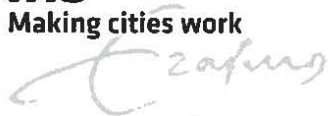


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MSc Programme in Urban Management and Development

Rotterdam, The Netherlands

September 2018

Topic:

Property Management in Rental Housing Investment in Ghana.

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UMD 14

**MASTER'S PROGRAMME IN URBAN MANAGEMENT AND
DEVELOPMENT**

(October 2017 – September 2018)

Title

Property management in rental housing investment in Ghana.

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Country

Ghana

Supervisor: Ellen Geurts

UMD 14 Report number: 1154

Rotterdam, September 2018

Executive Summary

Calls for housing rights have heightened in recent times partly due to the unequal share of housing across all segments of society. The situation is not different in Ghana's Greater Accra region as many private real estate companies (PREC's) prefer homeownership investment over rental as established by current research evidence and observation. Increased homeownership supply further re-enforces housing inequity and ensures that low and middle income earners are priced out of the formal housing market. The PRECs consider both housing options critically and objectively before deciding which one to invest in. The task of property management associated with rental housing investment has been established as constituting a huge burden to investors and may influence their investment decisions. This study sought to explain why these private real estate companies show immense apathy towards rental housing investment and to assess the extent to which property management influences such decisions.

The study adopted a co-variation case study research design, with a single case of PRECs. A total of six (6) PRECs were selected for interviews by means of Purposive Sampling method. Additionally, thirty-five (35) companies were selected using Stratified Random Sampling method and served with questionnaires to gather quantitative data. A method of Triangulation was used to help achieve high validity and reliability. Results obtained from the fieldwork were analysed qualitatively and presented in the form of in-depth discussions and supported with quantifiable data.

Findings revealed that, the limited rental housing investment among the companies was because of the numerous risks associated with it. The PRECs take prime notice of 'risks and preferences' when taking investment decisions concerning housing supply. These risks include; high vacancy rates, uncertainty with rent payments, difficulty in finding the right tenants, and poor attitude of tenants towards maintenance. The private real estate companies are critical about these challenges because they may threaten their expected profits.

Rental housing investment requires huge administrative and technical commitment towards property management, and hence extra funds may have to be put aside for such purposes. Many PRECs adopt a combination of in-house and outsourcing approach for property management purposes. They develop the housing units, offer them out for sale and position themselves to accept the responsibility of managing the sold out units on behalf of the new owners. In that case, all the risks are transferred to the new owners and through this, a hybrid form of supply is made. The PRECs find homeownership investment as an avenue to recoup their initial capital in the shortest possible time.

The study concludes that, in order to increase rental housing investment among the companies, a good property management sector is needed. Government of Ghana's enablement strategy in housing production and delivery should focus on minimizing the risks associated with Ghana's rented sector and also empowering housing market institutions to stimulate rental housing supply. This includes putting structures in place to improve landlord and tenant relationships as well as enforcing regulations of the rental sector progressively. The study maintains the position that, rental housing is the most appropriate option for dealing with housing challenge in rapidly urbanizing cities. It is crucial to balance the housing options in the market to ensure that all segments of society as served adequately, depending on their financial capacity.

Keywords

Housing Tenure options, Investment Decisions, Property Management, Rental Housing Investment, Enablement Theory, Affordable Housing

*Investment decisions towards rental housing supply among private real estate companies in Greater Accra,iii
Ghana*

Acknowledgements

Glory be to God Almighty and our Lord Jesus Christ for the abundant Favour, Grace and Blessings showered upon us each and every day. I would not have successfully completed this theses without Him and I am thankful. A big thank you also to Bishop Samuel Antiri of Covenant Word Assemblies of God Ministries, in Rotterdam for his spiritual support and guidance.

I would like to express my deepest appreciation to my supervisor Ellen Geurts for her most insightful inputs and guidance throughout the theses period. May you continue to succeed in all your endeavours. I also want to say a very big thank you to Prof.dr.ir. M.G. Elsinga who was my co-supervisor for her direction and guidance. I appreciate the time spent on this theses despite her busy schedule. Again to Dr Alonso Ayala, Dr Maatje Van Eerd and all the participants of the Urban Housing, Equity and Social Justice (UHES) specialization for their comments during the colloquiums.

To the Research Assistants of the Department of Land Economy, Kwame Nkrumah University of Science and Technology, I want to say I appreciate your time and assistance with the fieldwork. Your participation in the data collection made it possible for this theses to be completed within the time allotted for it.

A heartfelt gratitude to my mother Comfort Y. Mensah, for her immense support throughout my life. To my Dad Mr. John Swanzy-Impraim for his care and support. To my siblings; Solomon, Harriet, Enoch and Jesse for their continuous support, prayers and motivation.

Another appreciation goes to the Dutch Government for the Netherlands Fellowship Program (NFP) which provided the needed financial support throughout the masters' period.

Abbreviations

BoG	Bank of Ghana
EURQP	Erasmus University Rotterdam Qualtrics Platform
GAR	Greater Accra Region
GREDA	Ghana Real Estate Developers Association
GSS	Ghana Statistical Service
GSSAR	Ghana Statistical Service Analytical Report
ID	Investment Decision
MDGs	Millennium Development Goals
MFEP	Ministry of Finance and Economic Planning
MWH	Ministry of Works and Housing
PM	Property Management
PRECs	Private Real Estate Companies
PRH	Private Rental Housing
SDGs	Sustainable Development Goals
UHES	Urban Housing, Equity and Social Justice
UNCED	United Nations Conference on Environment and Development
VAT/NHIL	Valued Added Tax/National Health Insurance Levy

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Chapter 1: Introduction

1.1 Background of the Study

Housing investors generally expect profitable returns on their investments and therefore make investment decisions based on critical and objective assessments (Gilbert, 2003). The decisions they take concerning the type of housing tenure (homeownership or rental), are often critically dissected and driven by certain motivations. Existing literature demonstrates that, small scale landlords and large scale investors have different motivations towards housing investments (Nercua and Bongwa, 2009). Small scale landlords tend to have wider range of motivations than large scales investors. Research conducted by (Gilbert, 2012b, Gilbert, 2003, Aina, 1990) reveal that, many small scale landlords invest in housing for survival, income supplement and sometimes as a business strategy. These motivations however differ from landlord to landlord and are context-specific.

In developing countries, research about motivations of large scale housing investors have received minimal attention. Very little is known about the driving factors which influences these investors, to invest in housing. Existing studies found about Ghana, centred on understanding how institutional investors like pension schemes, insurance companies, housing fund managers and organizations provide housing for their members. With the influx of private real estate companies into Ghana, there are new insights to be understood about their motivations as investors, and how that translate into the housing products they put on the market. For the purpose of this study, large scale investors are private real estate companies which hold investment media in housing.

Ghana's housing stock appear to be tenure biased, as it is mainly dominated by homeownership. Statistical records show that, privately produced houses form about 80% of the total housing stock while 20% are publicly produced (Intsiful, 2004). Majority of households build incrementally with the help of local artisans, without any form of credit facilities. Some successfully complete their houses with support from family and friends (Tipple and Korboe, 1998). Another common phenomenon is when landlords utilize their unused backyard spaces to make extensions which they rent out to tenants. Housing production in Ghana, takes a more bottom up approach than a top down delivery. This may have been caused by certain neoliberal economic policies.

During the last quarter of the 20th century, many governments around the world withdrew from directly supplying housing and shifted to facilitating the housing market to work by itself. In Ghana, factors such as financial constraints and increased population, influenced the decision of government of Ghana to withdraw from direct provision to rather support the private sector to supply housing. This situation has not changed much, as it still exist in contemporary times. Ghana's National Housing Policy of 2015 has one of its main policy directive to strengthen ties with the private sector towards the provision of affordable rental housing.

Private sector participants in the housing market have tremendous influence on housing policy outcomes (Hawtreay, 2012). These participants include real estate agents, developers, architects, master builders, landlords and so many others. Over the past decade, many tax-incentives have been given to private real estate companies to attract investments in the housing sector. Through fiscal policies, the government of Ghana caused a reduction in corporate tax from 55% to 45%, five years tax holidays, exemptions from stamp duty on housing transactions, a reduction on sales tax from 20% to 10% (Arku, 2009). More recently, government of Ghana, is facilitating smooth land acquisition process for these companies, by giving its full support

Investment decisions towards rental housing supply among private real estate companies in Greater Accra,1 Ghana

on land banking, especially in the capital city, Accra. There are also on-going discussions about establishing a housing fund to stimulate the supply of affordable rental housing.

In rapidly urbanizing cities, rental housing has been posited as, a starting point to dealing with the housing challenge (Gilbert, 2016, Gilbert, 2003). There is a high growth rate of households in urbanized cities in developing countries but limited supply of housing for these households. UN-Habitat figures show that, 96,150 households are added daily and 4,000 hourly (UN-Habitat, 2013). Statistics also show that 235 million urban households live in substandard housing because of the huge housing costs required to get a decent accommodation (McKinsey Global Institute, 2014). Also, rapid urbanization has resulted in housing inequity in many cities as housing demand increases disproportionately with supply. Aside Ghana's relatively young population, migrants in urbanized cities are confronted with challenges of finding adequate housing. "Rental housing is the most common form of accommodation for rural-urban migrants" (Datta, 2012, p.296), but the current supply by small scale landlords are not sufficient to meet the huge demand on the market. The young population, mostly between the ages of 25-35 years migrate to urbanized cities in search for better economic opportunities but do not find decent housing in their pursuits and mostly resort to living with friends or relying on informal housing. There is therefore a huge gap in the market, for young people and also low and middle income households.

