among the different supply-side interventions from various theories and research data, suitable instruments feasible in the Ghanaian context to stimulate the supply of rental housing by small-scale landlords.

Research Question

How can the production and management of rental housing led by small-scale landlords be increased?

Sub-questions

1. What is the nature of landlordism in Ayigya in terms of:
 - Profile and Types of landlords
 - Types of Motivations
 - Future Investments
 - Operating Procedures
 - Housing stock being provided
 - Landlord-tenant relationships
2. What are the factors that affect the small-scale landlords' decision to expand/ not expand their rental housing stock?
3. What can be learned from various experiences and/or cases from different countries in relation to the promotion of rental housing by small-scale landlords?
4. What kind of instruments and/or incentives that could be recommended to stimulate the supply of rental accommodation by small-scale landlords in the context of Ghana?

1.3 Description of the Research Area

The research is conducted in Kumasi which is the second largest city in Ghana and the capital of the former Asante Empire. Latest statistics show that it has a population of 1,604,909 million. It is expected to grow by 2.7 million (60%) by 2020 which will pose a huge problem in providing shelter for all its inhabitants. Currently, the city faces a large housing deficit being one of the highly urbanized areas in the country.

Housing in Kumasi is dominated by compounds which are roughly square on plan with a mean of about 12 rooms per storey opening on a central courtyard. As over 70% of households occupy one room, and mean occupancy rates in the city are in excess of 3 persons per room, single storey compounds tend to accommodate over 30 people. (Tipple et al., 1999)

Figure 2. Map of Ghana, Kumasi and Ayigya



Ayigya, which is the sub-urban area of Kumasi, is the area focus of the study. The rationale behind choosing the area is based on the location preference of the Ghana Atelier Working on Cities-Design Studio Project (WOC) whereby the author is a member of the team. The project is a first-time collaborative effort between Institute of Housing and Urban Development Studies (IHS) and Academy of Architecture and Urban Design-Rotterdam (AVBR) which aims to design an integrated development plan in the town of Ayigya.

Ayigya is under the Oforikrom Sub-Metro. The area shares boundary with Asokre Mampong to the north, KNUST to the south, Kentinkronu to the east and Maxima to the west. According to the Ghana Population Census in 2000, the *total population is 30,283* while houses are counted to be 1,181 units with an *average household size of five (5)* per household. The total households in the area are accounted at *5,996 HHs*.

Majority of the houses in Ayigya are compound houses which usually are rented out to multiple tenants. Nyarko (2006) reveals that majority of the residents in Ayigya are tenants comprising 66.7% of the total population and 65% of the population are engaged in petty trading like selling foods, and hair salons. Chart 1 and 2 illustrates the results of Nyarko's study. (Nyarko et al., 2006)

Chart 1. Percentage of Residential Status in Ayigya

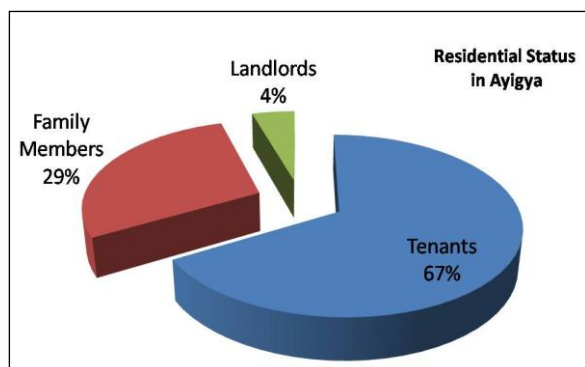
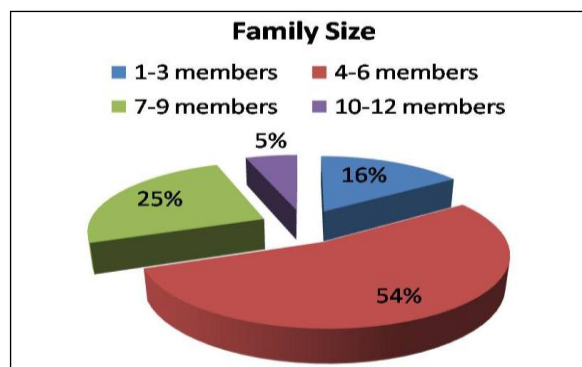


Chart 2. Percentage of Family Size in Ayigya



1.4 Limitations of the Study

Having employed local enumerators to interview and translate the responses from the respondents, one of the limitations in the study is that the data had little yet negligible distortions brought about by the translations. This minor limitation didn't affect the overall analysis of the data.

Another very important limitation is that the data results on absentee landlords are not that elaborated considering that only a few absentee landlords are included in the landlords' survey. There is a major limitation in finding the *absentee landlords*. Because of this, the scope of the landlords survey is much more focus into the landlords who are living in the area and/or living in the neighbourhood of Kumasi who can easily be contacted with.

Having recognized the very few research work done on rental housing in Ghana, the literature reviews on the rental and housing situation in the country are just limited to the few studies conducted by Tipple, Korboe and Malpezzi in late 1980s and early 1990s.

1.5 Thesis Structure

The thesis is basically consists of six (6) chapters. The first chapter introduces the background and rationale of the study which gives an overview of the urbanization and housing situation in Ghana then linking them into the shortage of rental housing supply and finally, leading into the important role of small-scale landlords in the provision of rental accommodation in the country. The research aims and questions are then elaborated and the chapter wraps up with the limitations of the study.

Chapter two provides the theoretical framework of the study and a detailed literature review. It elaborates an overview of the rental housing sector defining the role players and the tenure and nature of the rental stock. A discussion on the theories of urban markets and enabling approaches followed by an illustration of the theoretical framework of the study is then presented. The next sections of the chapter explain in detail the related body of literature and ends up with chapter conclusions.

Chapter three lays out how the research is carried out. The description of the research area is presented followed by a detailed elaboration of the research design, research methods, the research sample and finally the operationalization of variables and indicators. The chapter also presents the analytical framework which is used to analyze and evaluate the research findings.

The fourth chapter presents the international cases and experiences as part of the case studies. Three cases are chosen on the basis of replicability, success levels and relevance to supporting small-scale landlords. The cases analyze are; the Shorebank Case in Chicago USA; the Low-income Rental Housing and Urban Upgrading programme in Dar Es Salaam, Tanzania; and the Tax Incentive Program in Australia. Brief descriptions of the project/program, key strategies used as well as lessons learned are major features of the chapter.

Chapter five revealed the results and findings of the study. Primary data from the month long fieldwork in Ghana plus the secondary data gathered from desk research are analyzed and presented in tables, graphs and images which are all related in answering the questions of the study.

The final chapter presents the conclusions and recommendations. Specific recommendations to the Kumasi government and other concerned stakeholders are presented in an aim to stimulate the production and management of more rental units by small-scale landlords.

Chapter 2:

Literature review and Theoretical Framework

To achieve the goal of adequate shelter for all, governments committed themselves to:

“Increasing the supply of affordable housing, including through encouraging and promoting affordable home ownership and increasing the supply of affordable rental, communal, cooperative and other housing through partnerships among public, private and community initiatives, creating and promoting market-based incentives while giving due respect to the rights and obligations of both tenants and owners.”

Habitat Agenda, 1996 Istanbul

In this chapter, the theoretical framework of the study and a detailed literature review are presented. It elaborates an overview of the rental housing sector defining the role players as well as the tenure and nature of the rental stock. The urban market theory and the theory on enabling approaches are then presented followed by an illustration of the theoretical framework. The next sections of the chapter explain in detail the related body of literature and ends up with chapter conclusions.

2.1 Overview of the Rental Housing Sector

It is very important to know the definitions in the rental housing sector so as to allow a deeper understanding on the issue as well as be able to formulate well-informed and carefully thought-out policies. A number of authors shared that a certain neglect of the nature of the different role players in rental housing could lead to unresponsive policies. (UNCHS-Habitat, 1989b, Kumar, 1996, Gilbert, 2003, UNCHS-Habitat, 1989a) For instance, Kumar argues that a neglect of the role and nature of landlords meant that policy too focuses on the demand side which are the tenants instead of also considering the producers of the rental housing.

This section will further discuss based on existing body of literature the prevailing definitions and characteristics of the role players, tenure and stock in the rental housing sector.

2.1.1 The Role Players

The Landlords

One of the problems in describing landlords in developing countries is that they are “invisible”. (Krueckeberg, 1999) Landlords tend to disappear to get away with taxation and/or visits from health and fire officers, but most of all; they are invisible because no one talks about them. Studies of landlords are still very few and as Kumar noted, there is little attention given to low-income landlords in Third world cities. (Kumar, 1996)

Browsing through the literature, there are a number of authors and academicians who provided a number of ways by which landlords can be defined namely: (Gordon, 2006, Rakodi, 1995, Kumar, 1996)

- ❖ **The size of operation:** Landlords are defined by the size of their operation. The terms small scale landlords and large scale landlords are commonly used. In respect of what is meant by small scale, in Latin America it is taken to be landlords who own a few rooms either inside or outside of their own house. In Mexico landlords live on the property where they let rooms, or only own one rental property with the minority owning two to three rental properties. In Colombia most small landlords own one rented dwelling.
- ❖ **The basis of residency status:** Landlords are defined on the basis of whether they are a resident in house landlord or non-resident absentee landlords.
- ❖ **Routes by which they became a Landlord:** Landlords are defined on the basis of the routes by which they became a landlord for example some landlords bought property, some inherited it and others built it themselves.
- ❖ **Economic success:** Landlords are defined on the basis of their economic success or motivation.

Gilbert (2003) says that the vast bulk of rental housing across the world has been provided by the private sector. The few studies conducted on landlords in the 1990s up to the present also reveal that most landlords in developing countries are operating at the individual or household level. (Kumar, 1996, Malpezzi, 1990)

Across Africa, the small-scale landlords dominated the rental market. (Lloyd and Amis, 1990) In South Africa, small-scale landlords are managing all of the stock in the household sub-sector. This sub sector comprised 600,000 households in 2001, making up 18% of the Rental Sector and 5% of the overall Housing Sector. (Gordon, 2006) Gardner further categorizes the landlords according to scale and type of rental stock it provided. (Gardner, 2005) *See Annex 1, Categories of Landlords in South Africa.*

KUMAR's Model of Low-income Landlordism

Aside from the size of operation, Kumar (1996) categorizes three types of landlords based on their economic success. (Kumar, 1996)

1. Subsistence landlords

Those whose rooms are rented to sustain or augment the household's income, either for investment in completing or maintaining the dwelling or for everyday subsistence needs.

2. Petty bourgeois landlords

Those that use the income from renting to invest in improvements to their quality of life for example by carrying out house improvements or the purchase of consumer durables.

3. Petty capitalist landlords

Those who own more than one property and produce dwellings for rent in order to expand and reproduce capital in the form of landed property.

Kumar's categories of landlords provide a very good basis for researchers to analyze deeper the operations of the landlords. For instance, Aina's (1990) study shows that the most popular responses of the housing crisis in Nigeria fell into the subsistence and petty-bourgeois category of landlords. The provision of housing by these groups constituted an estimated 94% of the housing stock in Nigerian towns and cities. (Aina, 1990)

Other characteristics of landlords vary from city to city and country to country. A few studies note that landlords are drawn from all income categories. Most evident is that they operate in small scale and often live in the same property as their tenants. (Gilbert and Varley, 1991) In cities of Latin America for example, the typical landlord are former self-help builders. They are mostly found in self-help settlements renting out one to two rooms in their own house to supplement their own limited incomes. (Gilbert, 1985) In Nigeria, majority of landlords are residents who occupy two or three rooms while letting the extra to tenants. (Kumar, 1996) In Kumasi Ghana, Tipple and Willis found out that resident landlords tend to not be better off than their tenants and poorer than owners who do not let out rooms. (Tipple and Willis, 1991) However, in other parts of Africa like Nairobi in Kenya, the landlords are more affluent than tenants. (Mugo, 2000)

The Tenants

The combination of the demand and supply factors produces distinctive tenant profiles in different countries. It depends upon the nature of the local housing market. (Gilbert, 2003)

In Kumasi Ghana, renters would have smaller households with lower household income but higher per capita income. The small households demonstrate that renters tend to be in an earlier stage of their lives than average especially in Accra. (Tipple et al., 1999) Tipple further found out that renters mostly occupy only one room per household typically in a compound house in which they share services with all households.

Table 4. Measures of Mean Occupancy Rates, Rents and Housing Costs for Renters in Three cities of Ghana

<i>Components</i>	<i>Accra</i>	<i>Kumasi</i>	<i>Berekum</i>
Number of rooms occupied	1.28	1.37	1.13
Household occupancy rate	3.03	4.17	3.99
Monthly rent (C)	1868	2397	1385
Monthly rent per room (C)	1515	1491	1267
Annual rent as % of income	2.04	2.37	2.15

Source: (Tipple et al., 1999) Housing Supply in Ghana: A study of Accra, Kumasi and Berekum

A high proportion of poor households rent accommodation regardless of whether the society is affluent or poor. (UNCHS-Habitat, 1989b) In poorer societies, nearly all high and middle-income families own their homes and relatively few rent, except at an early

age in their housing career. (Gilbert, 2003) Further evidences from a wide variety of studies show that tenant households tend to be smaller, have younger heads and equal or higher per capita incomes than owners in the same areas, although the differences are more marked in some cities than others. (Rakodi, 1995)

There are two ways of explaining why people rent namely:

1. ***Households with different characteristics choose different kinds of accommodation.*** Life-cycle factors clearly affect household tenure choice. Single people and young newly-formed households tend to prefer to rent.
2. ***Constraints faced by households in their choice of accommodation.*** Most authors argue that the nature of the local land markets is indeed very critical towards access to homeownership. Low income households are constrained from ownership by the relatively high cost of land. (Gilbert and Varley, 1991, Kumar, 1996) Other major constraints are high costs of construction and building materials and financial implications of homeownership. (Rakodi, 1995)

2.1.2 Tenure and the Nature of Rental Stock

Gilbert (2003) and UN-HABITAT (1989) recognize the difficulty of providing generalizations of the nature of rental tenure and stock. The table below lists the many ways whereby rental housing varies between cities and countries. This table shows a range of characteristics for each variable and not relationships between variable.

Table 5. The Diversity of Rental Housing

<i>Variables</i>	<i>Range of Characteristics</i>			
Size	Shared room	Room with access to shared services	Self-contained small	Self-contained Large
Construction	None-lot only	Shack/ garage	Deteriorating central tenement area	High rise or detached
Ownership	Private	Social	Employer	public
Private-ownership	Small-scale lodging	One or two rental property ownership	Large individual	scale commercial
Income	Very poor	Poor	Middle income	High income
Rental Period	Hours	Monthly	Yearly	Permanent
Rent	Free	Cheap	Moderate	Expensive
Maintenance	Dangerous	Substantial problems	Minor problems	No problems
Landlord-tenant relationship	Familial	Informal	Semi-commercial	Commercial
Profitability	Loss-making or subsidized	Low	Medium	High
Legality	Illegal	Legal contract in illegal dwelling	No contract in a legal dwelling	Fully legal

Source: (Gilbert, 2003) Rental Housing: An Essential option for the urban poor in developing countries

Other forms of rental tenure and stock based on existing body of literature are as follows: (University of Witwatersrand, 2002, Rakodi, 1995)

- ❖ **Public Rental** whereby the state supports through subsidies the supply and long term management of rental and social housing stock. The state may either own the stock itself or pass ownership responsibility on to a state-supported agency. Public sector housing is generally in short supply compared to demand. Although not universal, queue-jumping, bribery, and favouritism are common features of the allocation process. (Rakodi, 1995) Most often the poor are excluded in the allocation process because even though there are public subsidies, the rents are still too high for the poorest families. (Gilbert, 2003)
- ❖ **Cooperative Housing** in which tenants become cooperative owners of their stock but using an agreement similar to a rental agreement to occupy personal space within the collective. This is very common in Nordic countries.
- ❖ **Employee housing** whereby large scale employers provide rental accommodation for their employees. This form of rental has had good success in Korea and very prominent in mining industries across Africa.
- ❖ **Private-formal sector rental housing** is typically geared to provide relatively limited number of high-quality houses and apartments for middle and high income groups. Bulk of the units in this sector is produced for investment purposes by commercial or petty-capitalist landlords.
- ❖ **Informal rental housing** is widespread in most developing countries. It takes a variety of forms, for instance, land is rented under illegal or traditional forms of tenure and/or housing is rented on the owner-occupiers own property. This type of tenure is mostly self-built with materials such as wood, corrugated iron, and plastic. Access to basic services such as toilets, water, and electricity are very limited. In South Africa for example, approximately half a million households rent shacks as their primary dwelling. The tenants generally share the plot with the owners living in the main structure. (Gardner, 2008)

The above-mentioned forms of rental tenure imply different sets of relationships between landlords and tenants which also require varied policy responses. While one policy principle may apply across all forms of rental tenure, it may also be very necessary to develop different mechanisms for the varied tenure types.

2.2 Housing Theories

The theories which are used as basis for this study's theoretical framework are the:

- ✚ Urban Housing Market Theory
- ✚ Enabling Approach towards Housing development

The Urban Housing Market Theory

The urban housing market theory provides a framework of supply and demand. The demand is affected by demographic conditions, rate of urbanization, new household formation, property rights regime, housing finance, subsidies, macro-economic conditions and fiscal policies. On the other hand, supply is determined by all factors of production

directly involved in the construction and maintenance of housing as well as in management, marketing, insurance and related services. This included land, infrastructure, finance, building materials, and labour. (Acioly UMD5 class notes, 2008)

The housing outcomes reflect the performance characteristics of the housing stock such as the prices, quantity and quality of housing stock and the ability of the stock to satisfy the demand and expectations of the consumers. Varied effects of policy action can be seen in the housing market both from the demand and supply side. It is for this reason, that it is very important for governments to carefully select interventions that can positively influence the housing market outcomes.

The particular components of this housing market theory are also very much ***applicable to the rental market***. And because of the neglect of this sector in government policies, the market may not be functioning that properly leading to an unsatisfied consumer demand. The rental market would function better if constraints will be removed. There are two main types of constraints in the rental market as shared by Precht (2005). These are:

Institutional: legal barriers and administrative controls such as zoning, building codes, minimum wages legislation, rent controls, institutional arrangements governing housing finance and land allocation.

Economic: flow of resources into the rental housing sector constrained by infrastructure, rules of financial management, transaction and information costs, rates of return

In Tanzania, Kiduanga (2003) concludes that the major hindrances of the rental market are rent control, inaccessibility to land by low-income landlords (high price, ineffective land allocation agencies), shortage of finance, and non availability of affordable building materials. (Kiduanga, 2003)

The Enabling Approach towards Housing Development

This theory can be traced back in three very important events and documents namely:

- The Global Shelter Strategy (GSS) to the year 2000 in 1988
- World Bank's Policy Paper dubbed as "Housing: Enabling Markets to Work" in 1993
- HABITAT AGENDA during the 1996 Habitat II conference in Istanbul

In the 1930s till 1970s, governments have taken the role of direct housing production and have adopted strategies such as sites and services, aided self-help housing and in situ upgrading. However, Cedric Pugh concludes that these approaches had only fragmentary relationships to general land policies, to the development of housing finance systems and to the broader economic, social and institutional conditions for enhancing the qualities and supplies of housing. (Pugh, 2001) It is for this reason that only a few and small-scale projects adopting the above-mentioned approaches were successful. In Ghana for instance, several efforts have been made to introduce sites and services schemes but with very little success and the projects does not benefit the low income families which is the original target group designed of the projects. (Tipple and Korboe, 1998)

The most fundamental shift of policy in the late 1980s was during the formulation of the GSS wherein it put forward:

“the adoption of an enabling approach whereby the full potential and resources of all actors in the shelter production and improvement process are mobilized; but the final decision on how to house themselves is left to the people concerned.”

The main premise of the strategy is that governments should withdraw from the direct provision of housing to facilitating the efforts of other actors via a more appropriate regulatory and financial environment. The GSS for instance, encourages governments to concentrate on facilitating access to land, finance, infrastructure and services; removal of restrictive regulations, introduction of realistic building and land use regulations, and to strengthen institutional frameworks that foster people’s participation in the housing process. (UN-HABITAT, 2006)

In addition to the GSS, the next very crucial document is World Bank’s policy paper known as “Housing: Enabling Housing Markets to Work”. The Bank’s paper of the enablement theory is crucial in all national housing policies as the institution had loan programmes often allocated under conditionalities of policy reform. The Bank’s seven enabling instruments are divided into three from the demand-side, three from the supply side and one to create an overall institutional framework in managing the housing sector and ensuring adequate access to housing by the poor. (Mayo and Angel, 1993)

Demand-side Instruments

- ❖ Developing Property Rights
- ❖ Developing Mortgage Finance
- ❖ Rationalizing Subsidies

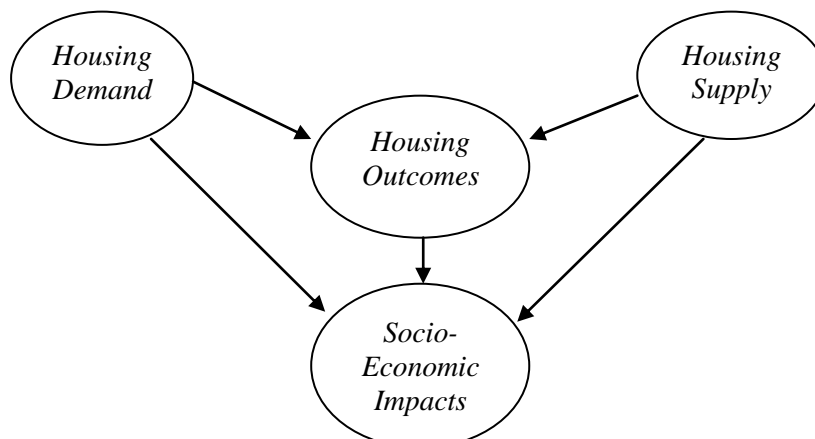
Supply-side Instruments

- ❖ Providing Infrastructure for Residential Land Development
- ❖ Regulating Land and Housing Development
- ❖ Organizing the Building Industry

Institutional Instrument

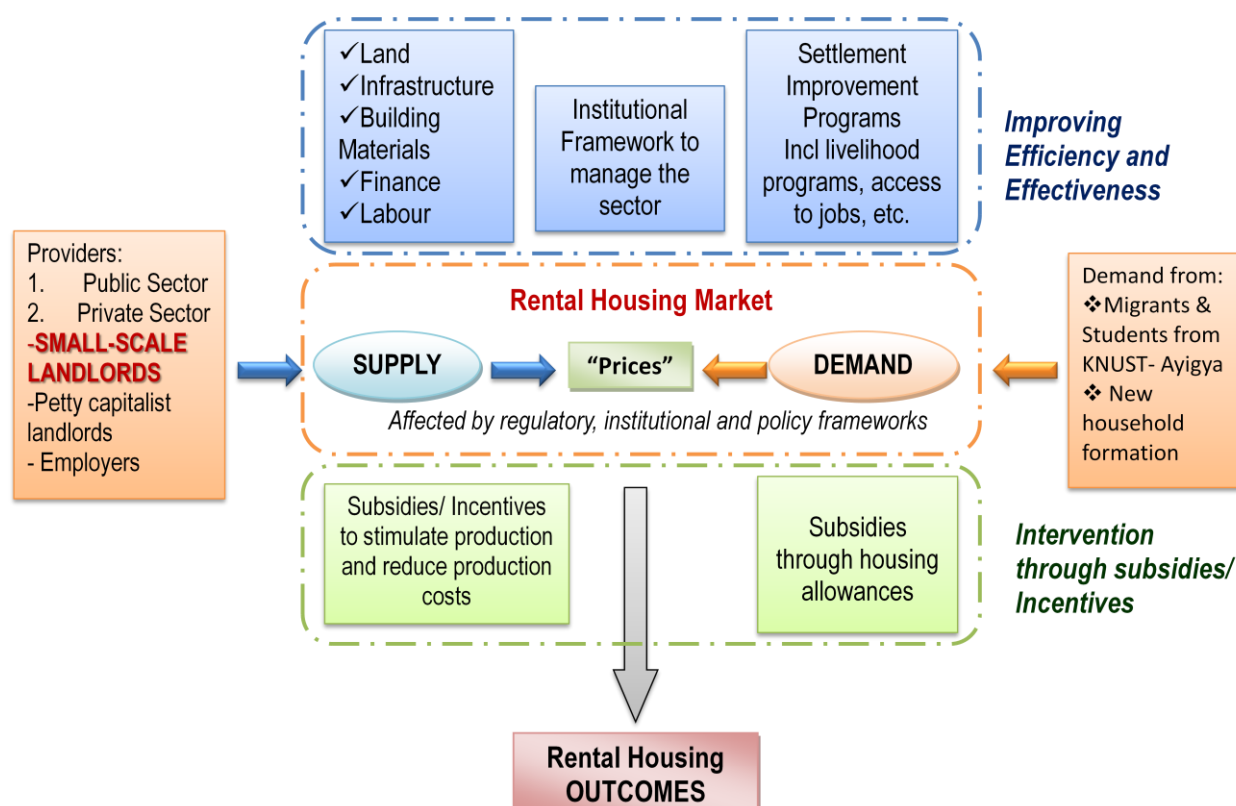
- ❖ Developing the Institutional framework for managing the housing sector

Figure 3. A Model of the Housing Sector (Mayo and Angel, 1993)



Based on the two theories presented, a framework for enabling the rental housing market in a Ghanaian Context is illustrated below.

Figure 4. Enabling the Rental Housing Market



Source: Author, 2009

To support further the diagram above, the UN-Habitat's recommendations for governments during the Rental Housing expert groups' meeting in 1989 (UNCHS-Habitat, 1989a) are to utilize enabling instruments in promoting and facilitating rental housing. The institution fully recognize the role of the private sector both formal and informal in the provision of rental housing and therefore, strongly recommended for governments to:

- Analyze and consider **Incentives and disincentives** for private investment in rental housing with a view to *removing constraints, reducing unintended barriers to investment, lowering costs and improving affordability*, subject to safeguards which would protect the access of low-income groups to affordable housing, bearing in mind the fact that some supposed safeguard measures have actually had negative impacts on Intended beneficiaries.
- Facilitate **Investments in Settlement Improvement in Informal settlements**, in order to support improvement of housing and expansion of rental accommodation.

Such mechanisms/ strategies involve:

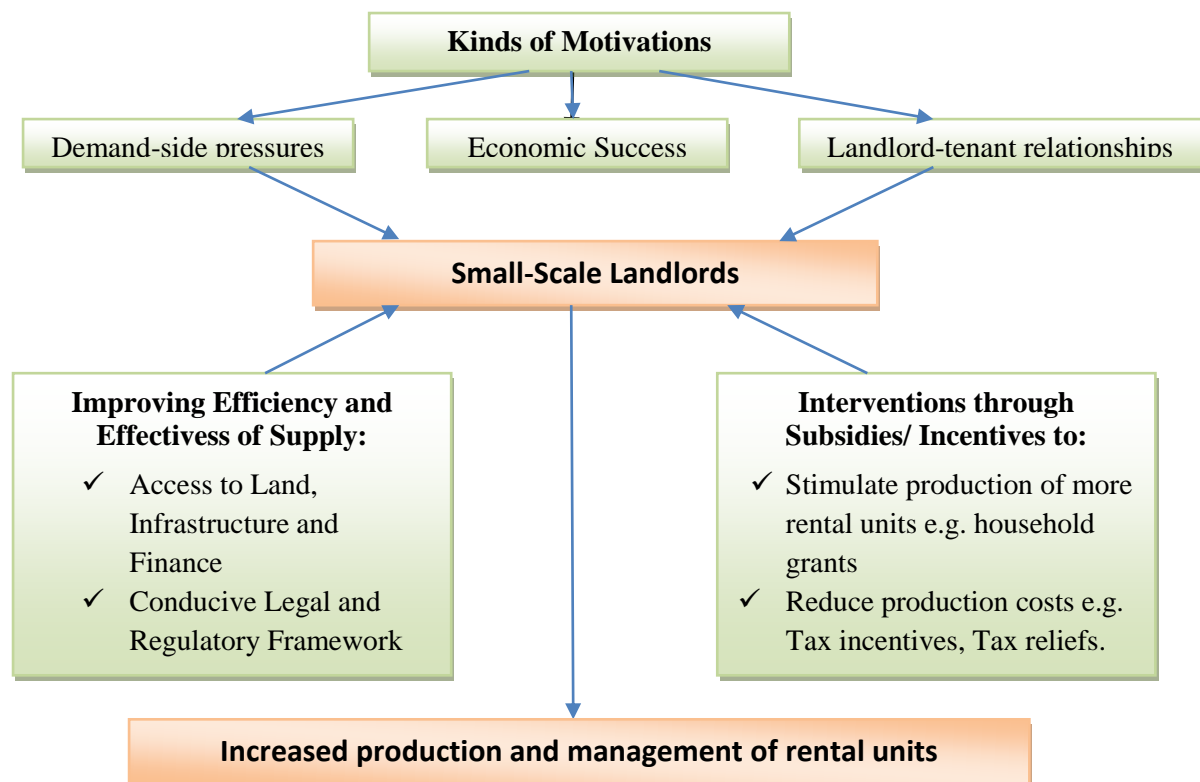
- ✓ Provision of serviced land, construction materials and credit;

- ✓ Taxation measures;
- ✓ Regulations concerning building and land use in addition to those that affect rental housing directly
- ✓ Incentives for maintenance by landlords and tenants, such as deduction of expenses from income and/or property taxes;
- ✓ Improvements of infrastructure, transport and social services in settlements, and encouragement of investments by small-scale landlords in their properties, thus increasing their potential to rent out units;
- ✓ Legalization of standards and the issue of formal titles with safeguards for existing tenants at the time of the registration;
- ✓ Special financial programmes to support expansion of rental accommodation by individual householders.

2.3 Theoretical Framework

Based on the above diagram on enabling the rental housing market, the study focuses on the supply side of the market having already justified its focus on the small-scale landlords.

Figure 5. Theoretical Framework



Source: Author, 2009

The next sections will discuss in detail related literature in relation to the above framework.

2.4 Kinds of Landlord Motivations

Existing literature reveals that various types of landlords are motivated by different factors. Gilbert (2003) says that all *landlords let property because they want to obtain income* but the reasons why they invest and the strategies they follow are highly diverse. For instance, the *large-scale landlords tend to be motivated by the return on investment* they have in relation to the apartments/ rooms they rent out. However, the motivation of the small scale landlords are not that clear since the motivation differs from those landlords living in the property they rent out and those who do not occupy the property also known as “absentee landlords.”

Taking this discussion further, Rakodi (1995) and Kumar (1996) share that *majority of the small-scale landlords who are occupying the property they let out are motivated by survival, for income supplement and/or a small business strategy*. Rakodi further said that the returns from letting and capital from other sources are generally too limited to enable the landlord to trade up with respect to his or her own accommodation, let alone embark on larger scale property development.

For majority of small landlords, renting serves as a *“safety net against precarious employment, meeting household expenditure, housing improvements, a regular source of income when moving from waged employment to own account forms of employment, capital investment and rotation in business, as a form of pension after retirement and old age and as investment for the next generation.”* (Kumar, 1996b)

Kumar (1996) also reveals that in most developing countries the landlords are not always wealthy and not always wealthier than their tenants. In Ghana, Malpezzi’s study (1990) shows that the household landlords who also housed extended families have similar per capita household income and/or even lower than their tenants. Because of this, the other small landlords’ motivation is not only for basic subsistence but also for financing the completion of the main house and/or for paying taxes and fees to get property rights. (Gilbert, 2003)

Gardner (2005) conducted a study on the motivation of small landlords in South Africa and the table below shows the results.

Table 6. Motivations of Small Landlords in South Africa

<i>Category</i>	<i>Types of accommodation provided</i>	<i>Motivation</i>
Small Private Landlords	Multi unit accommodation complexes. Below 100 units	Profit: Primary income source
Individual Landlords	Separate accommodation units. Up to 10 units	Profit: Generally secondary income source
Household Landlords	Home room rental, backyard dwellings or site rental. 1-20 units	Either Profit- primary or secondary income source (often survivalist) Or Familial – no income source

Source: (Gardner, 2005)

2.5 Improving Effectiveness and Efficiency

It has been argued by housing academicians, professionals and staff at World Bank that the effectiveness of housing supply is closely hooked up with the six components namely: ***land, finance, infrastructure, labour, building materials and the regulatory framework***. (Mayo and Angel, 1993) By enabling the efficient supply of each input as well as minimizing the disturbance cause by the regulatory framework, the supply-side will be able to cope with demands. Each of these components will be discussed in the proceeding paragraphs.

2.5.1 Access to Land, Infrastructure and Finance

Land and Infrastructure

Apart from the very few freehold plots, land in Kumasi belongs to the community of Asantes (the Akan sub-group living in the area) through the symbol of the Golden Stool under the care of the king of Asante. (Tipple and Owusu, 1994) The allocation of land for lease is in the hands of chiefs under the Asantehene's Lands Office who can alienate land to members of the stool or strangers in exchange for a tribute also known as the drink money (*biri nsa*) for which in Kumasi now represents a market value. Registrations of titles as well as document processing are still very much centralized in Accra. (Tipple et al., 1999)

Most of the land litigation cases being handled by the MWH presented the following conflicts:

- ✓ The complexity of title transfer and processing procedures
- ✓ Joint inheritance practices and the resulting need to negotiate with several parties rather than with one owner
- ✓ Multiple allocations by chief. Such practices are essentially fraudulent since chiefs have accurate information on the status of plots within their jurisdiction
- ✓ Boundary disputes

The most crucial issue of land in Ghana is that it is generally not for sale. Outside a small government controlled sector, the land is only available for occupation on leases and with titles of only surface users otherwise known as usufruct agreements. (Tipple and Korboe, 1998) However, most of the operations in the land and property markets are classified largely as informal. Most transactions are unregistered and operations in land markets are not regulated or transparent. In fact, less than ten percent of land allocations made by customary owners are registered in Ghana. (Mahama and Antwi, 2006)

As a result of these issues, land prices in Ghana are skyrocketing. The current land prices prohibit a large part of the population from entering the housing market. It should be noted that when discussing about the prices of land, this refer to the amount of drink money paid for a lease of 99 years. The high rents paid for basic accommodation are a product of the failure to supply sufficient land for housing as well as the weaknesses in the housing systems. (Tipple et al., 1999)

On the other hand, the provision of infrastructure in Ghanaian towns lags way behind the house and building development. In Kumasi, it is reported that each water connection is shared by 46 persons (10 households) and 58% of households have on-site connections. In terms of sanitation, 40% of the households rely on public latrines mainly of the aqua-privy type. An insignificant proportion of Kumasi houses are also connected to main sewers. In most of Ghanaian settlements, the domestic refuse is generally uncovered, fly-tipping is common and organized collection from public disposal sites is infrequent. The very poor sanitation leads to high morbidity data of around 100,000 cases of sanitation-related diseases per year wherein 1,000 are cases of Cholera. (Tipple et al., 1999)



Apart from the few major streets, planned drainage is virtually absent in Kumasi. Where there are drainage canals, most of the time they are open and they are tend to be used as disposal for litter ending up being blocked. Furthermore, erosion of roads and pathways is a serious problem both for access and safety as well as in weakening the foundations of the house. As for electricity, supplies in Kumasi are more erratic than average and can easily be lost in windy conditions. (Tipple et al., 1999)

With the above-mentioned situation, obviously the problem on the access to affordable & serviced land as well as the provision of infrastructure is a major constraint in the housing supply in Kumasi.

Based on existing literature, security of land tenure and provision of infrastructure are very critical components of an enabling environment to stimulate housing production. (Kumar, 1996, UNCHS-Habitat, 1989b, UNCHS-Habitat, 1989a, Gilbert, 2003) Households with secure tenure, either in the form of ownership or rental, will consider developing extra rental space if building regulations allow.

One way to address security of tenure is *the regularization and upgrading of informal and/or self-help settlements*. Legalization is often and always forms part of upgrading programs; hence, it is very difficult to separate the infrastructure provision from the issue of offering legal titles. Several body of literature provide opposite opinions on the effect of regularization and upgrading to the tenant population. Precht's study in Dar es Salaam² (2005) shows that low-income landlords create additional rental units and improve existing ones. Further conclusions from this study can be read in **Chapter 4**.

² Dar es Salaam is the largest city in Tanzania with a population of 2.5 million as of 2005.

In Bogota and Mexico, Gilbert found out that upgraded settlements have quickly attracted tenants. (Gilbert, 1985) While in India, many original tenants in Calcutta and Madras left the upgraded neighbourhood. Wadhva's (1993) study concludes that slum upgrading led to both the creation of more space for tenants and rising rents which led to the departure of most original tenants who cannot anymore afford. (Wadhva, 1993)

Skinner (1987) in an evaluation of shelter upgrading practices among developing countries noted that:

"Upgrading mechanisms have generally been found to contribute to improved quality and quantity of housing. Private improvements consisted to a large extent of adding rooms or otherwise increasing the amount of sheltered space at the disposal of the households, thus contributing significantly to the expansion of the housing stock" (Skinner et al., 1987)

In addition, UN-Habitat argues that the growth in the supply of rental housing frequently depends on the growth of owner-occupied housing, often at the lower end of the market. With the extent of urbanization and rapid population growth among developing countries, rental markets will definitely assume an increasing share of the housing supply. Hence, policies which will encourage owners to rent out room and which will encourage ownership by the expectation of some rental income will be an important part of a government's arsenal of enabling policies.

Finance

There is no formal sector finance available for the majority who develop in informal ways in Ghana. No financial system is open to the builder of low-cost housing. Loans are only available to the lowest risk clients or the high income employees in good standing, civil servants and officers of armed forces. Hence, low-income housing appears to have been largely built without recourse to any borrowing and using resources already available to the individual or his/her wider family. (Tippie and Owusu, 1994)

Cooperative Housing Foundation (CHF) reveals that the lack of appropriate finance and technical assistance leads to delays in construction that may take years and cause deterioration of incomplete houses. It is common for a house to take a decade or more to complete as materials and money are collected for each stage of construction. Unfinished houses standing, mould-encrusted and overgrown by creepers and bushes are a common sight in Kumasi because the builders and/or owners are still waiting for the next round of available capital. (CHF International, 2004)

Despite the fact that formal sector finance is hardly reachable for most low to moderate income households in Ghana, CHF International in its detailed 2004 strategic assessment on Ghana's Affordable Housing listed the potentials for the country's financial sector in relation to delivery of housing finance to low-moderate income households. *See Annex 5 for further details.*

CHF (2004) concludes that the most significant market segment is the population residing on customary land in both urban and rural areas and these households are building, extending and improving their homes through informal processes. CHF recommends for a wholesale financing arrangement between commercial banks, micro-finance institutions as well as qualifying rural banks to ensure continuous funding for the household-led incremental supply market.

Although there have been attempts from different institutions in Ghana to make available finance and/or credit for low to moderate income households who wish to build and/or improve houses, these initiatives have not scaled up neither fully successful. (Tippel et al., 1999) Thus, access to finance is still a major constraint in housing production especially to low-income house builders in Ghana.

2.5.2 Conducive Legal and Regulatory Environment

One of the most important components of the enablement theory is for governments to create an appropriate legal, institutional and regulatory framework. World Bank (1993) stresses the significance of creating the balance between the costs and benefits of regulations that influence urban land and housing markets especially land use, planning and building regulations.

Specifically in Ghana, the following legal and regulatory bottlenecks have been identified in the literature: (Malpezzi et al., 1990, Tippel and Korboe, 1998, Tippel et al., 1999, CHF International, 2004)

- ❖ Unrealistic and restrictive planning and building regulations
- ❖ Rent Control Act
- ❖ Inefficient Land Management Systems

Unrealistic and Restrictive Planning and building regulations

In Ghana, the Local Planning Authority guided by the Town and Country Planning Ordinance of 1945 has the power to make plans, regulate land uses, receive applications for permission to develop and erect building, remove structures which contravene regulations and levy fines for people who violate the laws.