Considering the fact that government of Ghana is giving support to private real estate companies through tax based incentives, it is important to assess the type of housing supply being offered on the market by these companies. Does the supply reflect the housing demand and what conditions would be required to meet such demands? In an attempt to expand housing supply to the young population, rental housing could serve as an important tenure choice, to increase access to decent housing in Ghana's urbanized cities. Government's effort to facilitate the housing market could be made more efficient if the motivations of the private real estate companies are understood.

1.2 Problem Statement

*"The main source of housing inequity today is not caused by poor tenants paying too much rent to rich landlords. Much more important is the **growth of home ownership** and the **perverse incentives** which encourage the better-off to seek capital gains from buying more expensive property".*

(Gilbert, 2012b, p.385)

Discussions about housing inequity continues as researchers and policy makers are working around the clock to find sustainable solutions to them. Homeownership requires huge financial commitment and hence many households cannot afford. Gilbert (2012) argues that, increased homeownership and perverse incentives are the main causes of housing inequity. This suggests that rental housing could provide a viable solution to the problem of housing inequity. Many developing countries in the Global South have however, focused on providing homeownership instead of rental housing. In many instances, rental housing is established as the most suitable option for low income households but most governments have in the past focused its policies on homeownership (Gilbert, 2016). The neglect of rental housing is not only common in developing countries but was also the norm in some European countries towards the latter part of the last century.

Private real estate companies in Ghana shun away from providing rental housing. Their focus over the years has been the supply of homeownership through gated communities, which come with a full package of ready infrastructure, such as roads, electricity, recreational grounds,

Investment decisions towards rental housing supply among private real estate companies in Greater Accra, Ghana

sewage, streetlights and water. The houses they supply are expensive and mostly target a small section of the population including high income earners, expatriates and Ghanaians abroad. The low and middle income groups are priced out of the market due to the huge house prices. In spite of the supply-side incentives given by the government of Ghana, the lower section of the population do not benefit directly from the housing products provided by the private real estate companies.

Government of Ghana, having identified this problem, instituted specific policy directives in 2015, to stimulate the supply of rental housing in Ghana, specifically among the private sector. This policy direction was welcomed by the private sector, and the collaboration was enhanced to increase the supply of affordable rental housing (Government of Ghana, 2015).

The task of managing rental housing projects however requires the use of professionals of housing management to play the role of maintaining the projects from deteriorating in value. Unfortunately, existing public rental housing in many African countries are not maintained well and hence they are in poor condition (Groves, 2004). This is a major problem especially on the supplier's side, as it requires additional funds to undertake housing management.

In this regard, this study would seek to understand why most of the private real estate companies in Accra, are not expanding their supply of rental housing and to make an assessment of the extent to which property management influences their investment decision to supply rental housing. In doing so, the study would engage companies that supply rental housing as against those that do not and discuss property management approaches available to these private real estate companies.

1.3 Research Objective

The study seeks to identify ways of expanding the supply of affordable rental housing among private real estate companies through improved property management strategies.

1.4 Main Research Question

To what extent does property management influence the investment decision of private real estate companies (PRECs) to supply rental housing in Greater-Accra Region (GAR) in Ghana?

1.4.1 Sub-Questions

1. What factors do PRECs consider most important when taking decisions about rental housing investment?
2. What property management strategies are patronized by PRECs in Greater Accra Region?
3. What administrative commitments do PRECs make towards managing their rental units?
4. Who are the rental housing investors in GAR and how important is property management to them?
5. What perceptions do PRECs hold about the profitability of affordable rental housing for young professionals?

1.5 Scope of the Study

The study was conducted in the Greater Accra region of Ghana. The main respondents were private real estate companies (PRECs) which invest in housing. All the PRECs selected for the study were registered with the Ghana Real Estate Developers Association (GREDA). The context of the study was therefore within the activities of the private real estate companies in the Greater Accra region. All other housing investors such as individual landlords, institutions

and governments were not selected as part of the respondents of the research. It excluded entities which had not been registered as private companies. For example housing projects by public and civil organizations were excluded from the units of study. The study was unique to the geographical context, which is the Greater Accra region of Ghana.

Theoretically, property management was limited to repairs and maintenance, vacancy rates, rent payments, payment of utility bills, payment of taxes and sales and marketing. Also, the theory of investment decision attributed to Hargitay and Yu (2003) was used to generate indicators for the fieldwork. Lastly, private rental housing supply was categorized into two main types, namely, free standing units and apartments. It excluded all public rental housing projects in the region.

1.6 Significance of the study

This is a methodological research which promises relevance to both theory and practice. In the context of Ghana, the study sought to better understand the workings of the private sector in housing production and delivery; specifically the private real estate companies. It was deemed relevant to study because of government of Ghana's plan to facilitate the private sector to increase housing supply. This 'supporting' position was accompanied by several national housing policy directives intended to boost private sector involvement and participation in delivering affordable rental housing. Through theoretical and empirical investigations, the study sought to understand the factors influencing the investment decisions of these companies towards rental housing, and what support systems could be adopted to increase the supply of affordable rental housing. The study builds on existing literature as it explains the relationship between property management and rental housing supply.

Finally, the study hopes to contribute to achieving clause 11 of the new Sustainable Development Goals (SDGs) of 2015, which states; creating inclusive and sustainable cities. In rapidly urbanizing cities, rental housing has been posited as, a starting point to dealing with the housing challenge (Gilbert, 2016, Gilbert, 2003). Findings from this study could be useful for making recommendations to national governments and policy makers in developing countries about stimulating rental housing supply, to cater for the low and middle income earners.

1.7 Limitations of the Study

The main limitations were financial constraints and insufficient time to complete the research. Quantitative data collection was partly outsourced to Research Assistants residing in Ghana. Before field work commenced, the Research Assistants were briefed on the research and given a short training about the ethics and procedure for distributing questionnaires.

The researcher effectively utilized the funds available to conduct, coordinate and gather the relevant data from the field. Lastly, the availability of the respondents was a huge problem. The Estate Managers of the private real estate companies were always on the field and therefore getting them to answer questionnaires and interviews was a difficult task. Challenges relating to the research strategy adopted are explained in chapter 3 under research design and methodology.

Chapter 2: Literature Review / Theory

2.1 Introduction

This chapter reviews relevant literature and theories directly associated with the study. In a chronological order, the main theories and concepts selected for review are;

1. Enablement Theory by Mayo and Angel (1993)
2. Investment Decision Theory by Hargitay and Yu (2003)
3. The concept of 'Property Management'

Additionally, academic literature relating to private rental housing in developing countries, property management approaches, housing investors, housing developers and urbanization are discussed. It is further supported by relevant policy documents of governments and international organizations like the UN-Habitat and the World Bank. Papers presented in housing conferences are also reviewed.

2.2 Enablement Paradigm in Housing

The early 1930s was characterized by direct provision of housing by many governments around the world. This period was marked by state sponsored housing projects produced for citizens of various countries. During this period, most governments had sufficient funds to carry out large scale housing projects. The total population of many countries were manageable by governments, hence the available financial resources was enough to ensure that governments directly gets involved in housing production and delivery.

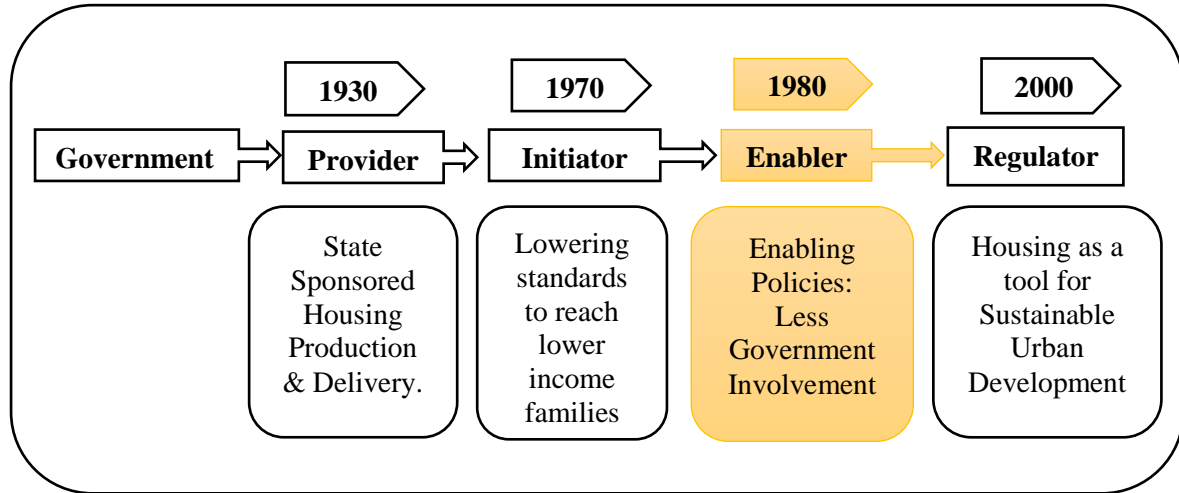
In 1976, the UN-Habitat I conference in Vancouver, discussed a lot matters about the role of national governments in providing housing for their citizens. In the year 1992, the United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro also admonished member countries to cooperate on international development issues, including housing provision. Member states were admonished to adopt initiatives such as instituting public housing programs, implementing sites and services schemes and establishing national housing banks.