Specifically in Kumasi, building development is regulated by the Public Health Board Regulations of 1939 and Kumasi Outline Town Planning Scheme of 1945. These regulations set the minimum sizes of plots at 232m² in central Kumasi while 335m² in the new areas being developed. The outlying villages could be developed with plots of 370m² and 60% maximum coverage. One of the main issues for builders to proceed with construction is the gaining of the land title. A development permit can't be obtained until land title is secured and lack of this permit causes the full weight of the enforcement procedure to descend on the "culprit". Building inspectors immediately place "Stop Work immediately by Order or "Produce Permit". (Tippel et al., 1999)

Malpezzi (1990) notes that the building code which has been practiced in Ghana are dated since the colonial period and are based on British practice. The code has been interpreted as not allowing the use of traditional materials such as compacted earth faced with plaster within the city limits despite their low cost and durability. The law favours the use of modern building materials like cement or concrete. He further concludes that generally the building code and planning regulations in Ghana are restrictive and not consistent with traditional housing construction particularly compound houses.

Also, the current Ghana planning regulations support single-dwelling type of houses rather than multi-habited houses. For instance, in Kumasi, planning codes prescribe a plot

coverage of one third, suitable for a Western style single family house but not for a compound house. This poses a huge concern especially for the low-income bracket of the population who cannot afford a villa-type of house construction. (Tipple and Korboe, 1998)

Hence, the regulatory system as currently practice in Ghana contains many of the problems recognized as the bottlenecks to housing construction. Tipple and Andersen (2006) strongly recommend that there is a need to review the building code as well as the lay-out of houses to see whether it is possible to design houses that combine the externally modern form with one that does not exclude multi-habitation and renting. (Andersen et al., 2006)

The Implications of Rent Control in Rental Housing Supply

The main objective of rent control is to protect tenants and, implicitly, to “tax” wealthy landlords at low cost to the government. (Rakodi, 1995, UNCHS-Habitat, 1989b, Malpezzi et al., 1990) This is also the main goal of the national government of Ghana when it enacted the Rent Control Act in 1963.

The Rent Act has formed the basis of rent control in Ghana. Under this law, the “standard rent” was renamed “the recoverable rent” and incorporated as the basis of rents to be covered by landlords. Where property was new since the 1960s, or material changes had been made to the premises, or there was cause of dispute, rents were to be fixed by the Rent Officer taking into account the following:

- ✓ Rateable value
- ✓ Land value
- ✓ The rates payable
- ✓ Recoverable rent assessed for similar premises where they have been assessed by the minister.
- ✓ Estimated cost of repairs and/or maintenance

The box below summarizes the results of the comprehensive study on rent controls in Ghana done by Malpezzi in 1990.

Box 1: The Costs and Benefits of Rent Control in Kumasi, Ghana

Forty years of rent control have been successful in keeping rents in Kumasi very low. On average, rents are less than two percent of total housing consumption. There can be few households in Kumasi who cannot afford the monthly rent of a room. But housing conditions in Kumasi are bad, even given low incomes. Controls are not the only reason, but they contribute. And recently, more and more households are paying large advances, causing particular difficulty given the difficulty in financing large lump-sum payments for most Ghanaians.

Using a model which permits comparison of controlled units at controlled prices (P_cQ_c); controlled units at estimated market prices (P_mQ_c); and estimated market demand at market prices (P_mQ_m), the study find:

- ❖ Renters pay a fraction of the estimated market rents for their units-roughly half, on average.

(Box 1 continued...)

- ❖ But households would spend even more than the estimated market price of housing in the absence of controls—about 3 to 4 times their 1986 expenditure. That is, consumption of housing services has been greatly reduced under control
- ❖ The ratio of benefits to cost is low. Under the most “favourable” assumption in terms of controls’ efficiency, tenants receive net benefits which are less than half the static cost to landlords. If the price, elasticity is on the order of -0.5, net benefits to most tenants is negative; both landlords and most tenant are made worse off by controls.

The bottom line, then, is that rent control reduces the rents household pay, but the benefit of this rent reduction is more or less offset by the welfare loss from under consumption of housing. Rent control is not the only problem in Kumasi’s rental housing market. Other problems also included land, infrastructure, finance and materials have adversely affected the market, and drive costs up. They drive costs up higher for the poor than others.

Relaxation of rent control is necessary but not sufficient for expanding the supply of rental housing. Relaxation and/or decontrol must be accompanied by measures to ensure rapid supply response to the demand for rental housing, or else rapidly rising rents could squeeze existing tenants and jeopardize decontrol. Political consensus is, after all, required for successful change.

Source: Excerpts from the paper presented by Malpezzi during the UNCHS Expert’s Group Meeting on Rental Housing in Rotterdam, 1989

Other experiences on the effect of rent control can be seen in various countries. For instance in Jordan, limits on rent increases and strong tenant protection resulted to landlords withdrawing dwelling from the market, decreasing supply and increasing the upward pressure on the market rents set at the outset of new tenancies. (Rakodi, 1995) Exemptions and evasion in India resulted in at most two-thirds of rental dwelling in Delhi being let at controlled rents. (Wadhva, 1993) While in Dar es Salaam, a report from World Bank (1993) concludes that it has 100 percent effective rent control.

The effects of rent control legislation vary from country to country but obviously, in Ghana, it is largely ineffective.

2.6 Intervention through Subsidies and Incentives

Generally, the discussion of subsidies and incentives is always an area for debate in the area of policymaking and even housing academicians. Some authors argue that providing subsidies to landlords are politically explosive. The issue on equitable distribution is always being challenged. However, Gilbert (2003) and UN-HABITAT (1989) argue that for small-scale landlords appear to be as poor as tenants, equity considerations do not represent as a real problem. Such in the case of Chile and Colombia, wherein procedures to screen and identify poor families are well laid out, any subsidies given to landlords will not go to the wrong people.

The table below provides a summarized information of supply and demand-side subsidies and incentives which are evident in the literature.

Table 7. Summary of Supply & Demand Side interventions as Practice by Varied Countries

SUPPLY SIDE	DEMAND SIDE
<p><i>Subsidisation of capital and operating costs</i></p> <p>Historically supply side interventions sought to reduce rental charges by subsidising the capital and operating costs of rental housing generally known as social, public, council or non-profit housing. In most countries, public/council stock is on a decline due to government ineffectiveness in managing this stock.</p>	<p><i>Subsidisation</i></p> <p>These types of interventions include providing a subsidy to households as a contribution either partial or entire towards the rental for an appropriate unit. Also known as a housing allowance, voucher, or rent supplement.</p>
<p><i>Encouraging landlords</i></p> <p>These types of interventions focus on encouraging landlords to provide rental accommodation through:</p> <ul style="list-style-type: none"> ❖ Tax incentives ❖ Withdrawing rent control ❖ Providing access to resources ❖ Revising building regulations, zoning controls etc. ❖ Tax relief in respect of income earned through rental 	<p><i>Rent controls</i></p> <p>These types of interventions include soft rent controls which do not undermine the market, including rents that cannot be raised higher than market rents, protection against radical changes in rents due to changes in demand and rents that stimulate socio-economic integration by keeping rents the same in attractive areas as in poor areas.</p>
<p><i>Special support for small scale landlords</i></p> <p>These types of interventions focus on providing special support for small scale landlords by:</p> <ul style="list-style-type: none"> ❖ Providing subsidies to stimulate the production of rental accommodation ❖ Providing access to finance using new financial instruments ❖ Guaranteeing future housing subsidies ❖ Providing security of tenure so landlords feel confident of their investment 	<p><i>Rent structuring</i></p> <p>These types of interventions seek to establish affordable rentals through rental averaging like cost pooling. This is done in Sweden where older stock subsidizes newer stock. Another example is the 24 rent point schemes wherein rent is related to the quality and location of the stock, cost indices which is based on market transactions of comparable housing and affordability schemes.</p>

Source: (University of Witwatersrand, 2002), Project to Develop a Rental Housing Policy and Rental Subsidy Program

Galster (1997) said that supply side interventions are being done to reduce rental charges by subsidising the supply of the housing. However, these types of subsidies have declined internationally especially in the developing countries also for reasons of limited budget from the central and local governments. (Galster, 1997)

Furthermore, Kumar (1996) argue that a broad range of supply side interventions is needed to respond to the various motivations of different types of landlords. The table below illustrates the different supply side interventions according to Kumar's category of landlords.

Table 8. Varied Supply Side Interventions by Landlord Type

Household Landlords		Institutional Landlords
Subsistence landlords	Petty-bourgeois landlords	Petty-capitalist landlords
<i>FINANCIAL INCENTIVES</i>		
<ul style="list-style-type: none"> ❖ Encouragement of Home Based Enterprises (incorporate health & safety standards) 	<ul style="list-style-type: none"> ❖ Encouragement of Home Based Enterprises (incorporate health & safety standards) ❖ Tax benefits (somewhat) on construction or rental income 	<ul style="list-style-type: none"> ❖ Return on investment ❖ Tax benefits on rental income ❖ Withdrawal or reform of rent ❖ Controls ❖ Mechanisms to discourage subletting
<i>ACCESS TO RESOURCES</i>		
<ul style="list-style-type: none"> ❖ Access to affordable building materials ❖ Ease of gaining homeownership: price of land and materials ❖ Priority for land tenure reforms: security of tenure ❖ Encourage sub-letting with or without extensions ❖ Inclusion of rental component in site-and-service 	<ul style="list-style-type: none"> ❖ Credit programmes for owners who add on rental units ❖ Access to affordable building materials ❖ Land tenure reforms: security of Tenure ❖ Encourage sub-letting ❖ Inclusion of rental component in site-and-service 	<ul style="list-style-type: none"> ❖ Availability of capital ❖ Identification of land for housing and urban services in spatial plans ❖ Historic pattern of Urban Development
<i>SUPPORTIVE MEASURES</i>		
<ul style="list-style-type: none"> ❖ Review and relaxation of building regulations: easily understood and followed ❖ Support for additional building ❖ Stress on self-help and labour intensive technologies ❖ Equal opportunities for women ❖ Dispute resolution support 	<ul style="list-style-type: none"> ❖ Review and relaxation of zoning / building regulations: easily understood and followed ❖ Support for additional building ❖ Stress on self-help and labour intensive technologies ❖ Guidance in the design process ❖ Equal opportunities for women ❖ Dispute resolution support 	<ul style="list-style-type: none"> ❖ Improved enforcement of maintenance requirements ❖ Improved capacity to enforce Evictions ❖ Dispute resolution support

Source: (University of Witwatersrand, 2002), Project to Develop a Rental Housing Policy and Rental Subsidy Program

2.5 Chapter Conclusions

This chapter has presented the main theoretical framework of the study and the supporting body of literature which supported it.

It is found out that the characteristics of landlords and tenants vary from country to country and/or city to city. Kumar (1996) categorizes the landlords to *subsistence landlords, petty bourgeois landlords and the petty capitalist landlords* to better analyze the motivations and nature of landlords. On one hand, the combination of supply and demand produces different tenant profiles.

The main theories highlighted in this chapter are the Urban Market Theory, Enabling Approach towards Housing Development and Kumar's model on low-income landlordism. These theories provide the theoretical basis of the study. It can be concluded that the rental housing market could be more effective and efficient if certain constraints on the components of housing supply are removed and if subsidies and incentives on both supply and demand are introduced.

In designing interventions for landlords, it is important to consider that varied types of landlords have different motivations. Hence, interventions must respond to these motivations. The array of supply-side and demand-side interventions presented in this chapter is further utilized in the formulation of the recommendations for this study.

Chapter 3

Research Methodology

This chapter presents how the research is carried out. The research design, research methods and strategies, research sample and the operationalization of variables and indicators are being elaborated. It further presents the analytical framework which is used to evaluate the research findings.

3.1 Research Design and Process

3.1.1 Research Type

The study being exploratory employed both quantitative and qualitative research instruments. Exploratory because it is necessary to gather in-depth information on the nature of landlords in the area and investigate the factors which affect their decisions in expanding and/or improving their rental units.

3.1.2 Research Sample and Sampling Method

The main respondents of the research are the landlords and tenants in Ayigya, Kumasi. A preliminary joint-survey was implemented in Ayigya to have a firsthand understanding of the research area. A *random survey of 100 households* which represents 25% of the total sample area (398 HHs) has been implemented. *See Map of Joint-questionnaire survey respondents in Annex 2.* From the results of the survey, a list of tenants who pays rent was obtained which totals to 63 respondents. An additional 37 respondents was then chosen randomly from the areas which were not covered by the joint-survey. This adds up to a total of *100 respondents in the tenants' survey*. *See Map of the tenant respondents in Annex 2.*

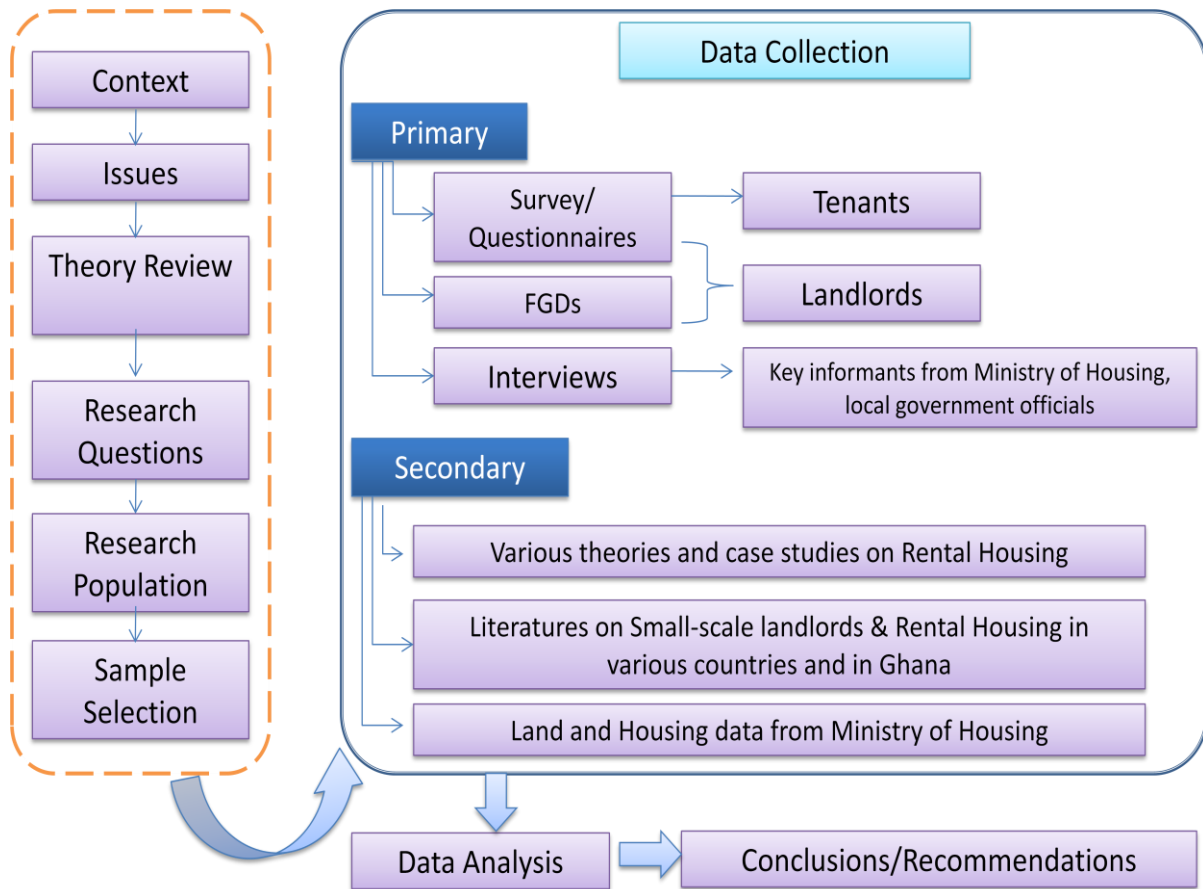
Fifty three (53) landlords are identified based on the tenants' survey and the study took the *53 landlords as the sample for the survey*.

On the other hand, a purposive sampling method was utilized to conduct both the Focus Group Discussion (FGD) with the landlords and the in-depth interviews with the government officials. *See Annex 3 for the complete names and titles of the respondents.* The FGD was conducted with the help of the customary chief in Ayigya Zongo who primarily ensured the presence of *10 landlords* in the area. Another seven (7) landlords were interviewed to complement and/or validate the data from the landlords' survey and the FGD.



The figure below illustrates the main research design of the study.

Figure 6. Research Design



Source: Author, 2009

3.1.3 Data Collection

a. Primary Data Collection

There are three main research instruments utilized for the primary data collection namely:

- ✓ Survey
- ✓ In-depth interviews
- ✓ Focus Group Discussion (FGD)

As illustrated in the research design, surveys are implemented to both landlords and tenants. One FGD with the landlords was conducted and in-depth interviews are further done to validate and complement the quantitative results of the survey.

In-depth interviews are used for the national and local government officials. Interview guides are formulated and utilized during the conduct of the interviews. *See Annex 4 for questionnaires used.*

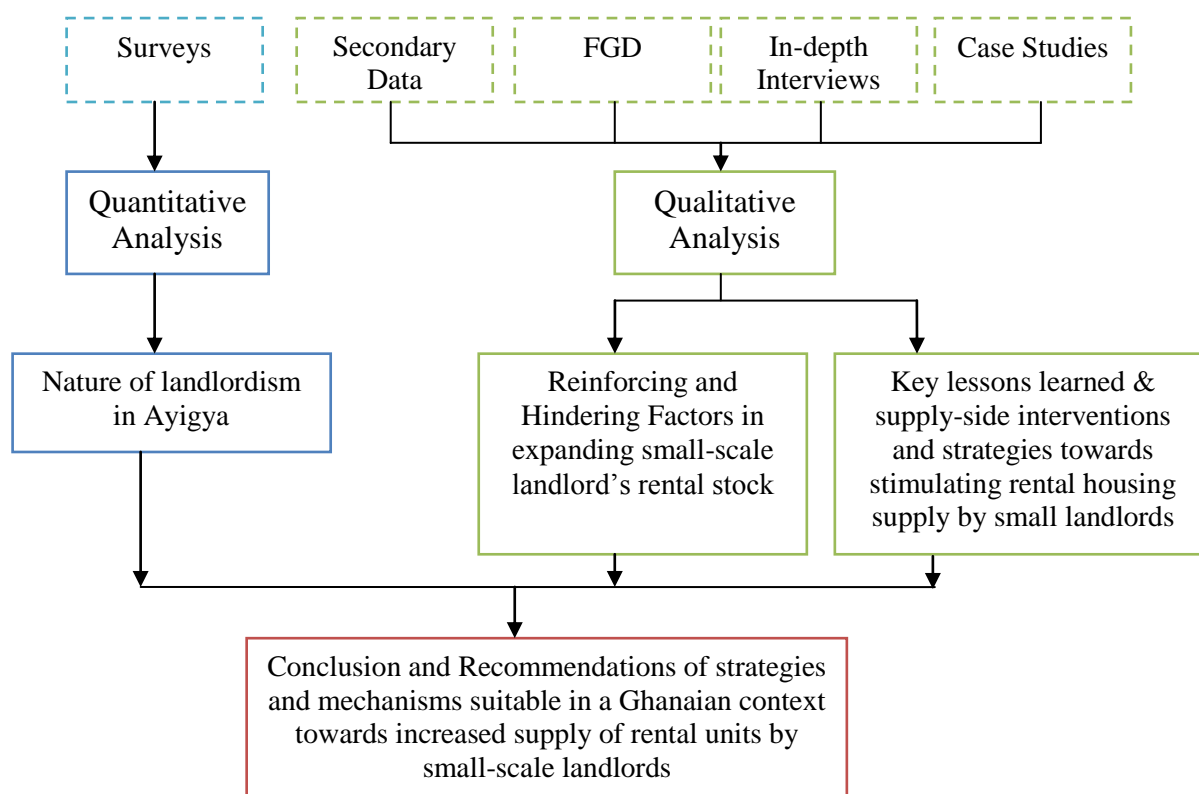
b. Secondary Data Collection

This includes internet and desk research on the housing situation in Ghana including various rental housing studies, reports and books from different countries especially those which highlighted the small-scale landlords.

The study also looks into various cases and/or programmes from different countries in Africa and other countries which were implemented in an aim to stimulate the supply of rental housing by small landlords. This aims at finding different mechanisms and strategies used by various countries to support small landlords. The data gathered from secondary sources are further utilized during the analysis as well as in the formulation of recommendations.

3.2 Data Processing and Analysis

Figure 7. Analytical Framework



Source: Author, 2009

The study employs two types of analysis namely; quantitative and qualitative. The survey results both from the tenants and landlords are encoded, collated and interpreted using the SPSS³ program. This type of analysis aims at understanding the nature of landlordism in

³ SPSS also known as Statistical Package for the Social Sciences is a computer program used for statistical analysis.