The enablement era brought many good initiatives to the housing sector, previously referred to as 'shelter' programs. Notwithstanding these advantages, the enablement approach received a lot of criticisms from researchers and policy makers all over the world. There were general concerns about unintended housing outcomes. An important argument raised was that, neo-liberal economic policies have further re-enforced housing inequity in many countries. Gilbert (2012a) established that, the consequences of promoting tenure biased housing policies and perverse incentives, have allowed the better offs to increase their capital gains by purchasing more expensive properties. In the same line of thought, other researchers raised an interesting point that, the enablement paradigm broadly targeted establishing housing finance systems, economic, social and political institutions (Pugh, 2001).

Furthermore, the pressing need and concerns at the grassroots were not addressed. For instance, government of Ghana's attempt to strengthen supply-side housing activities was not entirely successful, as infrastructure investments through sites and services schemes made little impact, as it eluded the low income households (Tipple and Korboe, 1998). Perhaps arguments about the enablement era is geared towards the creation of macro-economic initiatives to improve housing delivery instead of empowering the lowest segment of society. In order to fully understand the contemporary role of government in housing delivery, it is important to unbundle the various shifts of government role from the commencement of the enablement

paradigm till now. From a global perspective, the role of governments changed as the world went through various phases of development and growth. The enablement paradigm is however still relevant in recent times. The shifting of government's role over the last century is illustrated in fig. 1 below;

Figure 1. Shift of Governments Role in Housing Provision



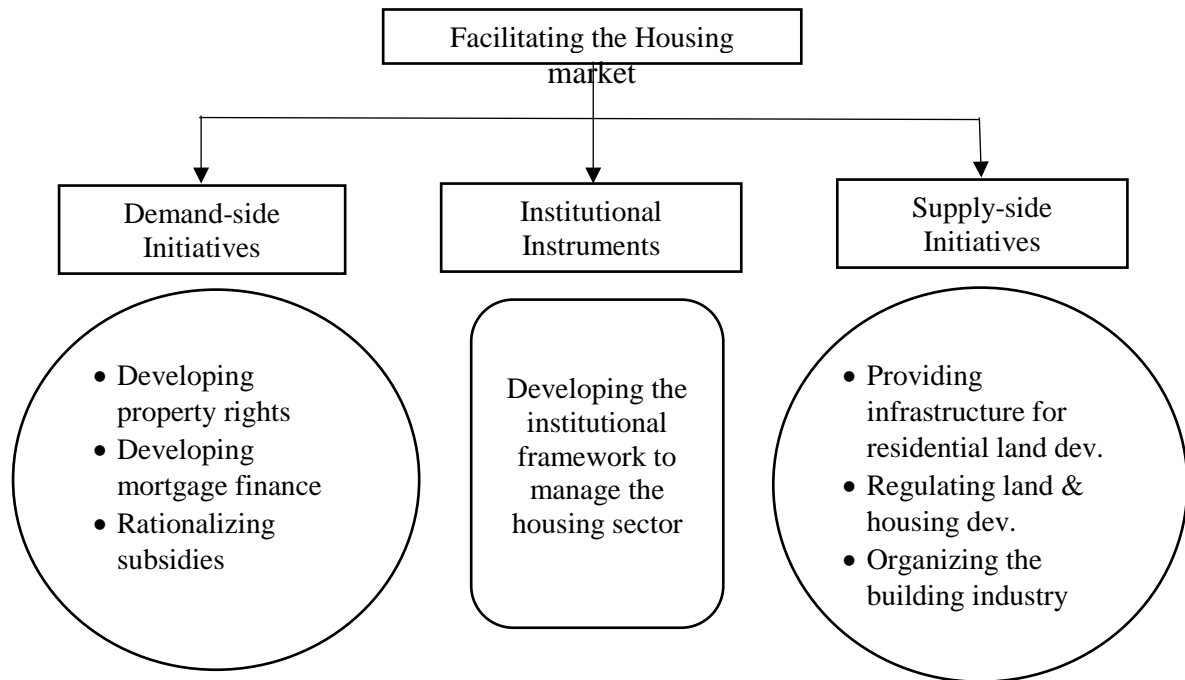
Adapted from Claudio Acioly Jr. UN-HABITAT 2018

International organizations like the UN-Habitat and the World Bank played a key role during the commencement of the enablement era. With programs and initiatives such as the Global Shelter Strategy (GSS) of 1988 and the Habitat Agenda 1996, the enablement paradigm in housing was fully commenced (Nercua and Bongwa, 2009). Many countries around the world adopted the strategies of enablement which influenced the shifting from direct provision of houses towards supporting market provision. Neoliberal policies were seen as a much better approach to housing delivery.

On the international scene, several conferences were organized to push the agenda of market provision of housing. The conferences include Habitat II Conference Istanbul in 1996, Istanbul+5 Conference New York in 2001 and the commencement of the Millennium Development Goals (MDG). The housing issues discussed included private led housing provisions, mass housing programs, housing finance schemes and slum upgrading programs. The enablement theory however caused a shift from providing housing with houses to providing housing without houses.

The Enablement theory was built around support systems given to key actors in the housing market to facilitate housing production and delivery. According to a World Bank Policy paper by Mayo and Angel (1993), the enabling approach could be categorized into demand, supply and institutional instruments. These initiatives were intended to boost the activities of the actors in the housing market. Components on the supply side include land and housing regulation, provision of basic infrastructure and services, and creating an efficient building industry. Aside empowering the supply side actors, those on the demand side also receive supports in terms of finance, property rights and housing subsidies. Finally, the implementation of institutional instruments, which are required to manage the housing sector. This includes finance, land, planning regulations and legal considerations. The three (3) categories mentioned above are illustrated in fig. 1 below;

Figure 2. Instruments of the Enablement Paradigm



Adapted from Mayo and Angel (1993)

As explained earlier, the seven (7) components of the enablement paradigm covers a wide range of initiatives needed to facilitate a market approach to housing delivery. It is important to note that the demand and supply side initiatives have received the most attention in many developing countries. Institutional instruments which are crucial in creating a sustainable institutional framework have received less emphasis and therefore causes a dysfunctionality in the entire system.

According to Hawtrey (2012), housing market institutional groups interact on several levels. These groups include; public, private and civil society organizations. Land and housing institutions in the public sector have received fairly less focus compared to the supplier and occupier segments of the market. This sometimes explains why many housing projects are short-lived and not sustainable for the long term.

Also, it would be prudent to shift from the idea of undertaking projects towards creating institutional reforms (Mayo and Angel, 1993). The private sector has received insufficient government support, in terms of institutional capacity (ancillary organizations e.g. property management institutions) towards the supply of affordable rental housing. The high rents associated with private rental housing may be due to the lack of support with the huge management burden, amidst other factors.

In the pursuit of expanding the supply of affordable rental housing for the over increasing young population, an efficient institutional framework for managing the housing sector could increase the pace. For the purpose of theorizing housing institutions, not much has been done. The theory of institutional economics attributed to Commons (1931) and the subsequent development into the theory of new institutional economics are taking centre stage in discussions about institutions. The principles of this theory could set the centre stage for discussions about empowering housing market institutions on various levels. In Ghana, there has been recent restructuring policies for institutions tasked with land management and administration to upgrade and update records relating to land title. Financial institutions have also received support through government fiscal policies.

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2.3 Rental Housing in Developing Countries

Rental housing has been established as the most suitable housing option for low and middle income earners (Gilbert, 2016, Peppercorn and Taffin, 2013, Datta, 2012, Acioly and French, 2012). This is partly because of the low financial requirements involved. It is defined as “property owned by someone other than the resident or by a legal entity for which the resident pays a periodic rent to the owner” (Peppercorn and Taffin, 2013, p.1). There are two main categories of rental housing, namely; public and private rental housing. They are often used interchangeably with public rental housing and sometimes social housing.

Private rental housing is however distinguished by all ownerships other than public authorities and civil society organizations. In private rental housing, the element of profitability is likely to be present. Landlords in this could be; institutional, individual landlords, real estate developers etc. In all instances, the underlying concept is the type ownership of rented dwelling giving out for periodic rents.

Discussions about the most suitable tenure choice (homeownership or rental housing) continue in literature, as many researchers disagree with the position of many governments on stimulating the supply of homeownership in developing countries. Majority of low-income earners in developing countries rent because they do not have the financial capacity to own a home. They also do not qualify to access credit from mortgage banks.

Housing policies in many developing countries have previously focused on promoting homeownership. Although the mortgage sectors in these countries are not fully developed, there’s a lot attention from government and international agencies to correct this situation by boosting the mortgage sector through the provision of credit facilities to low and middle income households. It is important to note that some low income households are simply not ready to be homeowners, and therefore could be better served with rental housing. Some policies have also sought to turn tenants into landlords overnight. One main reason for the dominance of homeownership in housing policies is that tenants and owners have lost their place as important political actors in the housing market (Gilbert, 2012a). Gilbert (2012a) argues that, by turning tenants into owners, many governments have paved the way for the rich to exploit the market and take advantage of tenants.

The strategy of using fiscal policies and tax incentives to encourage housing investments among the private sector has been replicated in many countries around the world. (Peppercorn and Taffin, 2013). Countries such as Malaysia have undergone such strategies in the past and the outcomes have been somewhat complex and have not always achieved the expected outcome. In a study conducted in Malaysia, to analyse the effects of government incentives on housing supply, it was revealed that, housing costs remained high and also high regulatory costs prevented the development of a vibrant middle and low income housing market (Malpezzi and Mayo, 1997).

Due to the absence of housing subsidies in developing countries, most homeowners constructed their dwelling through the informal way. Supply side subsidies are sometimes handed out to the private landlords, to encourage them to extend and construct new dwellings. Also, demand-side subsidies are almost non-existent in some countries.

Government subsidies on both demand and supply sides of the housing market could be useful in facilitating the market to work effectively. In the case of rental housing, tenants may benefit a lot from housing allowances or rent reductions, thereby relieving the pressure of paying huge rents, especially in big cities. A good demand-side subsidy would potentially lead to a vibrant supply of rental housing. In cases where landlords receive direct funds, the market would be

greatly boosted to meet the demand. It is therefore useful to incorporate government subsidies in rental housing supply.

2.4 Housing Developers in Developing Countries

In order to fully grasp the workings of the rental housing market in developing countries, it is important to know who the housing developers are, and the type of housing they provide on the market. Housing developers are the major participants in the housing and they include individual landlords, master builders, architects, real estate developers, real estate agents and many others (Peppercorn and Taffin, 2013). Many cities in developing countries share similar rental housing market with unique housing developers. According to Donner (2012), the major housing agents in the housing market include; investors, planners, builders, financial institutions, legal advisers and many others. The activities of all these agents form the very fabric of the housing market in developing countries. In all the cities, the activities of individual landlords are present. Pal and Vliet (2012) argue that housing market institutions in developing countries do not show massive differences from those in developed countries. Housing developers guide housing investments and coordinate with other housing agents on the housing market (Donner, 2012).

According to Acioly and French (2012), the majority of the housing stock in developing countries are built by informal housing developers. There are a lot of houses built through the incremental process due to financial constraints and lack of access to credit facilities. Landlords most often seek the services of local artisans in constructing their dwellings. In doing so, most of the planning and building codes are not adhered to. The formal sector contributes a small percentage of the total housing stock. Unfortunately, the supply from the informal sector has been sub-standard and insufficient to serve the available need. Rental housing is not sufficiently provided from both public and private sources. This makes the situation very dire as it reinforces huge housing deficits.

There are two main categories of housing developers, namely; **formal housing developers** and **informal housing developers**. This category is based on the level of compliance and non-compliance with state provided planning laws and processes required in producing housing. In looking at housing developers in developing countries, it is important to discuss both formal and informal developers and the respective modalities. As has been established earlier, a significant percentage of low-income urban dwellers in developing countries rent rather than own the housing they occupy (Acioly and French, 2012). The two categories are discussed below;

2.4.1 Formal Housing Developers

Formal housing in developing countries have failed because of inefficient housing market institutions. Developing and supplying housing through the formal approach and control includes adhering to the planning regulations and legal requirements of the state. The level of adherence is as seen in developing countries is low, due to the proliferation of slums, and unauthorized extensions from landlords. The modalities of formal housing are illustrated in table 1 below;

Table 1: Modalities of Formal Housing

	Modality	Characteristics	Key Actors
1	Direct government 'social housing'	Land and housing is developed by the government (sometimes via the private sector) and is sold or rented to low-income households	The government leads and finances the process with support from the private sector
2.	Private	Typically either speculative or individual owner-occupier. Profit-seeking developers often partner with governments for low-income housing ('public-private partnership')	Commercial housing developers. Built environment professionals. Middle-and high-income citizens
3.	Government-led slum upgrading	Informal slum settlements are upgraded through infrastructure and service provision and regularization of tenure, which can add considerable value through encouraging further investment in housing.	National governments, local authorities, NGOs, professionals (architects, engineers, etc.)
4.	Legally established community groups	Organized community groups, recognized by law, apply for public funding, and develop housing on self-management, mutual aid, and assisted self-help building processes supported by technical assistance from NGOs	Community-based organizations, supported by NGOs

Adapted from Acioly and French (2012)

From table 2, it can be seen that the modalities of formal housing cuts across direct provision of housing government to the activities of legally established community groups. Formal rental housing complies with the administrative and regulative planning laws of the state, and hence the necessary permissions are sought. For example, communities groups recognized by law may develop housing for its members, by going through the right planning processes. In most instances, they are given technical assistance from NGOs.

2.4.2 Informal Housing Developers

Informal housing developers are developers that carry out their activities outside formal control. In some instances, people squat on public or private lands and avoid the cost of acquiring land through the formal way, not complying to building regulations and acts as a sign of low confidence in state institutions and policies (Donner, 2012). As a strategy resisting eviction by state authorities, Donner (2012) argues that they squat in groups, and in some rare instances, on individual basis.

Their activities are dominated in majority of cities in the global south. There are two main types of informal rental housing developers in developing countries, namely; large scale and small scale housing developers (Acioly and French, 2012). Their characteristics are described below;

2.4.3 Large Scale Rental Housing Developers

These are housing developers who take advantage of opportune central locations to develop rental housing. These dwellings are normally of low quality and maintained improperly. There are developed outside formal controls.

2.4.3 Small Scale Rental Housing Developers

These are existing owner-occupiers who extend their houses to include rental housing. These are normally known as landlords. Incomes generated often gives the landlord an opportunity to further extend and make more

Table 2: Modalities of Informal Housing

	Modality	Characteristics	Key Actors
1.	Rental property	Construction of units or rooms that are rented to low-income households and recent migrants, outside of formal controls	Middle-and upper-income citizens, dedicated rental property developers, landowners
2.	Unauthorized owner-occupied self-build	Incremental construction of housing units over many years and decades led by households on land that is (at least initially) occupied illegally	Low-income households and self-formed informal neighbourhood organizations
3.	Unauthorized subdivision	Land is subdivided into individual plots and either sold on the informal market or upon which housing units are developed and then sold	Private developers acting outside formal system. In some cases, 'land grabbers'

Adapted from Acioly and French (2012)

2.5 Regulatory Framework of Rental Housing

Regulatory framework plays an essential part of urban growth and development in rapidly urbanizing cities (Payne and Majale, 2012). The advantages of regulatory framework include the following; achieving orderly land improvement, facilitating efficient land management, attracting and guiding inward and local investments and maximizing public revenues (Payne and Majale, 2012).

The above mentioned advantages of having a good regulative framework is not exhaustive, there are so many other advantages, especially in housing markets. The introduction of Neoliberalism and the Enablement theory were accompanied by changes in the regulatory position of housing markets. Housing market institutions were highly decentralized and the framework of the regulatory institutions shifted in order to serve the agenda of the newly introduced neoliberalist economies (Hawtrey, 2012). Although the neoliberal housing market era led to increased levels of housing investments, there were numerous challenges which needed to be tackled.

From a broad perspective, the challenges of the rental housing market are categorized into two main components, namely; Institutional and Economic challenges. According to Precht (2005), institutional challenges include the regulatory section of the rental housing, mainly with matters concerning zoning, building regulations, rent controls, regulations for housing finance institutions, *Investment decisions towards rental housing supply among private real estate companies in Greater Accra,11 Ghana*

land acquisitions and others. Also, there are economic challenges such as irregular flow of finances for infrastructure and services, high transaction and information costs, and others.

Regulating the rental sector in developing countries has not seen much fruits over the past years. As evidenced from the pattern of the informal housing supply and the emergence of slums, it could be argued that the regulatory framework in developing countries, have been weak. In some instances, rent control have had negative consequences on the rental housing sector. For example, many governments reduced rent control because it was believed that it was causing more harm than good (Gilbert, 2016). Gilbert (2012) explains that, **rent control have in some instances led to distortions instead of improvements**. The arguments discussed are elaborated below;

Firstly, Rent controls may perpetuate inequity as long term tenants benefit more than short term tenants. The reason being that, short term tenants do not stay long enough to benefit from implemented rent ceiling, because these apply only after the end of the initial contracts between the landlord and the tenant. Also, rent control are enforceable in formal housing than in informal housing settings. There is no guarantee that the poor income earners are the ones benefiting from rent control, in most cases, rent control works among the rich and not the poor (Gilbert, 2016).

Secondly, rent controls distort housing market values and does not encourage efficient use of housing. Gilbert (2012) argues that, it may disrupt the way the market functions, for instance, due to rent control, small households could go in for larger apartments than they really require, while large households may have difficulty finding the appropriate rental housing they need.

Finally, rent controls may demotivate investors and landlords from investing in the rental housing sector. Profitability could be affected if rent controls are not periodically revised and adjusted to suite current trends and economic progress. Landlords may be discourage to expand their rental housing, and sometimes may also not do the needed maintenance on the properties.

On a positive side, minimizing rent control leads to increased investment in rental housing, as evidenced in some countries. Some governments have in the past deliberately minimized rent control in order to attract investments. However, this initiative has only worked alongside other incentives and policy directives (Gilbert, 2016).

2.6 Theory of Investment Decisions

Decisions about investments by private investors provides the backbone for their initial and subsequent actions. Depending on the objective of the investor, short or long term goals are set within the framework of developing an investment portfolio. However, the goals of the investor may often be different from the investment opportunities available (Jaffe, 1979). In creating an investment in property, critical decisions are useful in choosing between alternative options to maximize profitability. As discussed earlier, the enablement paradigm and neoliberal policies in housing, sought to create a conducive environment for the housing market to work efficiently. The private sector, being an important player in the market, often utilizes the favourable market conditions, created by government. It is important to discuss who housing investors are, and their aims and goals.