Ayigya including the profile and types of landlords, housing stock provided, types of landlord-tenant agreements, amount of investments on maintenance and management as well as future and/or plan investments by the landlords.

A more qualitative type of analysis is used in the data gathered from the interviews, FGD and case studies. The analysis focuses on the reinforcing and hindering factors affecting the landlord's decision to expand their rental units. Furthermore, data from the case studies are analyzed to identify key lessons learned and innovative approaches employed by various countries in stimulating the supply of rental housing by small-scale landlords. From the results of the quantitative and qualitative analysis, the conclusions and an array of recommendations are then formulated.

3.3 Unit of Analysis, Research Variables and Indicators

The main unit of analysis in this study are the landlords and tenants in Ayigya, Kumasi. Other units which are analyzed are the local and national government officials in Ghana. The operationalization of the research variables and indicators are illustrated in Table 9. This aids in the formulation of the questionnaires and interview guides.

Table 9. Operationalization of the Research Variables and Indicators

Research Questions	Variables	Indicators	Source of Data
1. What is the nature of landlordism in Ayigya?	Types of landlords	<ul style="list-style-type: none"> ❖ Size of Operation ❖ Basis of residency ❖ Status ❖ Routes by which they become a landlord 	<ul style="list-style-type: none"> ✓ Landlords' and Tenants' responses ✓ Existing housing data from MWH, RCDO and DRH
	Landlord-tenant relationships	<ul style="list-style-type: none"> ❖ Landlord-tenant agreements ❖ Forms of legalities/ contracts ❖ Nature of problems communicated/ resolved/ 	
	Housing stock being provided	<ul style="list-style-type: none"> ❖ Number and types of rental units rented out ❖ Number of Services included e.g. toilet, water, electricity 	

Types of Motivation		❖ Return on Investments (ROI)	
		❖ Types of intention in letting out	
2. What can be learned from various cases/ experiences from different countries in relation to the promotion of rental housing by small-scale landlords?	Innovative approaches and strategies internationally	❖ Success Levels ❖ Increased supply of rental units ❖ Key Lessons Learned	✓ International Cases from literatures and desk research
3. What kind of instruments and/or incentives could be recommended to stimulate the supply of rental accommodation in the context of Ghana?	Strategies/ Mechanisms in stimulating Rental Supply	❖ Number of mechanisms applicable in the context of Ghana ❖ Acceptability from Landlords and Tenants ❖ Degree of Implementability	✓ Existing instruments/ strategies used by UN-Habitat and other countries ✓ Landlords' responses

Chapter 4

Case Studies

In this chapter, the study employs the use of case studies to identify key lessons learned and successful strategies used to stimulate the supply of rental housing by small landlords. The cases are chosen on the basis of *replicability*, *high level of success* and *relevance to the topic of supporting small-scale landlords*. There are three cases which are analyzed namely; the Shorebank Case in Chicago, USA; the Low-income Rental Housing and Urban Upgrading Programme in Dar Es Salaam, Tanzania; and the Tax Incentive Program in Australia.

4.1 The Shorebank Case in Chicago, USA

4.1.1 Brief Description of Shorebank Corporation

Established in 1973, Shorebank Corporation is the first American community development bank which demonstrates that a regulated bank could be instrumental in revitalizing the communities being avoided by other financial institutions. It seeks to increase and restore economic opportunities in economically distressed and under-invested areas. The major services the bank is offering are as follows: (www.shorebankcorp.com, 2009)

- ✓ Residential real estate loans that strengthen communities, provide affordable housing, and build borrowers' wealth
- ✓ Loans to small businesses and faith-based and non-profit organizations that create jobs and expand community services
- ✓ Conservation loans for projects that reduce energy consumption, remediate contamination, or support green business practices
- ✓ Bank deposit and retail services

One of the main advocacies push by the bank is the concept of socially responsible investing through what they called *Development Deposits*. By converting ordinary bank deposits into "development" loans, ShoreBank's borrowers convert deteriorated apartment buildings into income-producing properties, expand their small businesses, and upgrade their homes and property. (www.shorebankcorp.com, 2009)

4.1.2 The Shorebank Strategy

The bank's unconventional approach to entrepreneurial development was first implemented in South Shore neighbourhood in Chicago. ***The strategy is financing multi-family rental housing apartment buildings through what they called a multi-family mortgage loan program.*** The program financed residents who were in the business of rehabilitating apartment buildings in Shorebank's economically distressed target areas. The clients of the said program were able to ***produce over 22,000 rental housing units in the South Shore community.*** The main beneficiaries of this unsubsidized housing are low-income African American families. The local entrepreneurs in the area financed by the bank have led the revitalization of the South Shore neighbourhood.

The Key Components of the Program

- ❖ With the assistance of the bank, a consortium of savings and loan associations was created. The consortium undertook a 300 unit publicly financed, scattered site rental housing rehabilitation project in South Shore community. The development of the rental properties has drawn a very strong market demand which further encouraged small local entrepreneurs to participate in the program.
- ❖ The small entrepreneurs who were financed by the bank, also called the *rehabbers*, succeeded in acquiring undervalued assets and then investing in their upgrade cost through shrewd purchasing of materials and using cheap labour. Further on, the small entrepreneurs took advantage of the strong demand for safe and affordable housing. The skills of the clients matched by their strong motivation complemented by a huge time commitment were major factors in the success of the program.
- ❖ Provision of loans to qualified clients given on the following basis:
 - ✓ The intent for getting the loan is purchasing and renovating the property. If renovation is not undertaken, the loan will not be provided.
 - ✓ The bank provides 80% of the approved value of the property as well as the renovation cost. The remaining 20% will be the equity from the owner which can be in the form of cash, the house or equity in another business.
 - ✓ Loan term is slated for 20 years with an interest rate that adjusts every two years.
- ❖ The bank further adopted an interactive approach both in the structuring of loans and collecting hard and fast when the borrower slips on scheduled payment. What the lender does is meet the customer then go to the property, process the application and finally underwriting and manages the property appraisal. The lender also goes for inspections to release progress payments and follows up immediately on late payments. There is an extensive face to face contact with the small entrepreneurs applying for the loan.
- ❖ Shorebank also led the process of information sharing among the small entrepreneurs/rehabbers through informal information sharing and meetings.
- ❖ One of the most critical success factor in Shorebank's program was the way the lenders tailored the loans to meet the customer needs which is elaborated below:
 - ✓ Loans were structured to fit the borrower's cash flow. This would mean that in some instances, there is an initial six months moratorium of principle payments.
 - ✓ Loans were approved with an additional amount for working capital to fund early bank repayments and/or offering a line of credit to buy a property quickly and cheaply from a desperate seller.
- ❖ In addition, the Shorebank's real estate department recommends that first time rehabbers start with a small building to strengthen their existing capacity and then grows with the bank as they develop more competencies in the real estate business.

Source: (Gordon, 2006)

4.1.3 Key Lessons Learned

The success of this innovative support mechanism to small landlords in Chicago ***is not only applicable to developed countries but anywhere in the world including Ghana***. The most important component is that there is a ***bank that is willing to target high risk clients***. Thus, there is a need to encourage banks in Ghana to be as creative and innovative as Shorebank in aiming to support small-scale landlords in the country.

Box 2 features the key lessons learned drawn out from the program experiences as pointed out in the Shorebank publication.

Box 2: Key Lessons Learned from Shorebank's Case in Chicago, USA

1. **PICK the RIGHT Neighbourhood.** The selected community where Shorebank's operated has still sufficient economic and social capital to build upon even if it is deteriorating.
2. **A SOLID STOCK of HOUSING.** There were still available apartment buildings which were very viable and feasible to being upgraded.
3. **HIGH LEVEL of DEMAND.** There was a demand for affordable and decent housing in the community.
4. **FINDING the HIDDEN ENTREPRENEURS.** Shorebank's lenders learnt how to identify those people who were true entrepreneurs and recognize their abilities, cash flow as well as their commitment to using methods much like venture capitalists might. The lenders found value in their hands-on experience, local knowledge and access to local networks. There was also a very strong focus on determining if the person has the capacity to undertake the job.
5. **AIMING for SCALE and VISIBILITY.** There was a critical mass of activity happening in the target area and this brought about changed of market perceptions about the community/neighbourhood.
6. **GETTING the PRICE RIGHT.** The bank will not finance a building which is overpriced. The institution played a very important role in helping the rehabbers not to overpay for buildings.
7. **IMPROVEMENTS must be MADE.** The bank only provides financing if the rehabber/small entrepreneur is going to improve the building. If the client wants to purchase the whole building and renovate it, the bank provides 100% for this undertaking.
8. **STRUCTURING the deal for SUCCESS.** The bank manages to tailor its financing services according to the clients' needs. Flexibility was a very important factor to allow the bank to meet the rehabber's financing capacity.
9. **ONLY FULL TIME LANDLORDS.** The bank strongly believed that for rental housing

4.2 Low-income rental housing and Informal settlement upgrading: the case of Hananasif, Dar es Salaam, Tanzania

4.2.1 Brief Description of the Project

Tanzania has a long history of settlement upgrading projects which started in early 70s with its National Sites and Services Project that was mainly financed by the World Bank. The project was discontinued in the 1980s due to dissatisfying results. Settlement upgrading just resumed in the 1990s under the Sustainable Dar es Salaam Project (SDP). The SDP was launched in 1992 and was mainly funded by UN-Habitat. The Hananasif Community-Based Upgrading Project was a core element of the SDP which was also supported by International Labor Organization (ILO) and the Ford Foundation.

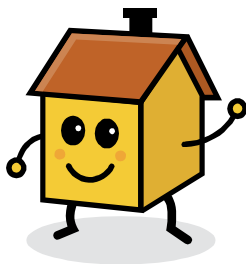
The goal of the project was to:

- ✓ improve living conditions and expand employment opportunities in unplanned settlements in Dar es Salaam
- ✓ demonstrate the feasibility of a community-based approach to urban settlement upgrading based on stakeholder participation, community contracts and labor intensive methods
- ✓ solve the immediate problem of flooding by creating a storm water drainage system in Hananasif settlement

Hananasif has an area of 50 hectares located 4 km away from the city centre with approximately 20,000 residents in 1998. There is a strong rental housing sector in the community with 70% of the households being tenants and 30% are owners. Many of the house owners supplement their regular income through renting out rooms while others depend entirely on their income from rent. (Precht, 2005)

Although the project is not directly aimed at supporting the small landlords in the community, the study by Precht (2005) revealed that the upgrading has a positive impact on rental housing provision by low-income landlords.

4.2.2 The Strategy and Highlights of the Impact to Low-income Landlords



The main strategy was actually the implementation of the community-based urban upgrading project in the unplanned settlement of Hananasif, Dar es Salaam. Despite the fact that the project was not originally targeted to stimulating the supply of rental housing in the area, the results of the project directly affected the rental housing sector in the community.

Highlights of the findings on the impact of upgrading to Low-income Landlords

The following are the major impact of the physical upgrading project: (Precht, 2005)

- ❖ Improved accessibility and infrastructure have encouraged landlords to create more and better rental accommodation. Approximately 75% of the landlords have added new rooms and made improvements to their rental rooms since upgrading started. Even property owners who did not let rooms before 1994 have become landlords during and after the upgrading. In total, the housing stock in Hananasif has grown by 84% between 1994 and 2005.
- ❖ On individual household level, there was a positive effect on the income from letting rooms. The positive results are brought about the higher rents and increase number of rooms let out by landlords.
- ❖ Despite the positive effect on the supply of rental stock and rental income, majority of the landlords remained in the subsistence level also because of the widespread poverty in the settlement. Only few numbers of landlords managed to invest savings from collected rents in construction of additional rental units and improvements of the existing buildings.

- ❖ Majority of the landlords have the deliberate orientation towards expansion of rental activities with the aim to generate additional income. Thus, one of the main characteristics of the petty-bourgeois landlord is fulfilled.
- ❖ Physical upgrading alone demonstrated in the Hananasif project is not strong enough as external factor to enable low-income landlords to move on the next level of Kumar's category.
- ❖ The upgrading certainly helped remove some of the economic constraints faced by the rental housing sector, hence, improving income earning opportunities for landlords.

4.2.3 Key Lessons Learned

The Hananasif case is very relevant and highly replicable in Ghana being an African experience. Settlement upgrading in combination with other support mechanisms like financing and secured tenure can indeed impact positively in the supply of rental housing by small landlords. If this will be carried out in Ghana, the implementing agency must carefully balance its strategies to avoid tenants being displaced because of high rentals.

Lessons learned from the case are as follows:

- ❖ **Physical Upgrading in combination with other strategies.**
In as much as there is positive effect on the rental stock, settlement upgrading needs to be accompanied by the loan schemes that meet the needs of low-income landlords as well as other mechanisms like improving land tenure security.
- ❖ **Credit schemes** do stimulate local business, raise awareness, and enable CBO financial sustainability.
- ❖ Community mobilization and participation is a long process, and there is a need to give adequate time to address different community issues.
- ❖ Upgrading programs should **embrace and recognize renting and/or the rental housing sector** to be truly successful. It should consider the various advantages of supporting low-income landlords to improve and increase rental housing stock.



4.3 Tax Incentives: the case of the small landlords in Australia

4.3.1 Brief Description of the Incentive Program

The government of Australia developed a taxation regime which encouraged a diversified pattern of ownership in the country. All the expenses which are associated with the rental property including mortgage financing costs can be deducted against the landlord's total income for income taxation purposes. This then raised the prospect of negatively gearing property investments where the economic return is expected to accrue as capital gain, a particularly attractive proposition for high income earners on the maximum marginal tax rate.

In addition, the capital gains tax is designed in a manner wherein it is levied on rental property at the point of sale but this will be on the real capital gain after inflation has been accounted for. Individual investors can then invest in rental dwellings one by one given that there are relatively low entrance costs and scale constraints plus a deep secondary market. Small scale

landlordism provided investors with a flexible, controllable and accessible avenue of investment.

Also, the ownership of a rental property entailed an option value in this particular program. This means that the landlord has the capacity to readily switch from commercial to personal use. The landlord can maintain and improve the dwelling through sweat equity and has the choice of directly managing the tenancy. (Berry, 2000)

4.3.2 Impact of the program to Small-scale landlords

This specific tax incentive program hugely contributed to the success of small landlords in Australia. Such small landlords comprise an individual house landlord or family partnership owning one or two dwelling for rent. Based on the 1997 survey of the Australian Bureau of Statistics, it showed that individual households owned around 60% of the dwellings rented out to private tenants in Australia. And in the course of the implementation of this program, it was found out that majority of these owners further expanded and/or held their properties for renting as a secure long term investment.

4.4 Conclusions from Case Studies

There are three case studies presented in this chapter which offer lessons in providing facilitative mechanisms to support small landlords. The Shorebank Case demonstrates that provision of loans and/or finance to assist small scale landlords in purchasing, rehabilitating and managing building for rental in downgraded area can in fact positively impact not only in an increased supply of rental housing but also in neighbourhood renewal.

Likewise, improved accessibility and infrastructure brought about by settlement upgrading programs as in the case of Hananasif in Dar es Salaam proves to encourage small landlords to improve and expand their rental housing stock. However, settlement upgrading alone can't fully resolve the economic constraints of small landlords. It must be accompanied with other strategies like financing small landlords and securing land ownership.

On the other hand, small landlords in Australia have prospered because of a successful taxation regime. The government-initiated tax incentive certainly encourages landlords to invest more on expanding their business. It illustrates that a carefully planned tax incentive is an important mechanism to stimulate supply of rental housing.

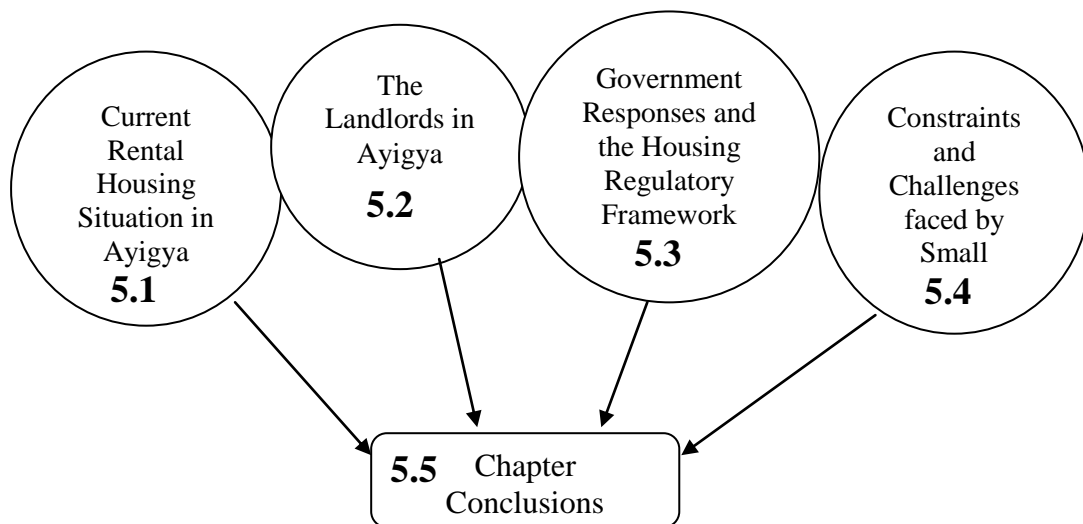
This chapter clearly showed that there are a number of ways to stimulate the supply of rental housing provided by small scale landlords in Ghana. What is evident is that the strategy must be tailored to the current context and situation of the rental housing sector and that strategies are carefully chosen to benefit not only the providers of rental housing but also the tenants.

Chapter 5

Research Findings, Analysis

Introduction

The findings and analysis from the data gathered both from desk research and the fieldwork in Ayigya are presented in this chapter. The landlord's future investments and constraints in expanding their rental stock are highlighted in 5.2.3 and 5.4 respectively. The figure below illustrates the structure of the presentation.



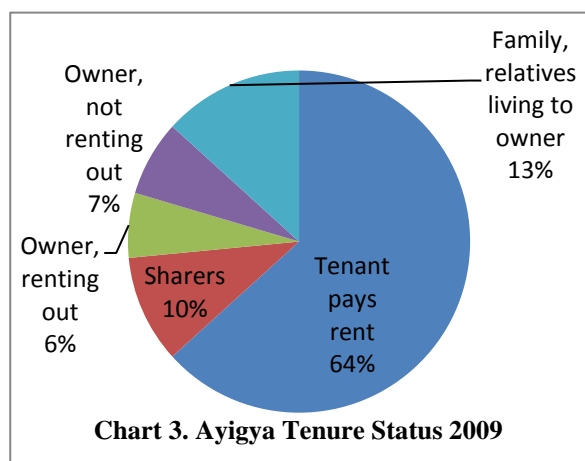
5.1 Current Rental Housing Situation in Ayigya, Kumasi

5.1.1 Supply and Demand

All interviewees from government confirm that supply far lags behind the demand of rental housing in the country. The major reason pointed out is the absence of enabling instruments from the government's side to develop rental housing in the country. Subsidies for house builders are not present and there is little recognition made on the role of rental housing in the housing policies.

Although the government offices failed to provide recent data on housing stock and deficit in Kumasi due to its administrative limitations, a picture of the supply and demand of rental housing in Ayigya, Kumasi can be obtained from the primary data gathered.

The 100HHs' survey shows the tenure status as well as the percentage of the supplier of rental housing in Ayigya. **Chart 3** shows the percentage distribution.



Combining the tenant and sharer population, it represents 74% of the total household population while only 6% comprises the providers of rental accommodation in Ayigya. Comparing this data to the Nyarko's study (2006), there is a significant increase of the tenant population while a *very minimal increase of the landlord population*.

Table 10. Comparative Analysis of Ayigya Tenure status

<i>Variables</i>	<i>2006</i>	<i>2009</i>	<i>Percent of Change (+ increased, - decreased)</i>
Tenants	67	74	+ 7
<i>Landlords</i>	<i>4</i>	<i>6</i>	<i>+ 2</i>
Others (family members, relatives, owners not renting out)	29	20	-9

Tenants (77%) said that it is difficult to find rental accommodation in Ayigya while landlords (81%) think otherwise saying it is very easy to find tenants. Obviously, this data show that the demand is very high yet the supply is very limited.