“Housing investors are owners of capital who want to transform their cash or similar liquid assets into real estate in order to obtain short-term gains via sale of housing to owner-occupiers, or to receive long-term income via letting to tenants” (Donner, 2012, p.267).

Investment decisions towards rental housing supply among private real estate companies in Greater Accra,12 Ghana

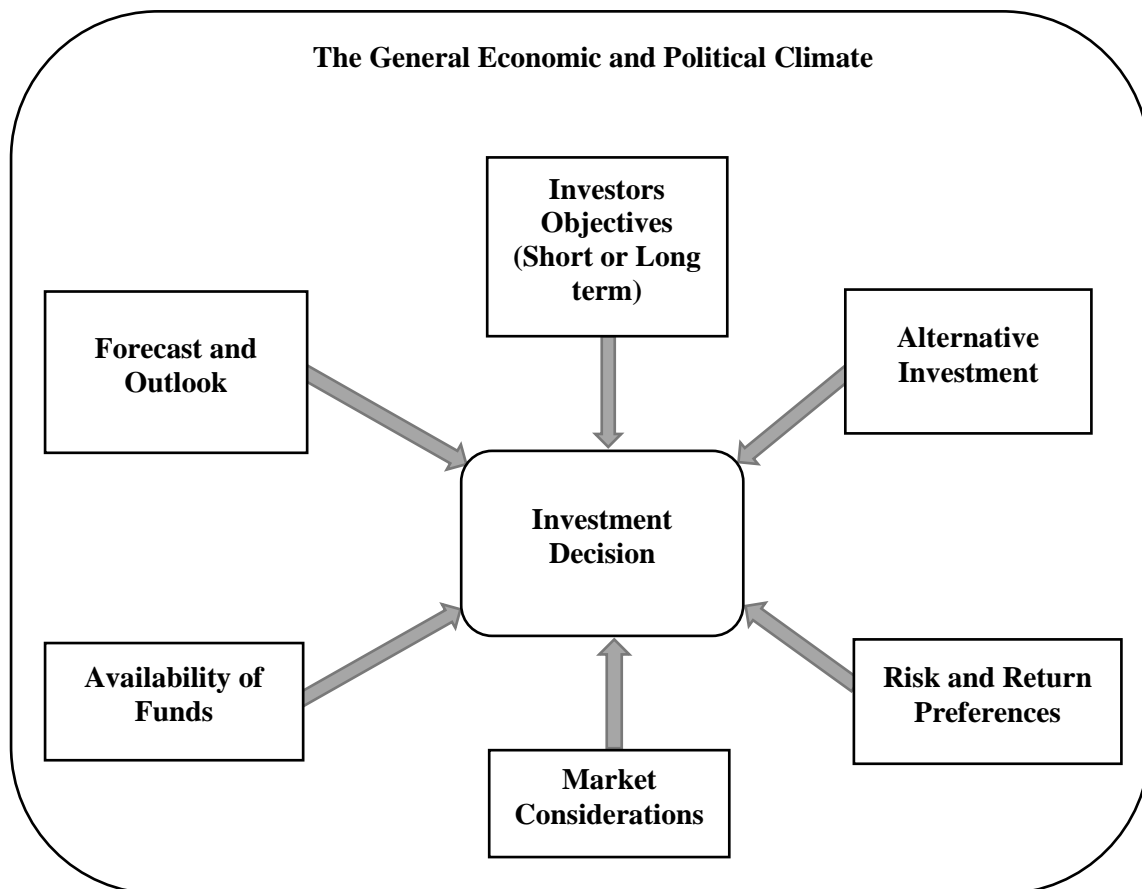
In the context of this study, housing investors are private real estate companies, which invest in housing (rental or homeownership) for the purpose of making profit. The study excludes government, private individuals, religious bodies and institutional investors. Investment decision as a concept is related to housing investors and has been discussed in below;

Investment Decision is defined as the acquisition or disposal of financial or real investment assets (Hargitay and Yu, 2003).

Real assets include; land, buildings, plant and machinery, and others, while financial assets include securities, deposits, debt instruments and others. Real assets are treated differently from financial assets by investors because of the peculiarities and the level of diversification they exhibit. Housing is one example of a real asset and could be discussed in different sectors. Rental housing being a real asset, provides a high level of diversification and therefore decisions are carefully reviewed beforehand to get the best out of the investment.

Investment Decision can be categorized into two main levels, namely; [1] **Strategic Level** and [2] **Tactical Level** (Hargitay and Yu, 2003). Strategic level involves setting the overall policy objective, selecting the investment media and allocating funds to the investment media. Tactical level on the other hand relates to ensuring that strategic decisions are implemented within an investment media. These decisions include the selection of specific sectors as well as the choice for individual investment projectors with the selected sectors (Hargitay and Yu, 2003). Investment decisions are taken by investor in an environment which is influenced by several factors. These factors are illustrated in fig. 3 below;

Figure 3. Classification of Investment Decisions

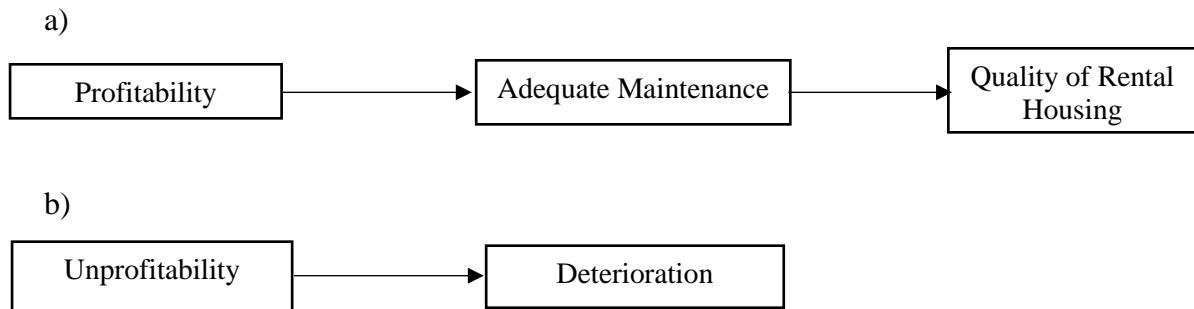


Adapted from Hargitay and Yu (2003)

The six (6) factors influencing decision makers include; investor objectives, market considerations, alternative investments, availability of funds risk and return preferences and forecast and outlook. The degree of influence is however not the same for all factors, but may differ depending on the context. With rental housing, the risk and return factor influences decision making at a very high degree. The risks associated with investing in rental housing is discussed the next section.

In all circumstances, the profitability of rental housing is very important to the investor to keep and maintain the property, even in informal settlements (Gilbert, 2012a). In order to make a decision to invest in rental housing, it is important to compare the profitability of the investment and make an objective assessment of the most preferred investment (Downs, 1983). The relationship between profitability and quality of rental housing is mediated by adequate maintenance. Down (1983) establishes that, a profitable private rental housing, would attract quality maintenance, which would in tend lead to high quality of housing. This relationship is illustrated below;

Figure 4. Relationship between Profitability and Quality of Rental Housing



Adapted from Downs (1983)

According to Downs (1983), the more profitable private rental housing is, to investors, the more the quality realized. This is achieved through adequate property maintenance. Component a) above, demonstrates a direct relationship between profitability and quality of rental housing. The next component b) also shows that an unprofitable rental housing would be subject to deterioration.

The wide range of housing developers and investors in rental housing across the world varies and particularly for developing countries, investors **build to sell**. This is mostly the case with private real estate companies in developing countries. In other instances, individuals with the motivation to invest in real estate **build to hold**. These are mostly high income earners, who have the opportunity of building detached, semi-detached houses, condominiums, apartments, hostels and hotels, with the aim of giving them out for rental purposes. In all the above mentioned properties, the profitability of the investment is paramount to the investor.

Housing investors, who invest in rental housing, expect to recover a number of costs. This is in contrast to the costs involved in supplying homeownership. The various costs to be recovered by the investor are illustrated in table 3 below;

Table 3: Cost of Rental Housing to the Developer (Existing stock)

Main Costs to be Recovered	Excluded Cost
Maintenance	Utilities
Property Taxes	Insurance
Obsolescence	
Management cost	
Vacancy Allowance	
Interest on Borrowed Money	
Return on investment	

Source: (Shelton, 1968)

From table 4, utilities and insurance fees were excluded because it is also associated with the supply of homeownership. In contrast to rental housing, homeownership is potentially a short term investment because once the developer sells off the property, he recoups his capital and minimizes potential risks. Rental housing is perceived to be a more risky investment for housing developers in developing countries. With numerous concerns about landlord tenant conflicts, poor maintenance, legal and regulatory restrictions and land disputes, investors approach it with care and conservatively (Donner, 2012). The risks involved could be development risks or exploitation risks. From both sides of the coin, there are risks to both developer and tenant, which may sometimes overlap.

2.6.1 Rental Housing Risks to the Investor

Housing investors have to make objective and subjective assessment of the housing market using available market data, to complete comprehensive feasibility studies. It has been posited in literature that, real estate investment is the safest investment in the world, with a very small percentage of risk (Jaffe, 1979, Bedford, 1945). Housing being a part of such investments possibly shares similar features. Tenure choices of housing supply are assessed as part of strategic decisions of investors. Donner (2012) establishes that, an evaluation of possible risks, financing options and foreseeable cost is paramount to making the most informed investment decision.

The concept of **risk** is defined as “a measure of the possibility of deviation from the expected” (Support Program for Social Housing, 2005, p.53). An important concern to housing investors is the fluctuations in operational operating expenses (Jaffe, 1979). There are however many risks associated with rental housing investments and these are discussed below;

High Management Cost

Rental housing is a long term investment which requires continuous management and care taking responsibilities. In recent times, property management has become an integral part of rental housing, as more professionals are required in the field (Van Wyk and Crofton, 2005). Also, there are other important things to consider including ensuring user satisfaction among tenants and also being responsive and more sensitive to management issues.

Regulatory Restrictions (Rent Control)

In the developing country experience, the most discussed risk among housing developers is low rent levels. Many landlords in developing countries often complain that rent levels are low, while tenants also project their views that rents charged are too high (Gilbert, 2012a). At the moment there is no truth or a benchmark by which the perceptions of rent charges are measured. *Investment decisions towards rental housing supply among private real estate companies in Greater Accra, 15 Ghana*

Investors in large scale rental housing may be confronted by low rents due to the operating costs mentioned in Tale 4. This risk does not affect the developer who *builds to sell*. Rent control may also work against investors, as it restricts their activities and causes inefficient housing markets. Investors consider the level of rent control before investing in rental housing.

High Level of Vacancy

Rental housing is characterized by possible vacancy in the operational life of the investment. The higher the vacancy rate, the more the returns on the investment are threatened. The vacancy rate is affected by the effecting housing demand on the market, marketability of the property, locational factors and other factors. The vacancy rate also depends on the level of residential mobility in the housing market (van Ham, 2012). The ease at which people change locations affects vacancy rates as well as occupation rates. The housing investor has to assess the expected vacancy rates and make the necessary adjustments to avoid loss in returns.

Land related Conflicts and Disputes

The blend of customary land practices with statutory land administration, tends to bring a lot of uncertainty about the security of land tenure in developing countries. This phenomenon is particularly peculiar to developing countries in many parts of Africa, where the customary land administration exists. Housing developers may be confronted with the land related conflicts.

Inadequate Infrastructure and Basic services

Another burden to housing investors in developing countries is the inadequate supply of infrastructure like water, electricity and roads. After massive investments in rental housing, the investor has to make arrangements to connect to basic infrastructure and services.

Poor User Satisfaction

Households which are able to transition from rental housing to homeownership often gain higher satisfaction (Diaz-Serrano, 2009). Investors of rental housing are obliged to ensure that tenants get the optimum user satisfaction they could get. Landlord tenant relationships are very important in ensuring this.

2.6.2 Tenure-Neutral Housing Policies: The Concept of Choice

Housing policies in developing countries are criticized of being tenure biased. The trend shows that homeownership dominates the housing policies in most of these countries (Elsinga and Hoekstra, 2015). Many households do not benefit from both homeownership and rental housing, thus they are not provided with the option to either rent or own through asset based welfare. In order to achieve housing equity and equality, it is important to create a conducive environment needed to stimulate the provision of both tenure choices.

Asset Based Welfare is not a new phenomenon, but dates as far back as 1880. These are policies or initiatives intended to improve the standard of living of low income households through asset accumulation and better livelihoods (Elsinga and Hoekstra, 2015). The initial asset used in the past was land and cows, but over the course of time, there was a shift to a broad spectrum of resources redistributed to create a balance between the rich and the poor in society. In contemporary times, asset based welfare policies have centered mainly on housing. In spite of the presence of numerous literature establishing its aim as alleviating poverty and redistributing wealth, empirical evidence suggests otherwise. Elsinga and Hoekstra (2015) argue that, 'real life' asset based welfare policies have its focus on housing assets, in contrast with the evidence in literature.

The concept of choice relates to the ability to choose from several options and has been defined and discussed a lot in housing market literature. There is however a distinction between real *Investment decisions towards rental housing supply among private real estate companies in Greater Accra,16 Ghana*

choice and choice-set. Real choice refers to “being able to select ones preferred option from a set of different alternatives while Choice-set refers to the total set of realistic options available to households given their needs, preferences, resources and restrictions, within the opportunities and constraints offered by the housing market” (van Ham, 2012 p.42). Housing policies of governments have often attempted to use the concept of ‘choice’ to serve all segments of the market. Real Choice sometimes provides very limited options while Choice-set could be a complete representation of the situation.

Arguments made about choice has however been mainly discussed on the housing demand side and mostly associated with property rights and types of dwelling. Very little has been known concerning the “choice” of housing investors towards housing tenure options. The kind of investment made by the private sector is also subject to choice and therefore it is important to look into their motivations for supply the type of tenure they do. There are several ways by which rental housing benefit low and middle income household.

Firstly, low income households use rental housing as a safe net due to their low incomes and inability to afford homeownership (Elsinga and Hoekstra, 2015). Secondly, rental housing could be used as a stepping stone to homeownership (Priemus, 2001). This is particularly common in developed countries like the UK, Netherlands and the USA. The motive is to give poor households the opportunity to start with renting, and subsequently transition to homeownership, as and when there is an increase in income, capable of buying a house.

2.6.3 Motivations of landlords

More recently, a lot of research has focused on rental housing for the urban poor. Pioneers in these researches have argued that, government policies are unfavourable to rental housing (Gilbert, 2016, Gilbert, 2012b, Gilbert, 2003, Pal and Vliet, 2012). In a study conducted in South Africa to identify the motivations of small scale landlords, Gardner (2005), the found that, there are different motivations for various categories of landlords. The motivations for small private landlords were different from those of individual and household landlords. There are a lot of small scale land lords in developing countries who supply rental housing on the market.

2.7 Property Management Institutions and Approaches

One of the main risks to investors who invest in rental housing is housing management burden. The responsibilities associated with owning and managing rental housing are huge and involves a great amount of commitment. In view of this, institutions and actors which provide housing management services could be crucial in promoting rental housing supply on the market. As discussed earlier, many researchers have been critical about the biasness of neoliberal policies towards the supply of homeownership, and the neglect of rental housing. It is therefore critical to examine the housing management strategies for rental housing, and the institutions and actors providing this services.

Housing management is the broader umbrella under which the concept of property management exist. **Property Management** is defined as “The combination of all technical and administrative actions, including supervision actions, intended to retain an item in, or restore it to a state in which it can perform a required function” (Wood, 2009, p.4). It has been intensively discussed in literature, as a key component of social housing. Perhaps the phenomenon has gained its route in theory through a series of attempts to improve the condition of rented buildings.

Managing rental housing is a very daunting task considering the fact that most of the existing stock, get deteriorated due to poor maintenance, which in tend affects the quality of life of

tenants (Morris, 2012). Many housing developers and investors of rental housing have the responsibility of managing the property to prevent deterioration, maintain good condition and prolong the lifespan of the properties. This phenomenon directly affects the general returns on the investment (rent). Unlike homeownership, the investor who invests in rental housing expects to recover many costs. These include; cost for maintenance, obsolescence, property taxes, allowance for vacancy and managing costs (Shelton, 1968). After recovering all these costs, the investors then finally expect a relatively fair return on investment.

Private real estate companies that supply homeownership and rental housing through gated communities, still have the responsibility of managing, not only the property, but also privatized infrastructure like roads, sewage, water, open parks, green spaces, shopping centres and others. The task of managing the above mentioned services is the work of the housing developer especially in instances where the gated community approach is used. The presence of a strong managing team to operate and manage rental housing is essential to ensure longevity, durability of dwellings and improved quality of life of tenants. Apart from meeting the investment targets as housing developers, it is important to strive to achieve user satisfaction among tenants, by ensuring a good quality of life within and outside the property.

2.7.1 Property Management Institutions

Property management companies, real estate agents and local management workers form the institutions and actors that provide property management services. In some cases, the real estate agents and local workers work directly for the property management companies. There are however exceptions, where the agents prefer to work independently, without working as full time workers of the companies. Local workers, mostly cleaners also do same, depending on the arrangement on the ground. Some of the local cleaners offer their services on a daily basis for payment, while others depend on a salary.

2.8 Approaches to Property Management

The approaches to property management can be categorized into in-house management, outsourcing management and a combination of the two approaches and out-tasking (Scarret, 1995). Depending on the scale of property management services required, and the type of building materials and the technology used in constructing the dwellings, the housing investor may either adopt an in-house property management approach or outsource it to other external companies on a periodic basis. The decision to adopt any of the two depends on whether the investor has the internal capacity and expertise, to carry out the task. In some instances, the approaches are adopted as and when needed. The two approaches are discussed below;

2.8.1 In-house Property Management

In-house property management approach is often associated with gated communities. It can be defined as a service that is by a dedicated resource directly employed by a client organization where monitoring and control of performance is normally conducted under the terms of conventional employer/employee relationship although internal service level agreement may be employed as regulatory mechanisms (Barrett and Baldry, 2003). In this approach, the management expert is directly employed by the housing developer, and works full time. Real Estate companies that supply large scale housing with fenced walls may or may not have in-house property management services. Management in such instances are normally done by establishing estate departments as part of the companies' construction unit. In-house property management requires expertise from housing management professionals, who run the day-to-day property management activities of the company.

An advantage of in-house property management over outsourcing is that, it enables the private company to focus on responses to investments, while leaving the task of property management to a subsidiary of the company (Otchere, Inkoom, et al., 2015). Dividing responsibilities in this manner, ensures efficiency and effectiveness, giving each department an opportunity to focus on its defined tasks. There are however challenges associated with the in-house management. Otchere et al (2015) argues that, in-house management is uneconomical and sometimes the demand for maintenance are not frequently, and hence seeking the services of experts contributes a huge cost to the company.