A Picture of Overcrowding

Crowding in households relates to situations where the number of people residing in a household exceeds the capacity of the household to provide adequate shelter and services to its members. (www.statz.gov.nz) One of the tools use to measure crowding is through the American Crowding Index also known as the *Household Occupancy Rate* which is defined as the number of usual residents in a dwelling divided by the number of rooms in the dwelling. Using this formula the following results are revealed:

Table 11. Household Occupancy Rate of Ayigya Tenants

<i>Statistical Measurement</i>	<i>Percentage Result</i>
Mean	3.99
Median	3.00

It is very clear from this data that the renters are crowded in Ayigya having three (3) people per room at the median and four (4) people per room as the mean. The usual size per room in a compound house is 9 square metres. Using this floor

area in a compound house in Ayigya, the average *floor area per person* is between 2.25 m² to 3 m². This gives a picture of the inadequacy of living space of each renter in Ayigya. Given the very low value of the usable living space per person, this obviously showed overcrowding.

This indicator further showed the extent of demand of rental housing in Ayigya. If the demand is very high, then why are the landlords in the research area not providing more rental accommodation? This question will be answered in the next sections of this chapter.

5.1.2 The Suppliers of Rental Accommodations in Ayigya

Majority of the suppliers of rental accommodation in Ayigya are *private individuals*. The share of public housing in Ayigya is very limited. The only government program in the area is the on-going Affordable Housing Project and the project is not yet completed. This confirms Intsiful's (2004) study that 80% of the housing developments in urban Ghana are private while only 20% are public housing.

From the data of the tenure status in Ayigya, *all the landlords comprising 6% of the total household population are private individuals*. This further validates Tipple's (1994) study that a great majority of the people in Kumasi have been housed through small-scale private sector initiatives.

5.2 The Landlords in Ayigya

This section will answer the 1st sub-question of this research which is:

“What is the nature of landlordism in Ayigya, Kumasi in terms of:

- ✓ Profile and Types of Landlords
- ✓ Types of motivation
- ✓ ***Future Investments***
- ✓ Operating Procedures
- ✓ Housing Stock being provided
- ✓ Landlord-tenant relationships

5.2.1 Profile and Types of Landlords

The table below shows some parts of the profile of the sampled landlords in Ayigya.

Table 12. General Profile of Sampled Landlords in Ayigya

<i>Measure</i>	<i>Sampled landlords</i>
Mean Age	51
% of Male vs. % of Female	63 vs. 37
% motivated by income	44.2
% motivated to house family members	42.3
% motivated to continue to be a landlord for long term investment	49.1
% motivated to continue to be a landlord to earn monthly income	60.4
% where income from renting is the primary income source	15
% who own a house elsewhere	17
% who added new rental units/ improvements in the past 2 years	94.3
% who wants to improve and add/ expand rental units	73

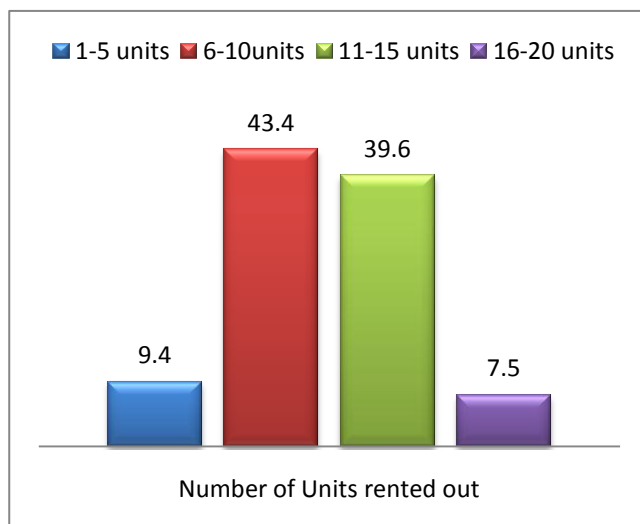
On the basis of the table above, the more detailed profile of the sampled landlords are as follows:

- ✓ **Majority of the landlords are male** accounting for 33(63%) out of 53 respondents. The in depth interview reveals that one of the reasons to explain this phenomenon is the tradition in the northern part of Ayigya known as Ayigya Zongo that if the father dies, the property will be inherited to the son. Hence, even if the eldest sibling is a woman, the property is still given to the son. In fact during the FGD with the landlords, of the 10 participants, 8 are men while only 2 are women. On one hand, the women landlords

became landlords either because they are widowers and/or there are no men siblings in the family.

- ✓ The **mean age of landlords is 51 years old**. Seven (13%) landlords are more than 60 years old and most of these landlords have caretakers or siblings managing the compound house.
- ✓ Generally, **the educational levels are low**. Only 3 (5.7%) out of 53 landlords have completed college and/or university while the most number of landlords (49%) have completed secondary school and 17% (9) did not attend school.
- ✓ In terms of employment status, **23 (44%) landlords are self-employed** while 11 (21%) are public servants. The two forms of employment comprised the majority of the landlords' employment status. Only 4 respondents (8%) are unemployed who also depend on letting rooms as the main source of income.
- ✓ **Majority (83%) of the landlords use the income from rental stock as a supplementary or secondary source of income**. 2% claims that the rental income is used for future investments while the remaining 15% depends on the rent as the primary source of income.

5.2.1.1 Size of Operation and Basis of Residency Status



It is evident from the results of the survey that all the respondents are **small-scale landlords**. This is according to the working definition used in this research which defined small scale landlords as “those individual/private landlords and/or households’ landlords who let out one (1) to twenty (20) rental units.”

Two categories have been defined in the literature on basis of residency status namely; **a resident house landlord** and **a non-resident absentee landlord**. The figures below show the survey results.

83%	3.8%	13.2%
Landlord living in the house/unit/building	Living in another house in Ayigya	Living outside Ayigya but within Kumasi

It can be concluded that in Ayigya **83% of the landlords are resident house landlord** while the remaining **17% are non-resident absentee landlord**.

5.2.1.2 Routes by which they became a landlord

The data below shows the land ownership status and the manner by which the landlords acquire the land.

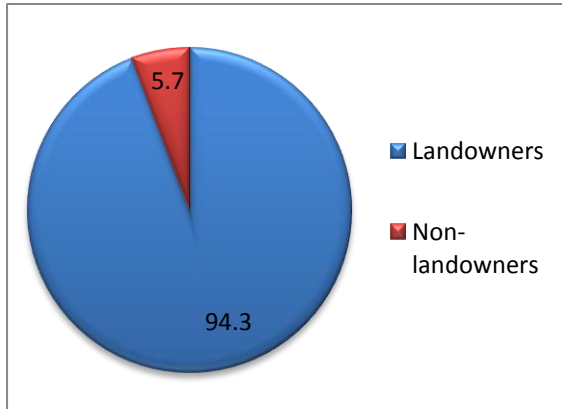


Chart 5. Percentage of Landownership Status

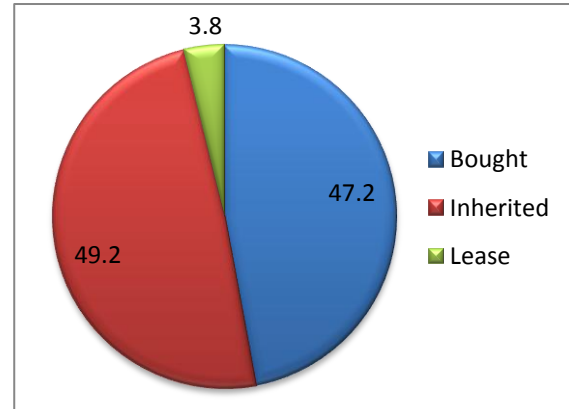


Chart 4. Manner of Acquiring the Land

It should be noted that the land management system in Ghana and particularly in Ayigya is dominated by the customary land management system. In the context of the survey conducted, when the owners say that they are the landowners, this would mean that they bought the right to cultivate the land and/or they enter into a lease contract agreement for 99 years.

From the data above, there is a very minimal difference as to the landlords who have bought the land and who have inherited it. However, between the two manners of land acquisition, the most number of respondents have inherited the land from their fathers and/or forefathers. During the FGD and in-depth interviews, the landlords shared that they haven't really chose to become a landlord but because they have inherited the land and the house from their fathers and there are extra rooms left, they just decided to rent it out. The remaining 25 (47%) landlords intentionally bought the land and built the house themselves.

As to the manner of acquiring and/or building the compound house, the table below shows the distribution of the respondents' answers.

Table 13. Percentage of sampled landlords by manner of house/building acquisition

Manner of acquisition/ building the House	Frequency	Percentage
* <i>Bought</i>	5	9.4
* <i>Built myself</i>	31	58.5
* <i>Inherited</i>	11	20.8
* <i>Used to be my home and converted it to rental unit</i>	4	7.5
* <i>Hired a contractor</i>	2	3.8
Total	53	100

From the table, it is clear that the **31 landlords really invested in building the compound house**. When asked as to the manner of building the house, most of the respondents answered that they have built the house incrementally. Whenever there is enough finance, they built certain parts of the house until it is completed.

5.2.2 Types of Landlord Motivations

The most widely-used categorization of landlords is Kumar's model of landlordism namely; *Subsistence Landlords, Petty Bourgeois Landlords and Petty Capitalist Landlords*.

Using this model, **majority of the landlords in Ayigya comprising 83%** falls into the category of **Subsistence Landlords**. To recall, this category of landlords let out rooms to sustain and/or augment the household's income either for investment in completing the house; maintaining the dwelling and/or for everyday sustenance. While the 17% falls into the Petty Bourgeois Landlords wherein the income from renting are being used to invest in improvements to their quality of life or purchase of consumer durables.

Although the Petty Capitalist Landlords category didn't appear in the random survey results, the researcher was able to interview one landlord during her in-depth interviews that fell into this category of landlord. This landlord aged 54 inherited one compound house from his father and was able to buy four commercial spaces for rent as well as eight portions of land outside Ayigya waiting for development that is allocated for renting out. When asked about his motivation of becoming a landlord, he further shared that it is because the **business is very profitable**.

Taking the discussion further, 22 (42.3%) of the respondents shared that **they became landlords in order to house family members**. During the FGD, the landlords shared that originally the intent of letting out rooms is to house family members. These family members are tenants which do not pay rent otherwise known as *sharers*. Over time, when the rooms are emptied, they decided to let out rooms for reasons that they needed cash on a monthly basis. 23 (44%) landlords shared that they become landlords because they need money to augment their income. Only 15 (28%) **landlords were motivated for long term investments**.

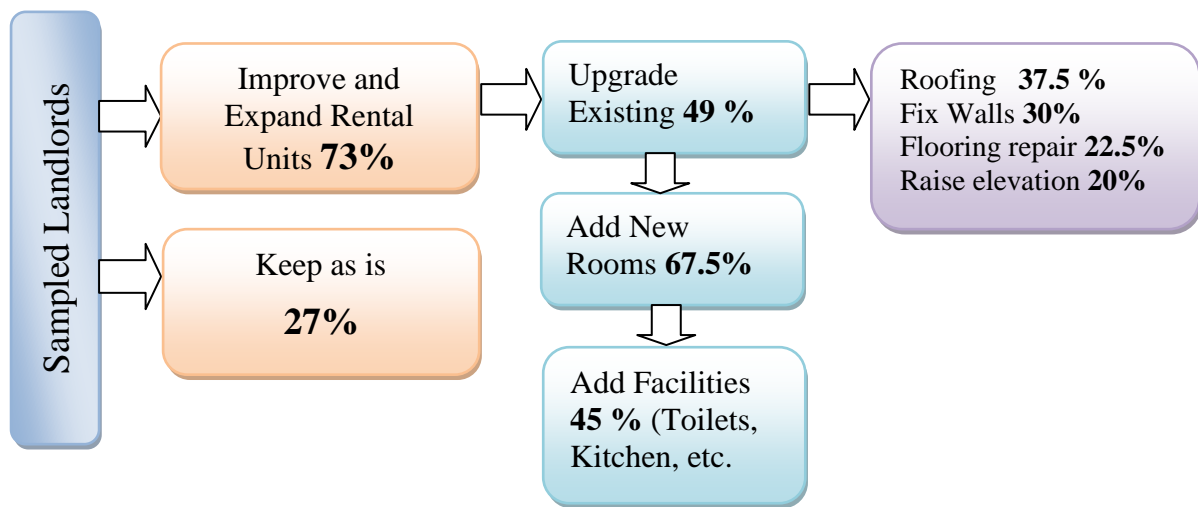
Interestingly, **majority of the landlords continue to become landlords because they not only needed cash on a monthly basis but also they view it as a good investment and/or for security purposes**.

5.2.3 Landlords' Future Investments

Even if the majority of the landlords are subsistence landlords, **it is very interesting to learn that approximately 95% of the total respondents have added new rooms and did house improvements in the past 2 years while 73% express their desire to improve and/or build more rental units in the next 2 years**. This data shows the growing interest of these landlords to expand their units and eventually make letting out rooms as a business. When asked the reasons of doing improvements, the most prominent answer are to improve the value of the unit (56%) and because tenants complained (36%). The figure below outlines the desires of the sampled landlords in Ayigya.

Multiple responses were possible in the third column; hence, the figures wouldn't necessarily add up to 100%.

Figure 8. Landlords' Desired Future Outcomes



It is indeed evident from the data presented that majority of the landlords would want to add more rental units and lesser focus is given to upgrading the existing stock.

The major constraints identified by the landlords in expanding their rental stock will be discussed in detail in section 5.4.

5.2.4 Operating Procedures

Generally, small landlords in Ayigya operate as follows:

- ❖ **Management.** 45 (85%) landlords manage the rental units/stocks themselves. Tenants pay directly to the landlord and only 15% of the landlords have caretakers they have assigned to collect payments and/or manage as well as maintain the rental stock.
- ❖ **Tenant Selection.** Majority of the landlords do not have target tenants. 38 (72%) landlords said that they will take just anybody who is looking for a place to stay. Some landlords during the FGD and in-depth interviews shared that although they don't select tenants, they also just require that it doesn't have criminal records. The remaining 28% targeted only students, university workers and/or somebody who is employed.
- ❖ **Identifying Tenants.** Majority (68%) of the landlords found their tenants when the tenants came to ask for a rental room. Another 59% said that the found tenants because a family or friend referred it to them. These two ways of finding tenants have the most number of responses from the respondents. What is interesting through is that there is a **growing number of landlords (6%) who have used agents to find tenants for them**. The agents' get a certain amount in a form of a commission for the services rendered to the landlords.
- ❖ **Vacancy.** There is no significant turnover of tenants in Ayigya as shown in the number of years the tenants live in their rental units. Majority of the tenants (53%) have lived in the rental unit for more than 2 years. From the landlords data, **vacancy is zero as all rental units are occupied**. FGD results also revealed that it is uncommon for landlords to have short-term tenants as most of their tenants pay yearly and/or pay in advance for 2-5 years.

- ❖ **Tenants' Duties.** Majority of the landlords (79%) expect tenants to clean and maintain the surrounding environment of their rental units. The landlords (54%) also expect the tenants to always lock the doors of their units when they are out for security purposes. Minor maintenance activities like repainting the room, fixing electricity lines are given to tenants. Landlords further shared that its up to the tenants to do any kind of beautification in the room.



- ❖ **Notice Period.** The landlords who have written contracts comprising 80% of the respondents have place in the agreement *30 days notice period* to vacate the premises if the tenants have gross violation from the contract.
- ❖ **Deposits.** Most (60%) of the sampled landlords take two months rent deposits. This is a way of securing that if the tenant damages some parts of the rental unit as well as can't pay the monthly rent, then they used the deposit to cover the default.
- ❖ **Payments.** Rentals are mostly (85%) paid in cash directly to the landlord. The remaining 15% assigned a caretaker to collect the rentals especially those landlords whose age is more than 60 years old as well as the non-resident absentee landlords.
- ❖ **Defaults.** 90% of the sampled landlords have problems in collecting the rent. 59% of these landlords said that tenants miss payments and accumulate arrears and around 34% have problems with tenants who don't pay the whole rental. ***There is a high incidence of defaulting tenants in Ayigya.*** When landlords were asked, what they do with this problem, 53% says they give verbal and written warning and/or give them a fine (12%).
- ❖ **Eviction.** Although most of the landlords (51%) said that eviction is one of the major sanction of defaulting tenants, only 2 (4%) out of 53 landlords claim that they evicted tenants. ***Eviction is uncommon in Ayigya.*** If there is a need to evict, the landlords are not also the one ensuring that tenants are evicted but the staff from the Rent Control Division Office (RCDO) in Kumasi. The usual process is that landlords file a complaint to the RCDO then the office will take the necessary actions which will either lead to eviction or non-eviction of tenants.
- ❖ **Maintenance.** Maintenance work done by the landlords are negligible. ***Tenants' survey shows that maintenance responsibilities are all passed on to them by the landlords*** and the landlords only are responsible for major damages like fixing walls and roofing. Sampled landlords do not actually allocate money for maintenance work and most of them say that they conduct maintenance work only when needed.

- ❖ **Rental Levels.** The rental charges in Ayigya vary according to area, size of the rooms and the type of accommodation. The *average rental charge per room in Ayigya is 6-10 Gh¢ (3-5 euros)*. The data from the tenants survey confirmed these rental charge wherein majority (68%) of the respondents pays 3-10 *Gh¢*. (1.5-5 euros). When it comes to rental increases, FGD result shows that there is a *minimal and/or negligible number of landlords which increases rental charge*.

The following factors are identified by the landlords which influence rent levels:

- **Affordability of the target market.** The participant landlords in the FGD shared that even if they wanted to raise the rents, they are also hindered by the fact that *the tenants they currently have cannot afford the rent increase*. They will just have more problems in collecting the rent. Since they view renting as some way of helping people who don't have roofs to get accommodation, they set rental charge based on the affordability of the tenants and the size of the rooms.
- **Rent Control Act.** The law primarily have an impact on the price that a certain landlord ask for a certain rental unit. Since the law provides price ceiling, the landlords are hindered to increase rental prices. Malpezzi's (1990) study proves that rent control reduced the rents household pay, but the benefit of this rent reduction is more or less offset by the welfare loss from under consumption of housing. The rent is less than two percent of the total household consumption.
- **Size and Type of Structure.** The rent prices also depend on the varied sizes of the rooms rented out. On average, room sizes are at 9-10m² and are being rent out between 6-10 Ghc.
- **Services Offered.** Landlords shared that they also consider in setting the rental price the services available in the rental unit e.g. water, toilet, electricity, etc. Less services means lesser rents while more services have slightly higher rents.
- **Location.** In Ayigya, better location generally converts into relatively higher rentals. This is quite evident in the landlords living near the south of Ayigya wherein it is accessible to the highway, the KNUST campus, and the transportation terminal. The 11 landlords (25%) located in this area asked for 11-25 Ghanaian Cedis (5.5-12.5 euros) as compared to the landlords located in the North of Ayigya with lesser access to the mentioned services where they only asked less than 10 Ghc.

The survey indicated that **the rental levels is not very elastic due to factors like rent control and affordability of the target market. The market is not very sensitive of the price affecting the financial viability of landlords in the area.**

- ❖ **Levels of Investment and Returns on Investment (ROI).** Majority of the sampled landlords in the survey have *no record keeping* as to the amount of investment they spent and the amount of income coming in. This made it so difficult to calculate the returns on investment. The data presented below as to estimated rate of returns and payback period is based on the information gathered from the respondents of the in-depth interview who made extensions this year.

Return on investment is calculated based on this formula: (Gartner RAS Services, 2001)

$$\frac{\text{Revenue} - \text{Expenses}}{\text{Capital}} \times 100 = \text{return on investment}$$

Translated into the context of the small landlords in Ayigya, the formula is:

$$\frac{\text{Returns from a room} - \text{Maintenance costs (5\% of capital}^4)}{\text{Cost of Construction}} \times 100 = \text{return on investment}$$

Table 14. Estimated ROI and Payback Period

Variables	Data (in Gh¢)
Average Costs of Construction	477
Average Revenue from room rent (rental charge x 12 months)	108
Average (5%) Maintenance Cost	5.4
Estimated Return on Investment (without inflation)	21.5 %
Payback Period (w/o inflation) (amount spent on room/ annual returns-maintenance costs)	5 years

When landlords were asked about their over-all opinion of the status of their renting business, 60% of the respondents shared that they made money in 2008. Based on this calculation, it seems that they did make money. However, if inflation is factored in the computation, ***the landlords in reality will only have 1.5% ROI.*** From July-August 2009, inflation rate⁵ in Ghana is set at 20.5%.