2.8.2 Outsourcing Property Management

Outsourcing is defined as a service commissioned from an external supply organization, usually under the terms of a formal contractual arrangement and based upon terms and conditions derived from a service level arrangement (Barrett and Baldry, 2003). It involves seeking the services of a property management company outside the boundaries of the estate company to maintain and service the properties, and equipment. The in-house management department may not have the competence to carry out certain task, and hence seeking the services of an outside professional is useful.

This approach is usually adopted where the firm engages in a wide range of activities related to property (Otchere, et al., 2015). The appointed agents bring their wealth of experience and expertise to bear on the management process. For instance, the marketing teams will have current experience of demand and rental values while the valuation team will know what yields are being achieved in a variety of transactions. One disadvantage is that there is no exclusivity of engagement and the commitment is to a number of clients, rather than to one client. In addition, confidentiality of information regarding a company could easily be revealed to other trade competitors. Similarly, a breach of contract can lead to a serious legal action.

2.8.3 Combination of In-house and Outsourcing

The mixed approach involves a combination of in-house and out-sourcing and it is where the real estate company has an internal property management team and also engages the services of external management companies to undertake certain tasks. In some instances, some companies balance internal property management with out-sourcing, which is known as mixed-economy approach (Atkin, 2003). Barret (1995) re-echoed this observations by stating that some 23 organizations favour a totally in-house option, while others literally contract out every service possible; yet others use a combination of both. This can take many forms, whereby the in-house management and the agent have respect for each other's abilities and knowledge and work together on the range of management tasks in an almost faultless way to the benefit of the portfolio.

This requires a particular kind of "telepathy" to enable such a partnership to be successful; it envisages two managers and two teams working together at various levels and intensities without either manager having total line management. Such an arrangement needs strong commitment from each team member if it is to succeed. An example is the hierarchical division.

2.8.4 Out-Tasking

Out-tasking is a property management approach whereby specific tasks, are assigned to a contractor, as opposed to a whole package of support function. This approach is similar to outsourcing but involves ad hoc engagement with the external agent who is not part of the company. Commitments with handed-out tasks remain on a superficial level and may not involve strict contractual agreements between the parties

Out-tasking is a common practice in facilities management and is mostly preferred more than out-sourcing (Kleeman, 1994). Out-sourcing involves more time, resources and legal discussions while out-tasking may not be as cumbersome as the former is. From an empirical stance, little is known about a clear cut implementation and handing out procedures of out-tasking. It is seen as a quick approach to dealing with management demands that requires rapt attention. The service activities to be out-tasked are well defined tasks (Otchere, et al., 2015). Williamson (1985) argues that procedures and total costs involved in out-tasking are economical as compared to that of out-sourcing. A network of external service providers is maintained as buffer to meet peak load demands (Otchere, et al., 2015).

2.9 Definition of Concepts and Conceptual Framework

2.9.1 Property Management (PM)

The concepts ‘property management’, ‘housing management’ and ‘building maintenance’ are sometimes used interchangeably both in literature and in practice. It is defined as “the combination of all technical and administrative actions, including supervision actions, intended to retain an item in, or restore it to a state in which it can perform a required function” (Wood, 2009, p.4). It is sometimes referred to as “all work necessary to keep the site, buildings and facilities at the building in a good state of repair” (Support Program for Social Housing, 2005, p.3). These two definitions stress on the word ‘all’ which emphasizes the extent to which the activities end. Being more specific with real property, it is defined as “work undertaken in order to keep, restore or improve every facility, i.e. every part of a building, its services and surrounds to a currently acceptable standard and to sustain the utility and value of the facility” (Brandon, Mole, et al., 2005, p.304). All these above mentioned definitions explain the management of an asset to keep it in shape.

2.9.2 Investment Decision (ID)

The concept of investment decision is defined as “the acquisition or disposal of financial or real investment assets. Real assets include land and buildings” (Hargitay and Yu, 2003, p.7). It can be realized that, from the political, social and environmental climate, individuals and firms decide between several investment alternatives with rationality and reasoning. The rational choice theory has been used in human decision making among economists. The principle of rational choice explains human-decision making following a consideration of the costs and benefits of specific activities (Scott, 2000).

2.9.3 Private Rental Housing (PRH)

In general, rental housing is defined as “property owned by someone other than the resident or by a legal entity for which the resident pays a periodic rent to the owner” (Peppercorn and Taffin, 2013, p.1). More simply put, it is “a property from which the owner receives payment from the occupant(s), known as tenants, in return for occupying or using the property” (Business Dictionary, 2018).

2.9.4 Conceptual Framework

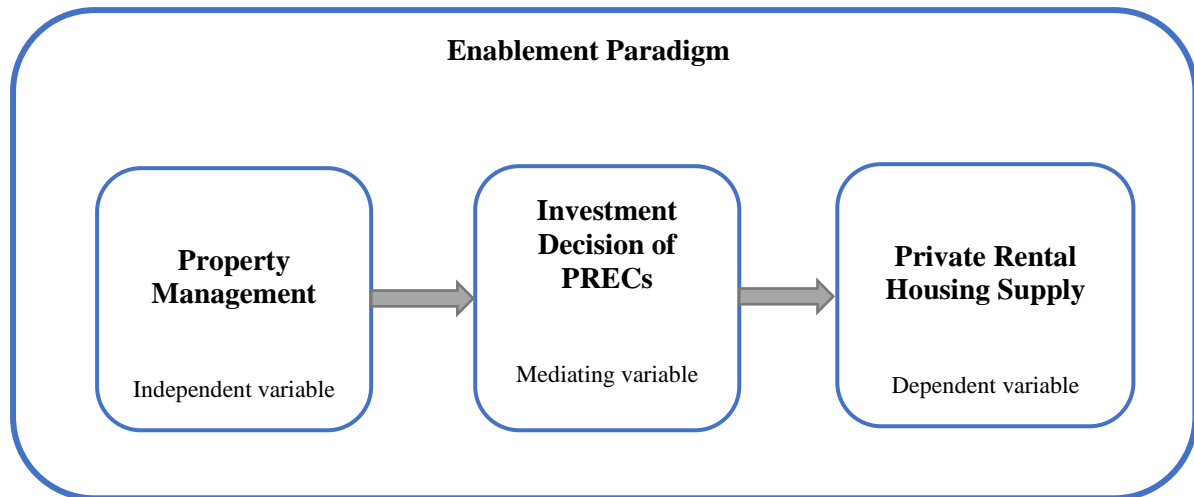
The limited supply of rental housing among PRECs was assumed to be because of the burden of managing the property. Investors either adopt an in-house estate department and employ full time housing management experts, or outsource the task of managing the property to an external property management company. In deciding between investing in rental housing, housing investors deliberate on whether it is profitable and worth the risk. In housing investment, the alternative is investing in homeownership, which under the ‘*build to sell*’ principle, does not involve the task of managing the property, and allows for quick capital recoup. In this regard, the theoretical review concludes that, rental housing supply is influenced by property management, which is subject to the investment decision of PRECS. The mediating

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variable is very important because it constitutes an element of subjectivity, relativity and discretion of the investor. Property Management (PM) is the independent variable, Investment Decision (ID), the mediating variable and Private Rental Housing (PRH), the dependent variable. The operationalization of these variables and their respective indicators are explained in detail under chapter 3.

The relationship between these concepts is illustrated in fig. 5 below;

Figure 5. Conceptual Framework of this Thesis



Source: Author's construct, 2018

Chapter 3: Research Design and Methods

3.1 Introduction

This chapter presents the research design and methodology adopted for the study. Firstly, it gives a retrospective account of how the preliminary research question culminated into the revised research questions. It further outlines the methodological structure of the research, namely; research strategy, definition of concepts, operationalization of variables and indicators, data collection methods, sample size and selection, validity and reliability, and data analysis methods. It then discusses the challenges faced with the research strategy (on validity and reliability) and highlights how these challenges were overcome during the research. Finally it concludes with a graphical view of the total research design adopted for this study.

3.2 Preliminary Research Question

The initial research question was conceived bearing in mind the research aim and type. A good and proper research question should be relevant, precise, purposeful, congruous with theory, and internally logical and consistent (Thiel, 2014). It is permitted for the researcher to go back to make changes to the previously worded research questions to enhance clarity and consistency. As elaborated by Thiel (2014), it should have a sense of linking up with existing knowledge, and should demonstrate the knowledge that is being sought and how it would be analysed.

At the initial stages of the study, the researcher's conception of the problem was foundationally to understand 'why' there is limited supply of rental housing among private real estate companies (PREC) in Ghana's Greater Accra region. Research questions with 'why' depict an explanatory type and was framed as; what factors explain the limited supply of rental housing among private real estate companies in Greater Accra, Ghana? After conducting an extensive literature review, the following factors were identified as probable causes, namely; high management cost, inadequate infrastructure, regulatory restrictions (rent control), customary land disputes, high vacancy rates and others.

Based on these factors, the researcher was guided by theoretical positions and discretion to focus on 'property management'. It was realised that, most of the factors could be grouped under property management in rental housing, and therefore was considered the variable of choice. The final research questions were therefore reframed and presented below.

3.3 Revised Research Question

To what extent does property management influence the investment decision of private real estate companies (PRECs) to supply rental housing in Greater-Accra Region (GAR) in Ghana?