The data obviously showed that ***landlords have very low ROI in Ayigya.*** This data further confirms Malpezzi's (1990) and Korboe's (1998) study in Kumasi concluding that rent income is insignificant compared to house cost. Just depending on the rent income to expand housing stock and business will not at all suffice. And even if these landlords would want to get a loan and/or financing from finance institutions, the ROI is just very low compared to the prevailing interest rate in banks and other finance institutions which is 33-35% per annum.

Clearly, the landlords in Ayigya needs financial support to be able to undertake improvements and/or expansions. This kind of support might be in the form of an interest subsidy from government to facilitate access to loans and/or credit to finance institutions.

5.2.5 Housing stock being provided

From the survey of both tenants and landlords, here are the key factors pertaining to the housing stock offered by the sample landlords in Ayigya:

- ❖ **Source of Stock.** Majority (59%) of the houses are built by the landlords themselves while 21% are inherited. Only 4% hired a contractor to build the house in bulk.

⁴ Maintenance costs are assumed at 5% of the cost of construction having learned that landlords actually don't allot money for maintenance as this responsibility is passed on to the tenants.

⁵ Data provided by the Ghana Statistical Services, 2009 at www.ghanaweb.com

- ❖ **Type of Stock.** Almost all (94%) of the landlords surveyed are renting out rooms in a compound house. A very minimal number of landlords rent, commercial spaces, house and/or apartments. Most of the landlords who rent out a house and commercial spaces are non-resident absentee landlords.
- ❖ **Number of Units.** 44% of the landlords have 6-10 units rent out in a compound house and another 40% rent out 11-15 rooms in a compound house.
- ❖ **Size of the rental units/rooms.** The average size of the rental units in a compound house is 9-10m². However, the new extensions built by some landlords also showed that the size has increased to 14 m² on an average.
- ❖ **Access to services.** Access to basic services of tenants in Ayigya is *generally poor*. The table below shows the availability of certain services inside the compound house/ rented units as well as the perception of tenants in terms of the quality of the services.

Table 15. Percentage of sampled rental units w/ services & Tenants' perception on quality of services

<i>Types of Services</i>	<i>% of tenants with available services in the rental unit</i>	<i>% of the Perception of Quality of Service</i>		
		Good	Moderate	Poor
Water	50	40.4	10.6	49
Electricity	90.4	71.2	15.4	13.5
Toilet	32.7	27.9	9.6	62.5
Kitchen	41.3	29.8	19.2	51

- ✓ Most of the units use electricity which is metered by the main house. 60% of landlords shared that electricity is not included in the rent and they calculate the rent by dividing the total house bill into the number of households in the compound house. The remaining 40% of the landlords said that this service is included in the rent. Electric Company of Ghana (ECG) is the main provider in the whole of Ayigya.
- ✓ **Majority of sampled tenants have rental units without access to water, toilet and kitchen inside the compound house.** The water they used is usually bought from the water sellers in Ayigya. For toilets, the people usually used the public toilets which according to them are always not clean and not regularly maintain by the government.
- ❖ **Tenant Satisfaction.** 42% of the 100 tenants are unsatisfied with the conditions of the rental units being rented. One of the major reasons they pointed out is the unavailability of piped water, toilet and bathroom. For the tenants (57%) who expressed satisfaction, they have shared that the services they get are just equal to the price they pay. Since the rent is low, they could not expect that all the services they needed be present.

5.2.6 Landlord-Tenant Relationships

The following are the key findings pertaining to the relationship of landlords and their tenants in Ayigya:

- ❖ Almost all sampled landlords (98%) ***have a form of an agreement/contract with their tenants***. Majority (81%) of these contracts are written agreement while the 17% enter into a verbal agreement and a very minimal percentage (2%) does not have any kind of a written or verbal agreement.
- ❖ From both landlords and tenants survey, there are four top contents in the agreement namely: The Rent (89%), Maintenance Responsibilities 79%, Security Responsibilities (54%) and Water and Electricity Charges (52%). Other contents include the notice period for eviction (25%) and making changes to the room.
- ❖ ***Almost 70% of the landlords answered that their over-all description of their relationship with tenants was good.*** This was further verified by the percentage results (60%) from the tenants' survey. This further means, that in Ayigya, there is relatively low incidence of conflicts between landlords and tenants. The landlords in the FGD further shared that the very good relationship was also brought about by the long years that the tenants have been with them.

5.3 Government Responses and the Housing Regulatory Framework

5.3.1 Housing Policies

The Ministry of Works and Housing traces two important housing policy documents:

- 1986 National Housing Policy Document
- 1993 Comprehensive National Shelter Strategy Document

However, both of these documents are “***never formally accepted and officially adopted***”. This was a statement quoted from the 2005 Draft National Shelter Policy. (Government of Ghana, 2005)

The ***lack of a national housing framework*** brought about numerous problems in the country's housing delivery. There is lack of clear focus and overall responsibility for planning and coordination of housing development at the national, regional and district level in Ghana. As a result, government housing institutions are very fragmented leading to small pockets of projects all over the country with insignificant impact in resolving the country's housing backlog. Coordination among the shelter agencies were a major problem notwithstanding the lack of budget and administrative capacity to carry on housing programs as there were no strategies to mobilize resources within the institutions.

The absence of a national housing framework also led to the ***neglect of the rental housing sector's role in the delivery of housing***. The only institution established in relation to supporting the rental housing sector is the Rent Control Department under the Ministry of Works and Housing yet this institution's scope is also limited only to landlord-tenant

conflict resolutions. Thus, rental housing in Ghana has really been neglected both in policy formulation and in program implementations.

Currently, there is an initiative from the Ministry of Works and Housing together with other national planning institutions to work out a National Shelter Policy. But this is still in the early stages of its formulation and as the MWH deputy director Teresa Tufuor said *“it still has a long way to go before it gets approved in the parliament”*. Although rental housing has been recognized in the draft document, the strategies being mentioned are very limited. There is still a need to have an overall analysis on the national rental housing situation to be able to formulate strategic plans and programs for this specific housing sub-market.

The Rent Control Act

Rent control has a huge impact on the supply of rental housing across the country. As a result of this law, landlords were de-motivated to invest more on supplying rental housing. MWH Deputy Director Teresa Tufuor said that the law has acted as a disincentive to the expansion of rental housing across the country leading to a very low incidence of new construction.

Through the Rent Control Department, the law is in the process of revision and the salient points of the amendments are elaborated in Box. 3. (Government of Ghana, 2005)

Box 3: Proposed Decontrol of Rent Distribution

It is concluded that gradual decontrol could have a positive effect on the local housing market, particularly if decontrol is implemented together with a package of reforms designed to remove other constraints (finance, land, infrastructure, materials) affecting the housing sector. The gradual decontrol would be achieved through the following:

- Exempting all new construction from rent control which will in the short term encourage new construction. Similar exemption could be applied to improvement of existing housing to encourage improvements in conditions without adversely many existing low-income tenancies;
- A combination of indexation of increases with a gradual relaxation of controls that applies uniformly across sub-market will be implemented. This gradual relaxation should include a commitment to eventual decontrol of all units by setting a fixed date for the removal of all controls somewhere between six to eight years in order to assure landlords that new construction will be a good investment.

Decontrol would give landlords a 2.5 to 5 percent return on investment which (while low by standards in developing countries) could be expected to encourage new construction and investment opportunities.

Kumasi Rent Control Officer Cobbina further said that in the revised law, advance payments are allowed until 2 years compared to the original allowable time of 6 months.

Despite the fact that the law has not been revised and is still in the process, the policy initiative of the government to remove identified constraints in the supply of housing would certainly facilitate more investments by the small-scale landlords.

5.3.2 Government Programs

To date, there *are no national government programs to support individual household builders in Ghana*. Currently, the government is implementing the Affordable Housing Project in five major cities including Kumasi but this project is targeted to low income earners in the public sector. It aimed to provide 5,000 apartments to public servants. Hence, the project does not reach a significant number of low income families in the country.

Locally, the Department of Rural Housing (DRH) in Kumasi launched three years ago their *Rural Housing Assistance Program*. This project is tailored to *individual household specifically low income families*. It is a loan assistance program for households who undertake rehabilitation of compound houses and/or expansion of rental units. The fund releases are soft loans to individual households. Approximately 13 compound houses with 35 rooms were rehabilitated through this program since the project was launched. Cost recovery was slated at 15% according to the loans officer of the Department of Rural Housing. However, the Kumasi DRH officer Appiah said that this project has reached out very few families and the continuity depends on the availability of funds. Unfortunately, the project has temporarily stopped this year due to lack of funding.

5.4 Constraints and Challenges faced by Small Landlords

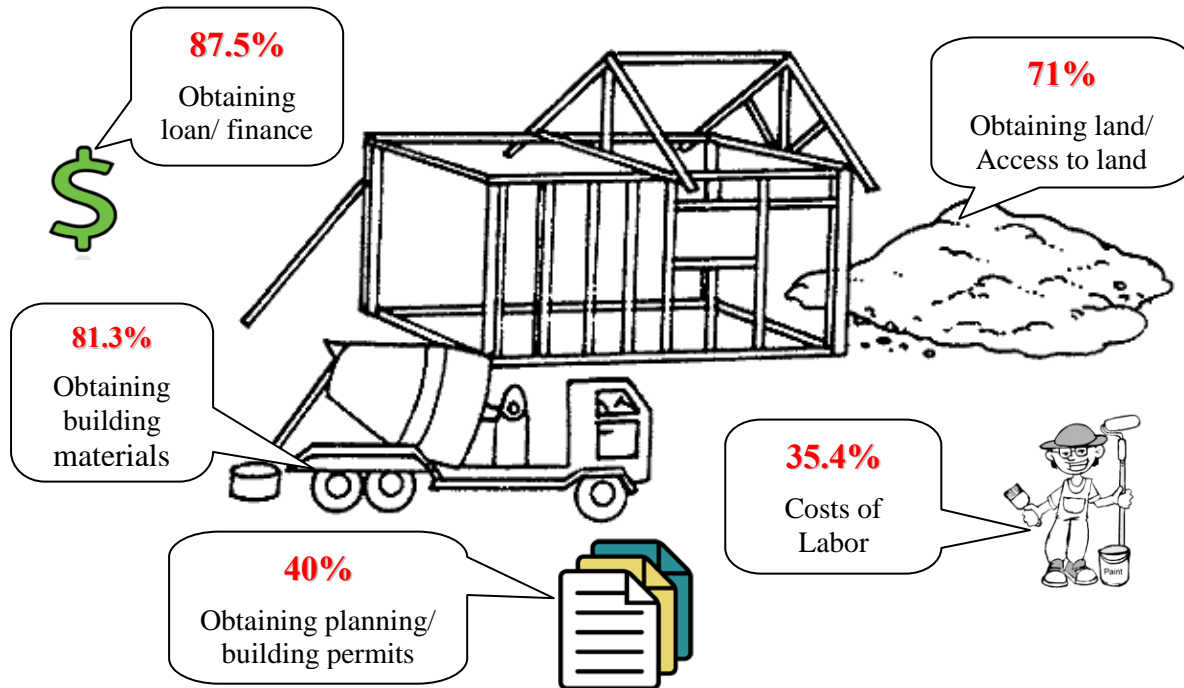
This section will specifically answer the second sub-question of this study which is:

What are the factors that affect the small-scale landlords' decision to expand/ not expand their rental housing stock?

To recall, majority (73%) of the landlords in Ayigya express high level of desire to expand their rental units. Yet the landlords shared during the FGD that there are a number of factors which could hinder them to undertake expansion. Aside from the challenges faced by the landlords due to the lack of government programs and policy supporting them, the landlords identified potential problems they will encounter in undertaking improvements and/or expansion. These are:

- ✓ ***Lack of finance***
- ✓ ***Obtaining land.***
- ✓ ***High costs of building materials and labour.***
- ✓ ***Obtaining planning and building permits.***

The results from the FGD are further validated from the results of the landlords' survey whereby the landlords are asked to check the potential problems they expect to encounter when expanding their rental stock. Since multiple responses are possible in this question, the total percentage will not necessarily add up to 100%.



It is evident from these responses that obtaining finance, land and building materials are the three major potential constraints they expect if they add more rental units. Although obtaining labour and building permits scored less, these two factors still influence the decisions of landlords when it comes to making investments.

5.4.1 Obtaining Finance for house expansion/ improvements

The major stumbling block identified by the landlords is *financing*. From my in-depth interviews with landlords, only one out of the seven landlords borrowed from a bank for house improvement. Most of the money used by landlords who have added rooms came from their savings, salary from formal employment, income from self-employment and all of them have borrowed money from family members.

The landlords pointed out two major reasons for not accessing loans from a bank:

1. ***Interest rates are very high ranging from 33% to 35%***
2. ***They were not eligible for loans for reasons that they don't have a steady income or that they couldn't present the needed collateral by the banks.***

It must be noted that most of the sampled landlords are self-employed doing petty trading activities, hence, monthly income are also irregular. Informal lenders around Kumasi are offering 15% per month lending rates which is even higher than the bank that makes it impossible for a landlord to pay back.

It is evident in the ROI that rental income is very small and cannot be used as a form of collateral to formal institutions. *With less than 2% ROI, the landlords fully need and interest subsidy from government.* Landlords shared that they are comfortable in paying for a loan with 10% interest.

Hence, government interest subsidy can somehow be in the range of 23-25% which is more or less covering for the inflation rate of the country.

Landlords further say that they prefer short term financing that is enough to cover expansion of 1 to 3 rooms than long-term financing. They fear that if they have long-term loans, they may not be able to sustain the payments since they couldn't project accurately the rent income; hence, the risk of defaulting from payments are very high.

5.4.2 Obtaining Land and/or Access to Land

Across Ghana, the problems of obtaining land and/or access to land has been identified by government as well as private house builders as a major constraint next to financing. The Ministry of Works and Housing handles a significant number of land litigation cases per year. Most of these cases are related to multiple allocations by the customary chiefs; complexities of title transfer; and boundary disputes. The indeterminate boundaries of stool lands are a direct result from lack of reliable maps and plans as well as the use of unapproved, outdated and inaccurate maps. (Government of Ghana, 2005)

Most land transactions are unregistered and the operations of land and property markets in Ghana are largely informal with less than 10% of land allocations by customary chiefs being registered. The result of the weaknesses in the country's land management system is the unprecedented market distortions in the land prices. Mahama (2004) concludes that the land prices in Ghana prohibited 65% of the housing population in entering the housing market. This shows the magnitude of the un-affordability of land prices.

The findings from the secondary data gathered are further strengthened by the results of the primary data gathered from the research area. One of the landlords shared that he is scouting for a land to buy outside Ayigya and for a 400m² un-serviced plot the price ranges from 25,000 Gh¢- 30,000 Gh¢ (€12,000-15,000). Computing based on the current daily minimum wage⁶ of 2.65 Gh¢, it would take an ordinary Ghanaian *30 years to service a loan of 25,000 Gh¢ excluding interest and committing the entire salary to it*. This clearly shows that majority of Ghanaians cannot afford land ownership in the country.



Furthermore, the results of the survey show that security of tenure is not a huge constraint in Ayigya. Ninety-four percent (94%) are landowners, meaning that they obtained a usufruct agreement to use the land for 99 years. What landlords identified a major constraint in relation to land is the ability to expand/extend the current land area. ***Most of the land in Ayigya are built up***; hence, the only way for landlords to expand their rental stock is through vertical extensions.

⁶ Daily minimum wage data is taken from the Ministry of Finance and Economic Planning of Ghana website which is <http://www.mofep.gov.gh/news060409.htm>

However, the landlords recognize that vertical extensions are very costly considering that the foundations of the structure are not built for multi-storey building. This means that they will have to increase their capitalization on construction costs.

5.4.3 *Obtaining Building Materials and Labour*

The concern raised by the landlords during the in depth interviews is not more on the availability of the building materials as they can easily find construction suppliers in the city centre of Kumasi. The challenge is much more on *the rising costs of building materials especially cement and the steel bars used for the foundations*.

In general, the most favoured type of building materials used by the landlords and house builders are cement products. However, these products are not wet-cured but rather directly exposed to the sun to speed up the drying process which reduces the strength as revealed in Tipple's (1999) study.

Corrugated aluminium has replaced corrugated galvanized iron as a roof cladding material of choice in most house builders in Ghana.



In Ghana, there is still an overdependence on external markets particularly for building materials. Most building materials used in building construction are imported materials; hence, the prices can readily shoot up depending on international market movements. This including the lack of government intervention in organizing the building industry contributed to the unending price hike of building materials.

Landlords reveal that if government can provide subsidies and/or provide more information on alternative building materials, it would ease up their problem on building materials. When asked about the acceptability of bamboo as an alternative construction material during the FGD, the landlords express high level of interest but claim that they don't have the capacity to treat the bamboo so it can last for years. Government they say must inform them of new ways or alternatives in building construction so that they can lower their costs.

Like availability of building materials, construction labour is relatively easy to find around Kumasi and even around Ayigya. Unskilled labour can be hired by house builders through advertising verbally around the area or by contacting friends who knew people engaging in this kind of job while skilled labour is typically engaged by recommendation. The sampled landlords shared that they seldom hire skilled labour like architects and engineers as this would increase their capitalization. Most of the landlords rely on their own knowledge as well as ask friends who can input some ideas on building construction. Although labour scored less from the landlords' survey, the FGD participants revealed that this too is an important challenge for them as costs entailed on paying for labour still adds up to more capitalization.

5.4.4 Obtaining Building Permits/ Planning Regulations

The main planning law guiding the physical development in Ghana is the Town and Country Planning Ordinance of 1945 and was further superseded by the enactment of the Local Government Act of 1993. The Local Planning Authority, also popularly known in Ghana as the District Assembly, has the power to make plans, regulate land uses, receive applications for permission to develop and erect building, remove structures which contravene regulations, and levy fines for people who violate the law. This particular law, although powerful when it comes to control, are viewed by most housing academicians and researchers in the country as ***not capable of enabling housing investment***. (Tipple et al., 1999)

Although there have been undergoing efforts to revise the building regulations in the country, the old codes still apply. In Kumasi, minimum sizes for plots are set at 232m² in central Kumasi while 335m² in the new areas being developed. In the city's Outline Town Planning Scheme, most of the city was included in an area designated "B" in which plots should be no less than 440m² with a maximum coverage of 30%. Outlying villages can be developed with plots of 370m² and 60% maximum coverage. In practice, building inspectors and planning officers used one-third coverage as a rule of thumb. ***Covered space is defined to include enclosed open spaces such as courtyards so that compound houses do not qualify and are, therefore, illegal***. Officers from the Kumasi Metropolitan Planning Office (KMPO) shared that they did not approve of compounds not only on the ground of plot coverage, but also because they are not in-favour of multi-occupation. This kind of an attitude does not at all support the Ghanaian culture of multi-habitation.

This particular issue of not relevant and realistic building and planning regulations is a potential constraint on the side of the small landlords particularly more for those who wanted to construct vertical extensions. The landlords shared further during the FGD that there is just too much of hassle in applying for building permits that most of the time they decide not to get it and just continue constructing informally as they shared that building inspectors does not come often to check on their houses anyway.

The bureaucracy in obtaining building permits in from KMPO as well as the unrealistic building regulation is clearly affecting the decision of landlords to expand or construct extensions.

5.5 Chapter Conclusions

The research findings and analysis presented in this chapter provide all the information needed to achieve the objectives of the study.

It is found out that ***Subsistence Landlords*** comprise the bulk of the population of small-scale landlords in Ayigya. ***Majority of the landlords use rental income as supplementary for everyday needs***. Management is taken by the landlords themselves with a certain level of business-like style but there is a need to improve their management capacity. There is relatively good relationship with tenants brought about the long years of tenants stay in the building and by a rather familial way of managing by the landlords. ***Access to services in the rental units are generally of poor*** with the absence of basic services like water, toilet, and kitchen.

Rent levels are not elastic mainly influenced by *the affordability of the target market, rent control act, size of the rental units, services offered, and location*. Returns on investments are very low; thus, rental income is very small in relation to the house cost.

The lack of national housing policy framework brought a lot of problems in the country's housing delivery. As a result, rental housing is unrecognized and there were no government programs to support house builders and/or landlords in the country. Thus, there is an urgent need to craft a national housing policy which recognizes rental housing and multi-habitation as alternative options for the majority of the population in the country.

In general, landlords in Ayigya have a high level of desire to expand rental housing stock but they have identified potential constraints when they undertake extensions and/or improvements namely:

- ❖ Lack of finance
- ❖ Obtaining land
- ❖ Obtaining building materials and labor
- ❖ Obtaining building permits
- ❖ Unrealistic planning regulations

The main support mechanisms for small landlords mentioned in this chapter are interest subsidies for accessing finance for expansions and house improvements, decontrol of rent distribution, organization of the building industry and the formulation of a national rental housing framework.

Chapter 6

Conclusions and Recommendations

6.1 Research Conclusions

6.1.1 Nature of Landlordism in Ayigya, Kumasi

This study concludes that majority of the suppliers of rental accommodation in Ayigya are *private small-scale landlords*. The most prominent type of landlords in the area is the *Subsistence Landlords* wherein the major motivation is augmenting the household income and to house family members. Hence, renting is not treated fully as a business.

Resident house landlords comprise bulk of the landlords' population which also explains why most landlords manage the rental stock themselves. Generally, the rental activities are undertaken on a certain level of a business-like manner as proven by the presence of written contract agreements and the taking of deposits for securing possible damages and defaults. However, the absence of record keeping shows that there is a need to develop the capacity of the landlords to manage the rental stock.

Rental levels are influenced by five factors namely: *affordability of the target market, rent control act, size of the rental units, services offered, and location*. Despite the many factors that influence the setting of the price, *rental prices are not elastic* brought about by the rent control law and the affordability of the target market. Majority of the rental stock being provided are rooms in a compound house with average room size of 9-10m². Overcrowding characterized much the rental housing stock in Ayigya with three to four people occupying one room while *access to services like water, toilet and kitchen are generally poor*. *Landlord and tenant relationship are generally good* characterized by a familial way of dealing with conflicts. Evictions are uncommon since the way landlords deal with problems on collecting rents or maintenance issues is through verbal and written warning.

The landlords in Ayigya have a *high level of desire to expand their rental stock* as evidenced by the improvements and extensions done in the past two years. This manifests that these subsistence landlords can move on into the next category which is the petty-bourgeois landlords if certain constraints are removed and certain level of support are provided to them.

6.1.2 Constraints and Challenges of Small Landlords

Despite the high level of interest to add more rental units, the landlords identified the following hindering factors:

- ❖ Lack of finance
- ❖ Obtaining land
- ❖ Obtaining building materials and labor
- ❖ Obtaining building permits and unrealistic planning regulations
- ❖ Absence of government support
- ❖ Presence of Rent Control

Financing is the major stumbling block identified by landlords. Two main reasons hinder them from accessing loans/credit namely: high interest rates ranging from 33%-35%; and strict eligibility criteria from formal institutions. Likewise, horizontal expansion under the current land area owned by the landlords is very difficult; thus, posing a huge challenge to undertake vertical extensions and/or buy new land for construction. The high prices for serviced land in Kumasi also inhibit the landlords to invest on new constructions.

The high cost of building materials especially the cement products is on top of landlords' list of constraints. The lack of government institution to organize the building industry affects the uncontrolled price increases. Hence, there is an urgent need for government to make interventions and organize the building industry. Small landlords are further open to the idea of alternative building materials to lower construction costs as long as complete information on how to use the materials are being provided.

The current building regulations restrict the construction of traditional compound house by regarding the courtyard space as built up area rather than part of the open space. This kind of regulation must be amended to give way to a more realistic regulation since traditional compound houses are the dominant housing typology in Ghana. The study also concludes that landlords view the hassles they face in obtaining permits as a factor that decreases their motivation to make new constructions as well as making the construction formal. There is then a need to review existing procedures of the District Assembly in issuing building permits and streamline some steps if needed.

Adding to the challenges the landlords' face is the lack of government support. This is brought about by the lack of a national housing policy which could provide the country's shelter agencies direction towards the creation of support programs for house builders. Thus, crafting a national housing policy that recognizes the value of rental housing is a necessity.

6.1.3 Support Mechanisms for Small Landlords

In general, the study concludes that it is necessary for the Ghanaian government to enable the supply of rental housing led by small scale landlords in order to catch up with the increasing demand of rental accommodation in the country. By removing the constraints faced by the small-scale landlords, the production and management of rental units by this group of rental housing suppliers will increase.

Such enabling instruments could include:

- Gradual decontrol of rent distribution;
- Financing schemes targeted to low-income households for increased access to housing loans/ credit either through private community development banks or micro-finance institutions;
- Access to affordable serviced lands;
- Neighbourhood and/or Settlement upgrading programs to encourage landlords to add more rental units;
- Tax incentive program such as deduction of expenses associated with the rental property from income and/or property taxes.

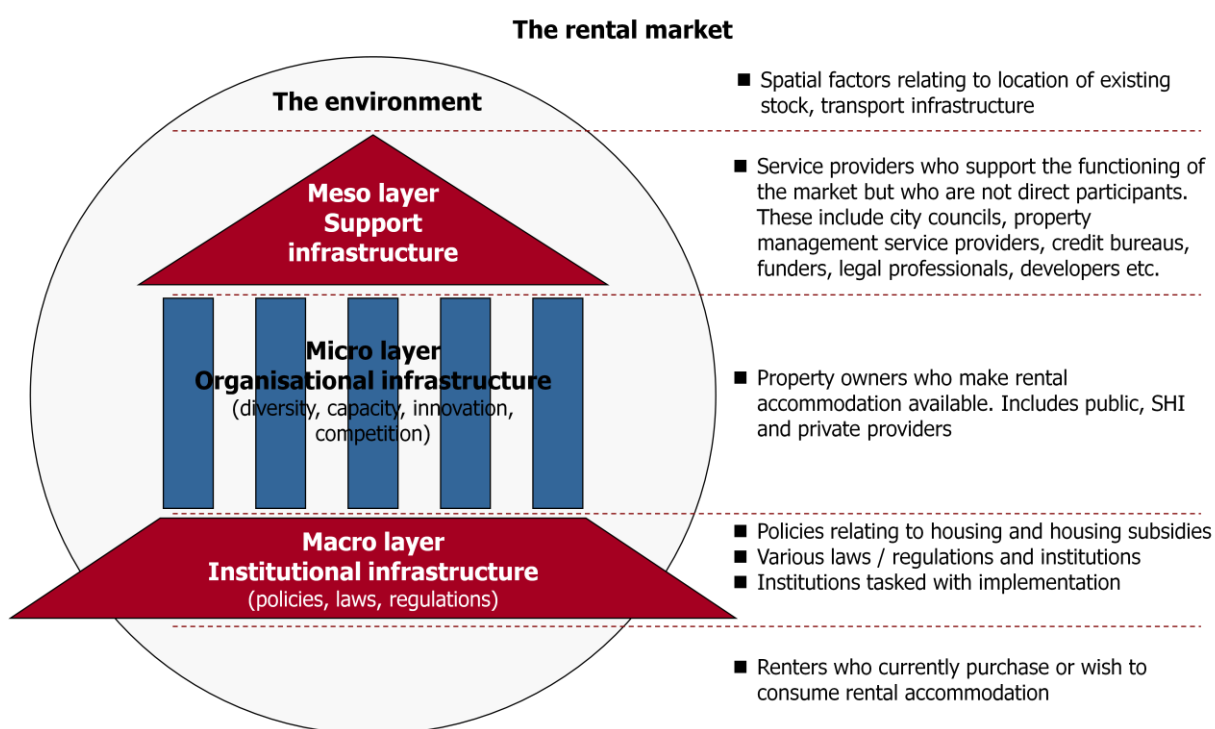
6.2 Recommendations

6.2.1 Rental Housing Analysis and Assessment

A sound and responsive housing policy is based on an accurate and clear data of what is happening in the rental housing sector. The Social Housing Foundation (SHF) in South Africa is one of the leading institutions in the country carrying out a wide variety of studies in rental housing. SHF provides a useful conceptual framework (as shown in Figure 9) to guide the assessment of rental market which can be very useful to the Ministry of Works and Housing in Ghana and/or other research institutions in the country. The main objectives of the research undertaking are to:

- Gather an overview of the rental market including a comprehensive analysis of supply and demand;
- Identify factors that encourage and/or inhibit the growth of rental housing; and
- Assess existing housing policies which has an impact the rental housing market.

Figure 9. Conceptual Framework for Rental Housing Assessment



Source: SHF, 2008 *The Rental Market in South Africa*

6.2.2 Strengthened Coordination among Housing Institutional Bodies in Ghana

Research findings highlighted the need for government institutions directly involved in housing provision to have a clear focus and clear definition of institutional roles to ensure an integrated approach to housing development. It is then recommended that the Ministry of Works and Housing, being the lead agency in housing, to initiate discussions and formulate a clear delineation of responsibilities between government housing institutions.

6.2.3 Support Measures for Small-scale landlords

Based on the research findings and results of the case studies, the following support mechanisms could be recommended for the Ghanaian government to stimulate the supply of rental housing by small-scale landlords:

- ✚ **Provide MICRO-CREDIT for small-scale landlords.** Since the small landlords build houses incrementally, small housing loans for house improvements and extensions are most suitable. Landlords already shared that they prefer short term financing than long-term financing. Thus, this type of a support mechanism could very well encourage them to undertake new constructions.
- ✚ **Relax the Rent Control.** Having seen the negative impact of rent control to the supply of rental housing, there is a need to implement a gradual decontrol such as the strategies stated in the Draft National Housing Policy namely: *exempting new constructions from rent control and indexation of increases with a gradual relaxation of controls.*
- ✚ **Undertake Settlement Upgrading Programs.** The Hananasif case in Tanzania shows that provision of infrastructure could positively lead to expansion of rental stock by small landlords. This support mechanism can also be considered by the national and local governments of Ghana. In as much as this kind of a support program requires large amount of money, a joint-venture project with International Aid Agencies, Multi-lateral institutions and/or international organizations like Un-habitat could be explored. A community-based upgrading project could also be explored which takes financial counterpart from the selected neighbourhood to be upgraded.
- ✚ **Modify Planning and Building Regulations.** The Local Planning Authority also known as District Assemblies in Ghana should review the current building regulation which discourages the construction of compound houses. The building regulations can be simplified in such a way that it reflects the real conditions in which people live in Ghanaian towns and cities.
- ✚ **Provide Subsidies to Small-scale Landlords.** As shown by the findings, the small landlords in Ayigya are subsistence landlords and are not rich. Hence, equity consideration as most housing academicians bring up is not really a problem. Subsidies in the context of Ghana can be in the form of Value Added Tax (VAT) exemption on building materials to lower constructions costs or interest subsidy when small landlords will apply for formal financing.

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Annexes

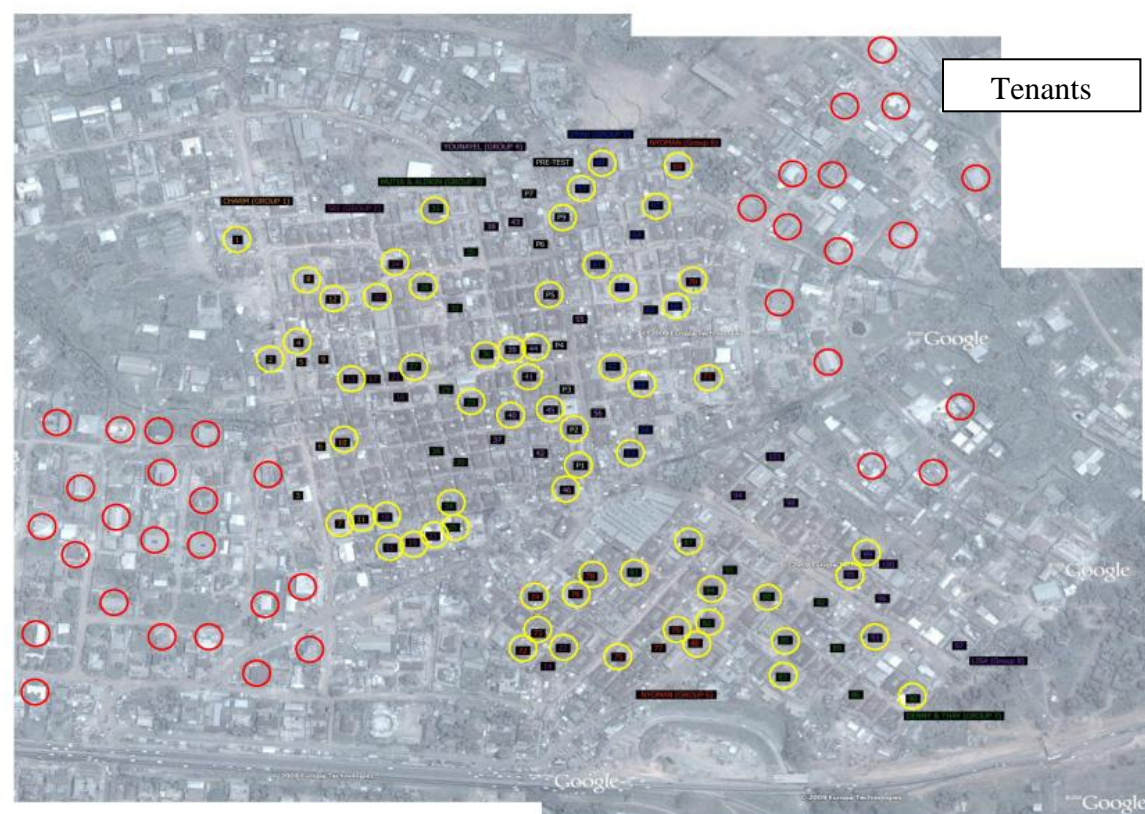
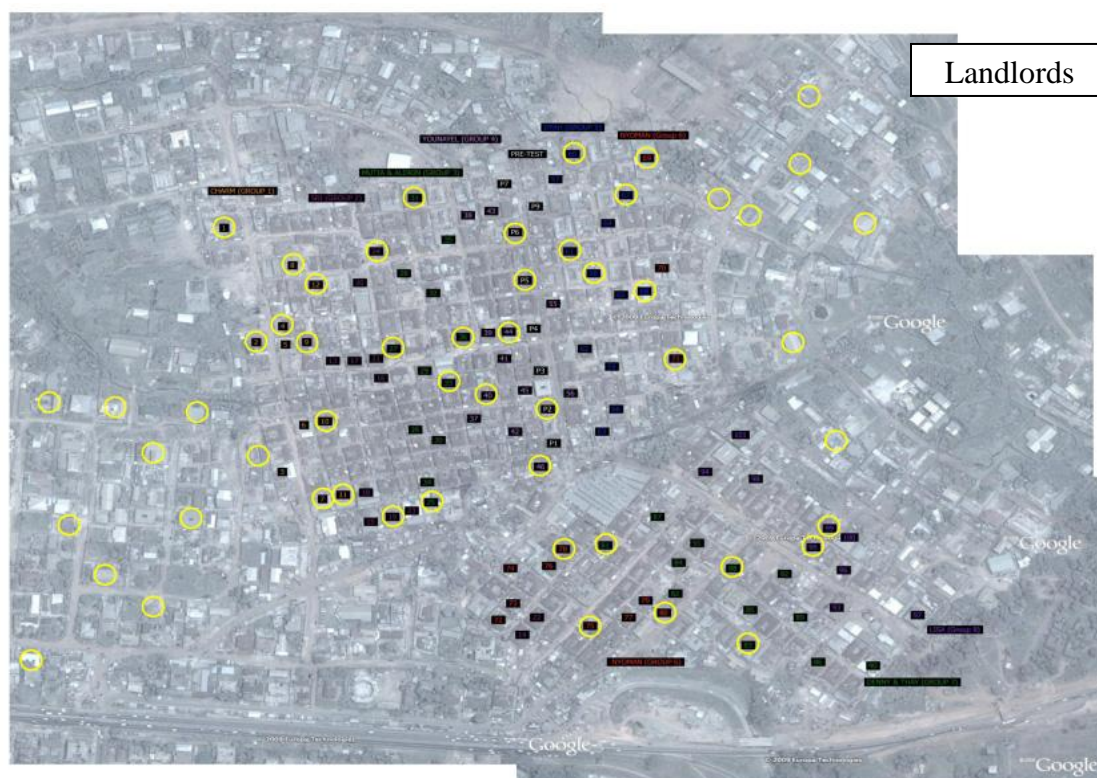
<i>Annex Number</i>	<i>Title</i>
1	Categories of landlords in South Africa
2	Map of Landlord and Tenant's respondents
3	List of Respondent on In-depth Interviews
4	Survey Questionnaires (Landlords)
5	Ghana's Finance Sector: Potential Players to Deliver Housing Finance to Low-to-Moderate Income Households

Categories of Landlords in South Africa

Categories	Sub-sector	Form	Type of Accommodation Provided	Scale
Large corporate landlords registered legal entity	Formal rental	Multiple owner listed or unlisted	Multi unit accommodation complexes	Over 100 units
Small private landlords Multi unit accommodation complexes	Formal rental sub-sector	Single owner or shareholder entity	Multi unit accommodation complexes	Multi unit accommodation complexes
Individual landlords units	Formal rental sub-sector	Private individuals	Separate accommodation	Up to 10 Units
Social Housing Institutions	Formal rental sub-sector	Take various legal forms. Most are registered as Social Housing Institutions with the Social Housing Foundation	Multi unit accommodation complexes	Over 100 units – viability between 1500 to 2000 units
Public rental institutions	Formal rental sub-market	Public agencies (National or local government or publicly-owned Special Purpose Vehicle)	Multi unit accommodation complexes	Over 100 units
Company landlords	Formal rental sub-market	Corporate entities not directly engaged in the housing sector	Company owned houses or apartments	Varies on size of staff
Household landlords	Informal rental sub-market	Individual owners or individuals who offer rental opportunities on and or buildings on the property on which they live	Home room rental, backyard dwellings or site rental	1 to 20 units
Other landlords	Formal rental sub-market	Various miscellaneous types of rental	Temporary accommodation	Varies

Source: (Gordon, 2006) from the Research on mechanisms to support small scale landlords as Entrepreneurs in South Africa

Maps of Landlords' and Tenants' Survey



List of In-depth Interview Respondents

<i>Names</i>	<i>Designation and Office</i>
Mrs. Teresa Tufuor	Deputy Director Ministry of Housing Accra, Ghana
Mr. Kwabena “John” Appiah	Senior Staff Department of Rural Housing Kumasi, Ghana
Mr. Kwabena “Michael” Cobbina	Director Rent Control Division Office Kumasi, Ghana
Kwaku Owusu-Akyaw	Landlord Ayigya, Kumasi
Idrisu Salifu	Landlord Ayigya, Kumasi
Mohammed Kamal	Landlord Ayigya, Kumasi
Kwabena Kusi	Landlord Ayigya, Kumasi
Iddris Suleman	Landlord Ayigya, Kumasi
Andrew Osei	Landlord Ayigya, Kumasi
Akosua Birago	Landlord Ayigya, Kumasi

Landlords' Survey Questionnaire

RESEARCH into MECHANISMS and STRATEGIES to SUPPORT SMALL-SCALE LANDLORDS for increased RENTAL HOUSING SUPPLY in AYIGYA, KUMASI

INSTITUTE FOR HOUSING AND URBAN DEVELOPMENT STUDIES (IHS) ERASMUS UNIVERSITY-ROTTERDAM, THE NETHERLANDS

Purpose of the HH Survey: The purpose of this survey is to gather socio-economic data and basic information on the operations of the rental housing market in Ayigya. The study aims to formulate recommendations on mechanisms and strategies to support the landlords' in Ayigya to expand more rental units. The results of this survey shall be used solely for academic purposes.

Sample Control	Sample Number	
	Date	2009/____/____

BASIC INFORMATION

1. Gender <input type="checkbox"/> Male <input type="checkbox"/> Female
2. What is your age? _____
3. What is the highest level of education that you completed?
(1) <input type="checkbox"/> Did not attend school (2) <input type="checkbox"/> Primary (3) <input type="checkbox"/> Secondary not completed (4) <input type="checkbox"/> Secondary Completed (5) <input type="checkbox"/> College/University (6) <input type="checkbox"/> Others please specify _____
4. Employment Status:
(1) <input type="checkbox"/> Public Servant (5) <input type="checkbox"/> Domestic Servant (2) <input type="checkbox"/> Self-employed (6) <input type="checkbox"/> Employed in a Contract Based (3) <input type="checkbox"/> Unregistered Business, not paying taxes (7) <input type="checkbox"/> Employed by a Company (4) <input type="checkbox"/> Registered Business, paying taxes (8) <input type="checkbox"/> Others, please specify _____
5. What do you rent out?
(1) <input type="checkbox"/> A portion of the land (6) <input type="checkbox"/> Garage (2) <input type="checkbox"/> Room in a house (7) <input type="checkbox"/> Bed (3) <input type="checkbox"/> Flat/Apartment (8) <input type="checkbox"/> Commercial Space (i.e. shops) (4) <input type="checkbox"/> House (9) <input type="checkbox"/> Extended Backyard Rooms (5) <input type="checkbox"/> The Entire Building with all units (10) <input type="checkbox"/> Others (specify): _____
6. How many units do you rent in total? Specify: _____
7. Where do you actually live?
(1) <input type="checkbox"/> In this unit/house/building (3) <input type="checkbox"/> Another city in Ghana (2) <input type="checkbox"/> Other neighborhood in Kumasi <input type="checkbox"/> (4) <input type="checkbox"/> Others (specify): _____
8. Do you own the land where the house and/or building you rent out is located?
(1) <input type="checkbox"/> Yes (2) <input type="checkbox"/> No (3) <input type="checkbox"/> No Answer

<p>8a. If No, who owns the land?</p> <p>(1) <input type="checkbox"/> Government (3) <input type="checkbox"/> Another private individual</p> <p>(2) <input type="checkbox"/> Customary Chief (4) <input type="checkbox"/> Others, please specify, _____</p>
<p>9. How did you acquire the land?</p> <p>(1) <input type="checkbox"/> Bought (2) <input type="checkbox"/> Inherited (3) <input type="checkbox"/> Lease (4) Other means (specify): _____</p>
<p>10. How did you acquire/built the unit?</p> <p>(1) <input type="checkbox"/> Bought (5) <input type="checkbox"/> Used to be my home and I converted it to a rental unit and bought something else to live in myself</p> <p>(2) <input type="checkbox"/> Built by myself</p> <p>(3) <input type="checkbox"/> Tenant built (i.e. shacks) (6) <input type="checkbox"/> Hire a contractor</p> <p>(4) <input type="checkbox"/> Inherited (7) <input type="checkbox"/> Others (specify): _____</p>
<p>11. How does the rental unit supplement your income?</p> <p>(1) <input type="checkbox"/> Main source of income <input type="checkbox"/> (3) <input type="checkbox"/> Future investments</p> <p>(2) <input type="checkbox"/> Secondary income <input type="checkbox"/> (4) <input type="checkbox"/> Others (specify): _____</p>
<p>12. How often do you perform maintenance work in your rental unit/s?</p> <p>(1) <input type="checkbox"/> Annually (5) <input type="checkbox"/> Only when needed</p> <p>(2) <input type="checkbox"/> Every 6 months (6) Others (specify): _____</p> <p>(3) <input type="checkbox"/> Every 4 months</p>
<p>13. What kind of improvement/maintenance have you done in the past 1 year?</p> <p>(1) <input type="checkbox"/> Roofing (5) <input type="checkbox"/> Flooring repair</p> <p>(2) <input type="checkbox"/> Build/fix walls (6) <input type="checkbox"/> Raise/elevate foundation</p> <p>(3) <input type="checkbox"/> Add new rooms/sheds (7) <input type="checkbox"/> Fix doors/windows/ceiling</p> <p>(4) <input type="checkbox"/> Utilities (i.e. water, electricity, etc.) Others (specify): _____</p>
<p>14. What was the main reason why you did maintenance work?</p> <p>(1) <input type="checkbox"/> Tenant complained</p> <p>(2) <input type="checkbox"/> To improve the value of the unit</p> <p>(3) <input type="checkbox"/> To keep the unit in good condition</p> <p>(4) <input type="checkbox"/> Others (specify): _____</p>
<p>15. Do you plan to do improvement in the next 1 to 2 years?</p> <p>(1) <input type="checkbox"/> Yes (2) <input type="checkbox"/> No (3) <input type="checkbox"/> I don't know</p> <p>15a. If yes, what are these? (Respondent may choose more than one answer)</p> <p>(1) <input type="checkbox"/> Roofing (5) <input type="checkbox"/> Flooring repair</p> <p>(2) <input type="checkbox"/> Build/fix walls (6) <input type="checkbox"/> Raise/elevate foundation</p> <p>(3) <input type="checkbox"/> Add new rooms/sheds (7) <input type="checkbox"/> Fix doors/windows/ceiling</p> <p>(4) <input type="checkbox"/> Utilities (i.e. water, electricity, etc.) (8) Others (specify): _____</p> <p>15b. If no, why?</p> <p>(1) <input type="checkbox"/> Lack of money (3) <input type="checkbox"/> Not necessary</p> <p>(2) <input type="checkbox"/> Not profitable Others (specify): _____</p>
<p>OPERATING PROCEDURES</p>
<p>16. How much do you charge per rental unit per month? _____</p>
<p>17. Is electricity and water included in the rent?</p> <p>(1) <input type="checkbox"/> Yes (2) <input type="checkbox"/> No (3) <input type="checkbox"/> No Answer</p> <p>17a. If YES, how do you calculate the water and electricity charges?</p> <p>(1) <input type="checkbox"/> Metered services (2) <input type="checkbox"/> Prepaid (3) <input type="checkbox"/> Set amount per size of unit</p> <p>(4) <input type="checkbox"/> Other ways, please specify _____</p>

<p>18. How often do your tenants have to pay for their rent?</p> <p>(1) <input type="checkbox"/> weekly (2) <input type="checkbox"/> monthly (3) <input type="checkbox"/> annually (4) <input type="checkbox"/> Other way, please specify _____</p>
<p>19. Where do your tenants pay?</p> <p>(1) <input type="checkbox"/> To me (landlord directly) (2) <input type="checkbox"/> Caretaker I have assigned to collect (3) <input type="checkbox"/> To a managing agent I hired (4) <input type="checkbox"/> Other way, please specify _____</p>
<p>20. Do you take a deposit before your tenants move in?</p> <p>(1) <input type="checkbox"/> Yes (2) <input type="checkbox"/> No (3) <input type="checkbox"/> No Answer</p> <p>20a. If Yes, how much?</p> <p>(1) <input type="checkbox"/> One month rent <input type="checkbox"/> (2) <input type="checkbox"/> Half the rent of 1 month <input type="checkbox"/> (3) <input type="checkbox"/> Two months' rent <input type="checkbox"/> (4) <input type="checkbox"/> Others, pls. specify _____</p>
<p>LANDLORD-TENANT RELATIONSHIP</p>
<p>21. Do you have specific target tenants?</p> <p>(1) <input type="checkbox"/> Yes (2) <input type="checkbox"/> No (3) <input type="checkbox"/> I don't know</p>
<p>22. Do you know your tenants?</p> <p>(1) <input type="checkbox"/> Yes (2) <input type="checkbox"/> No (3) <input type="checkbox"/> No Answer</p>
<p>23. Do you have an agreement or contract with tenants before they move in?</p> <p>(1) <input type="checkbox"/> Yes (2) <input type="checkbox"/> No (3) <input type="checkbox"/> I don't know</p> <p>23a. If yes, what type of agreement?</p> <p>(1) <input type="checkbox"/> Verbal agreement (2) <input type="checkbox"/> Written contract/lease (3) <input type="checkbox"/> others, please specify _____</p>
<p>24. What did you agree on? (can mark more than 1 answer)</p> <p>(1) <input type="checkbox"/> Water and Electricity Consumption (5) <input type="checkbox"/> Making changes to the room (2) <input type="checkbox"/> Maintenance Responsibilities (6) <input type="checkbox"/> Security Responsibilities (3) <input type="checkbox"/> The Rent (how much/where & when to pay) (7) <input type="checkbox"/> Notice period for eviction (4) <input type="checkbox"/> Consequences of default (8) <input type="checkbox"/> Terms of Lease (9) Others (specify): _____</p>
<p>25. Is it beneficial to you to have this contract?</p> <p>(1) <input type="checkbox"/> Yes (2) <input type="checkbox"/> No (3) <input type="checkbox"/> I don't know</p> <p>25a.If YES, What were the main problems you experienced in renting out? (mark more than 1 answer if applicable)</p> <p>(1) <input type="checkbox"/> Tenants miss payments and accumulate arrears (2) <input type="checkbox"/> Tenants don't pay the whole rental (3) <input type="checkbox"/> Tenants pay late (4) <input type="checkbox"/> Others, please specify _____</p>

<p>25b. How did you deal with this problem(s)?</p> <p>(1) <input type="checkbox"/> Written warning (2) <input type="checkbox"/> Lock out (3) <input type="checkbox"/> Turn off water and electricity (4) <input type="checkbox"/> Eviction (5) <input type="checkbox"/> Others, please specify _____</p>
<p>26. Have you ever have problems in collecting the rent? (1) <input type="checkbox"/> Yes (2) <input type="checkbox"/> No (3) <input type="checkbox"/> I don't know</p>
<p>27. What do you do when tenants break your agreements? (mark more than 1 option if applicable)</p> <p>(1) <input type="checkbox"/> Nothing (2) <input type="checkbox"/> Written warning (3) <input type="checkbox"/> Give them a fine (4) <input type="checkbox"/> Lock out (5) <input type="checkbox"/> Eviction (6) <input type="checkbox"/> Others, please specify _____</p>
<p>28. Who do you communicate with to ensure proper management of your building/ property?</p> <p>(1) <input type="checkbox"/> The tenants directly (2) <input type="checkbox"/> The caretaker (3) <input type="checkbox"/> The managing agent (4) <input type="checkbox"/> Others, please specify _____</p>
<p>29. Who communicates the most to your tenants?</p> <p>(1) <input type="checkbox"/> I do (landlord) (2) <input type="checkbox"/> The caretaker does (3) <input type="checkbox"/> The managing agent does (4) <input type="checkbox"/> Others, please specify _____</p>
<p>30. What were the main complaints from your tenants? (mark more than 1 answer if applicable)</p> <p>(1) <input type="checkbox"/> No complaints from tenants (2) <input type="checkbox"/> Water and electricity costs (3) <input type="checkbox"/> Unable to pay rent on time (4) <input type="checkbox"/> Unable to pay rent at all (5) <input type="checkbox"/> Maintenance problems (6) <input type="checkbox"/> Security problems i.e. crimes (7) <input type="checkbox"/> Others, please specify _____</p>
<p>31. How easy or difficult is it to find tenants? (1) <input type="checkbox"/> Easy (2) <input type="checkbox"/> Moderate (3) <input type="checkbox"/> Difficult (4) <input type="checkbox"/> I don't know</p>

<p>32. How did you find the tenants that are renting from you now?</p> <p>(1) <input type="checkbox"/> They came to ask me for a unit to rent</p> <p>(2) <input type="checkbox"/> A friend/family referred it to me</p> <p>(3) <input type="checkbox"/> They were here when I bought the unit</p> <p>(4) <input type="checkbox"/> Previous tenant referred the next tenant</p> <p>(5) <input type="checkbox"/> Others, please specify _____</p>
<p>33. Overall, how would you describe your relationship with your tenants?</p> <p>(1) <input type="checkbox"/> Good (2) <input type="checkbox"/> Moderate (3) <input type="checkbox"/> Poor (4) <input type="checkbox"/> No Answer</p>
<p>TYPES OF MOTIVATION</p>
<p>34. What made you decide to become a landlord? (mark more than 1 option if applicable)</p> <p>(1) <input type="checkbox"/> Tenants asked me for available space on my house/building</p> <p>(2) <input type="checkbox"/> I am in ideal location where rooms are in demand</p> <p>(3) <input type="checkbox"/> I needed money (cash flow)</p> <p>(4) <input type="checkbox"/> Good investment opportunity (long term prospects)</p> <p>(5) <input type="checkbox"/> For status/prestige/respect</p> <p>(6) <input type="checkbox"/> For security purposes</p> <p>(7) <input type="checkbox"/> To house family members</p> <p>(8) <input type="checkbox"/> Others, please specify _____</p>
<p>35. Why do you still continue to be a landlord? (mark more than 1 option if applicable)</p> <p>(1) <input type="checkbox"/> Tenants asked me for available space on my house/building</p> <p>(2) <input type="checkbox"/> I am in ideal location where rooms are in demand</p> <p>(3) <input type="checkbox"/> I needed money (cash flow)</p> <p>(4) <input type="checkbox"/> Good investment opportunity (long term prospects)</p> <p>(5) <input type="checkbox"/> For status/prestige/respect</p> <p>(6) <input type="checkbox"/> For security purposes</p> <p>(7) <input type="checkbox"/> To house family members</p> <p>(8) <input type="checkbox"/> Others, please specify _____</p>
<p>36. Which of the following statements best describe your motivation to become a landlord?</p> <p>(1) <input type="checkbox"/> I became a landlord for the purposes of having a <u>long term investment</u></p> <p>(2) <input type="checkbox"/> I became a landlord in order to generate <u>cash on a monthly basis</u></p>
<p>37. Over-all in the last year, would you say you Made money, lost money or Broke Even in renting out?</p> <p>(1) <input type="checkbox"/> Make Money (2) <input type="checkbox"/> Loose Money (3) <input type="checkbox"/> Broke Even (4) <input type="checkbox"/> I don't know</p>
<p>38. Would you like to acquire/ build more rental units?</p> <p>(1) Yes <input type="checkbox"/> (2) No <input type="checkbox"/></p>

38. a If **YES**, what would you like to acquire/build and how many?

Type	How Many
Extra rooms in the compound	
House	
Apartment	
Commercial spaces	
Others, please specify	

39. What in your opinion are the major problems that could hinder you from expanding/improving your units? Please check all that is applicable.

Reasons	Check (if applicable)
Obtaining finance	
Obtaining building materials	
Obtaining land	
Registering land	
Costs of labour	
Obtaining planning and building permits	
Others, please specify _____	

40. What in your opinion would be the appropriate support mechanisms that the government (local and national) should provide small-scale landlords like you? (You can check more than one answer if applicable)

- (1) ☐ Reduce costs of land tax and land registration/ deduct production and maintenance costs from land tax
- (2) ☐ Subsidy on building materials and labour costs
- (3) ☐ Provision of finance for housing expansion and/or house improvements
- (4) ☐ Revision of Rent Control Act
- (5) ☐ Relevant and realistic building and planning regulations
- (6) ☐ Other forms of support, please specify _____

41. Can we contact you again to participate in a follow-up discussion?

(1) Yes ☐ (2) No

41a. If YES,

Please share your contact information below:

Name:

Address:

Contact phone/ mobile phone:

THANK YOU FOR YOUR TIME AND EFFORT!

MEDASE!

Ghana's Finance Sector: Potential Players to Deliver Housing Finance to Low-to-Moderate Income Households

	HFC Bank	Micro-Finance Institutions					
		Rural and Community Banks	Deposit Taking NBFIs	Non-Deposit Taking NBFIs		Other Semi-Formal	
Funding	<ul style="list-style-type: none"> - Deposits - Borrowing - Shareholder funds 	<ul style="list-style-type: none"> - Deposits - Shareholder funds - DACF - SIF 	<ul style="list-style-type: none"> - Deposits - Shareholder funds 	<ul style="list-style-type: none"> - Borrowings - Shareholder funds 	<ul style="list-style-type: none"> - Shareholder funds 	<ul style="list-style-type: none"> - Deposits 	<ul style="list-style-type: none"> - Donors
Capacities	<ul style="list-style-type: none"> • Funding Management • Good admin systems & skills 	<ul style="list-style-type: none"> • Support from ARB • Apex a strength • Accepted in market • Linkages with NGOs, CBOs 	<ul style="list-style-type: none"> • Creative savings Products • Operations are generally sound • Service-oriented 	<ul style="list-style-type: none"> • Niche retail • Rapid service • Systems • Oriented High volume 	<ul style="list-style-type: none"> • Niche retail • Rapid service • Systems • Oriented High volume 	<ul style="list-style-type: none"> • Common bond • Grassroots collection experience 	<ul style="list-style-type: none"> • Grassroots collection experience • Other non-credit Support
Risks	<ul style="list-style-type: none"> ✓ Increase ROE ✓ Liquidity risk ✓ Market risks ✓ Credit risk ✓ Reputation risk ✓ Developer risks 	<ul style="list-style-type: none"> ✓ Funding risk ✓ Credit risk ✓ Weak Capitalization ✓ Weak operations ✓ Agriculture market exposure 	<ul style="list-style-type: none"> ✓ Funding risk ✓ Credit risk ✓ Capitalization ✓ Cost of services 	<ul style="list-style-type: none"> ✓ Pressure for RoE ✓ Funding risk ✓ Credit risk ✓ Market risk 	<ul style="list-style-type: none"> ✓ Market risk ✓ Credit risk ✓ Capitalization 	<ul style="list-style-type: none"> ✓ Funding risk ✓ Credit risk ✓ Operations risk 	<ul style="list-style-type: none"> ✓ Credit risk Cost structure ✓ • Donor fatigue
Motivations to focus on low income	<ul style="list-style-type: none"> - Social responsibility - Profitability of mass market - Develop secondary market 	<ul style="list-style-type: none"> - Restricted by catchments - Rural low-income people are their client base 	<ul style="list-style-type: none"> - Profitability of mass market - Customer loyalty 	<ul style="list-style-type: none"> - Appropriately structured for large scale - Prices for credit risk, profit and cost 	<ul style="list-style-type: none"> - Attraction of mass market 	<ul style="list-style-type: none"> - Benefits of members 	<ul style="list-style-type: none"> - Development Oriented

Main Approaches	Target Market	<ul style="list-style-type: none"> • Mid-high net worth borrowers • Formally Employed • Employers • Ghanaian expats 	<ul style="list-style-type: none"> • Moderate-very low income • Formally employed • Informal clients of <i>Susu</i> collectors • Agricultural workers/farmer 	<ul style="list-style-type: none"> • Low – moderate Income • Formally /informally employed 	<ul style="list-style-type: none"> • Low-moderate Income • Formally employed 	<ul style="list-style-type: none"> • Formally/informally employed • Businesses importing equipment& goods 	<ul style="list-style-type: none"> • Members with capacity to save • Workers 	<ul style="list-style-type: none"> • Mostly rural farmers and workers • Women
	Main Products	<ul style="list-style-type: none"> *Mortgage loan *Home equity *Commercial loans to SMEs *REIT/unit trust & other savings products 	<ul style="list-style-type: none"> *Individual & group savings products *Seasonal, short-term cash loans secured by savings *Small-scale farming/agriculture 	<ul style="list-style-type: none"> *Individual & group savings products * Short-term cash loans secured by savings * SMEs 	<ul style="list-style-type: none"> *Short-to-midterm unsecured cash loans *Education, consumer loans 	<ul style="list-style-type: none"> *Hire Purchase loans for equipment & consumer goods *Supplier credit 	<ul style="list-style-type: none"> *Work-based savings products *Short-term cash loans secured by savings 	<ul style="list-style-type: none"> *Savings products *Seasonal, short term loans secured by savings
	Estimated avg. loan sizes, terms & TCOC	\$8,000 <ul style="list-style-type: none"> • 11 years • 32%-42% 	\$56-\$120 (individuals) <ul style="list-style-type: none"> • 6-9 months • \$120-\$1,200 (groups) • 32%-42% 	\$35-\$120 (individuals) <ul style="list-style-type: none"> • 6-9 months • \$120-\$1,200 (groups) • 32%-75% 	\$35-\$150 <ul style="list-style-type: none"> • 6-9 months • 55%-85% 	Unknown	\$153 <ul style="list-style-type: none"> • 9-12 months • 30%-40% 	\$50 <ul style="list-style-type: none"> • 4-12 months • 32%-75%
	Primary Collection Method	<ul style="list-style-type: none"> ✓ Payroll deduction ✓ Debit current accounts ✓ accounts 	<ul style="list-style-type: none"> ✓ Debit savings accounts Cash/check collection ✓ collection 	<ul style="list-style-type: none"> ✓ Debit savings accounts ✓ Cash/check collection Payroll deduction 	<ul style="list-style-type: none"> ✓ Payroll deduction/ cash 	<ul style="list-style-type: none"> ✓ Payroll deduction ✓ Cash collection 	<ul style="list-style-type: none"> ✓ Cash collection ✓ Payroll deductions 	<ul style="list-style-type: none"> ✓ Cash collection