Sub-Questions

1. What factors do PRECs consider most important when taking decisions about rental housing investment?
2. What property management strategies are adopted by PRECs in Greater Accra Region?
3. What administrative commitments do PRECs make towards managing their rental units?
4. Who are the rental housing investors in GAR and how important is property management to them?
5. What perceptions do PRECs hold about the profitability of affordable rental housing for young professionals?

3.4 Research Strategy

The main research strategy adopted for the study is a **case study research design**, with a single case of private real estate companies (PRECs) in the Greater Accra region (GAR) of Ghana. A case study research design is characterized by certain key components, namely; [1] small number of units, [2] large number of unknown variables, [3] explanation of a phenomenon, [4] interaction with the context, and [5] allows for a comparison (Thiel, 2014). After reviewing the above mentioned parameters, it was found that the study constituted all five components and therefore was adjudged the most appropriate research strategy to answer the research questions.

According to Blatter and Blume (2008), there are three main types of a case study, namely; *Co-variation, Congruence Analysis and Causal Process Tracing*. The **co-variation case study** was the best fit for the study after concrete observations and abstract conclusions. The basis for choosing co-variation case study is discussed as follows;

Firstly, a co-variation case study is suitable to use when the researcher identifies the specific variables to include and control, and subsequently deduce a hypothesis for causal direction (Blatter and Blume, 2008). The main variables of the study were identified after the preliminary research questions and theoretical review. Subsequently, the revised research questions were formulated.

Secondly, the co-variation case study could be used if the researcher expect to identify how independent variables [y], lead to an effect on a dependent variable [x] (Blatter and Blume, 2008). As illustrated in fig.5 under conceptual framework, the independent variable identified as ‘property management’ was found to be one of the main factors influencing the dependent variable which is ‘private rental housing supply’. This relationship was mediated by another variable known as ‘investment decision’ as illustrated in figure 5.

Finally, a case study allows the researcher to undertake a real time examination of a phenomenon (Yin, 2003). This study engaged the relevant respondents in real time to obtain and analyse data. The word *case* suggests specificity and relates to Thiel’s statement that; “the researcher can consciously choose to concentrate on a certain case, because it constitutes an extreme example of the phenomenon of interest” (Thiel, 2014, p.89). This study constitutes a specific contextual and geographical limit defining the scope.

This co-variation case study is an explanatory research, measured and expounded descriptively to contribute new insights to on-going academic debates about the housing tenure options in rapidly urbanizing cities. The assumption was that property management constituted a huge burden to housing investors and was therefore one of the main reasons why rental housing is in limited supply among PRECs. By expounding why this happens, this study applied selected subjective and objective indicators to gather data, interpret and explain the phenomenon using a combination of empirical investigation and existing secondary data.

Notwithstanding the case study approach adopted, the study included the use of questionnaires and secondary data through the process of triangulation to answer the research questions. The method of triangulation is discussed in detail under data collection methods. In summary, the main research strategy adopted for this research is a **co-variation case study** which is concurrently supported by the use of **questionnaires** and **secondary data**, which were helpful in answering the research questions. This diverse methods also helped to increase internal and external validity as well as the reliability of the research.

3.5 Operationalization

3.5.1 Operational Definition of Concepts

Property Management (PM)

Property Management refers to the total sum of strategies adopted to periodically maintain the value, condition and safety of a property using housing management experts. It includes all activities associated with the management of rented housing, including; repairs and maintenance, rent collection, sales and marketing, payment of utility bills, tax payments and rent contract matters.

Investment Decisions (ID)

Investment Decisions refer to specific actions taken by an investor concerning the accrual of real assets such land and buildings, aimed at making profit. It includes deciding between two housing tenure alternatives as a housing investor (i.e. rental or homeownership).

Private Rental Housing (PRH)

Rented residential units which are given out to tenants, in exchange for periodic monetary payment known as rent. It includes all private rented residential units constructed in compliance with planning laws and building codes.

Table 4. Operationalization: Variables and Indicators

Variable	Sub-variable	Indicators	Data Collection	Sources of Information
Private Rental Housing <i>(Dependent variable)</i>	Rental Apartments Free standing units	<ul style="list-style-type: none"> ➤ The number of rental units ➤ The type of building materials used in constructing the units (local or foreign). ➤ Average level of vacancy in weeks. 	Survey-Questionnaires	Private real estate companies in Greater Accra.
Property Management Institutions & Approach <i>(Independent variable)</i>	In-house, Outsourcing, Mixed Approach, Out-tasking.	<ul style="list-style-type: none"> ➤ The type of property management approaches ➤ Perceptions about the most cost-effective approach ➤ The level of administrative engagement ➤ The level of competition among property management companies 	Questionnaires Semi-Structured Interviews	Private real estate companies, Newspapers Academic literature
Investment Decisions of PRECs. <i>(Mediating variable)</i>	Investor's objective	➤ The longevity of investment plans and portfolio.	Semi-Structured Interviews, Secondary Data	Private real estate companies, Official websites of selected mortgage Banks Budget Statement of MOFEP
	Risk and Return Preferences	➤ Perception about rental housing profitability.		
	Market Consideration	➤ Perceptions about rental control.		
	Availability of funds	➤ Availability of credit facilities for rental housing investors		
	Alternative Investment	➤ Preferences to invest in homeownership or rental housing		
	Forecast and Outlook	➤ Perception about liquidity of rental housing.		

Author's construct, 2018

Investment decisions towards rental housing supply among private real estate companies in Greater Accra,24 Ghana

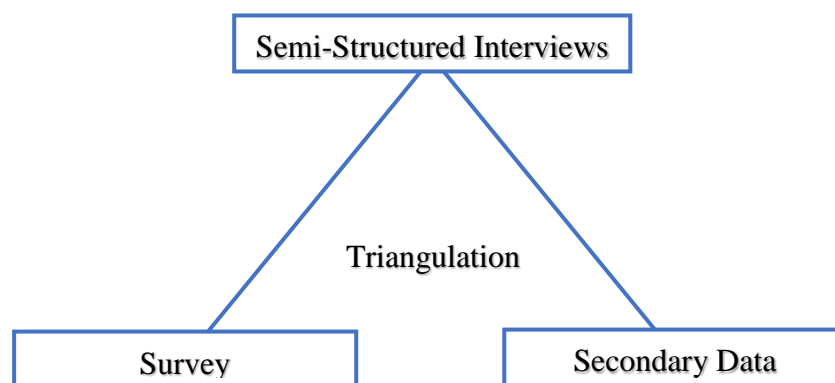
3.6 Data Collection Methods

The study adopted a mixture of **qualitative and quantitative data** to answer the research questions. Data was gathered using Semi-structured Interviews, Questionnaires (printed and online), and Secondary Data. With research question 2, the researcher obtained information through the use of questionnaires, to gather data about the PM approaches adopted by PRECs. For research questions 1 and 3, 4 and 5, the study combined the use of semi-structured interviews and questionnaires to gather perceptions and opinions about the place of property management in private rental housing supply, during investment decision phases.

The tasks of collecting data was shared between the Researcher and hired Research Assistants in Ghana. All phone interviews were conducted, recorded and transcribed by the researcher himself, from the Netherlands. This is because the researcher was in the best position to convey the right questions and explanations needed for the analysis. The interview questions were open-ended and guided by selected subjective and objective indicators. As noted by Thiel (2014), semi-structured interviews are essential to guide the researcher to ask open ended questions to obtain in-depth understanding of the phenomenon.

The hired Research Assistants were given adequate training about the purpose of the research, content of the questionnaires and all ethics associated with the distribution of questionnaires. The questionnaires were distributed through two mediums (print and online), to help increase the response rate. Some respondents were on the field and could only complete it online. For those respondents available, the Research Assistants approached them with the hard copy questionnaires, waited for them to complete them and collected them on the same day. In cases, where respondents requested pick up on a later date, the Research Assistants followed up to pick them up on the agreed date. Thiel (2014) explains that, the method of Triangulation helps to increase the internal and external validity.

Figure 6 Triangulation Process



3.7 Sample Size and Selection

The main sampling method used for obtaining qualitative data for the study was Purposive Sampling. According to Thiel (2014), purposive sampling is a non-probabilistic sampling method used in line with theory to obtain qualitative data. The respondents were selected based on their specific knowledge and expertise within the respective companies. Initially, the researcher planned to interview only Chief Executive Officers/Managing Directors based on the assumption that, they were in charge of taking the top level investment decisions at the companies. However, during the phone interviews, responses revealed that the respondents

who could provide relevant information were mostly not at the top level but was dependent on the company's management structure and investment portfolio.

A total of 6 PRECs were interviewed and respondents were the Estate Managers, Sales Managers and Marketing Officers of their respective companies. Out of the 6 companies, 4 were into homeownership investments while the other 2 were into rental housing. The 6 companies interviewed were chosen based on their 'reputation' in the housing industry and also on the types of housing projects they manage. The intention behind the selection was to get insights from companies that have dominated housing investments in the region, which gave them the first-hand experience to share insights about the phenomenon of interest. The selection of the 6 PRECs was therefore purposive and strategic. The other companies were not engaged on an in-depth level due to limited time for fieldwork and financial constraints.

For quantitative data, Stratified Random Sampling method was used. With respect to sub question 2, the intent was to gather quantifiable results on the PM approaches adopted by PRECs. The first point of call was the database of the Ghana Real Estate Developers Association. This is a non-compulsory association for private developers. From their database, a total of 176 members had registered. However, further inquiries revealed that not all of these members were into housing investment. They included different companies with interest in construction, development and real estate. The sample size calculation was therefore not based on those figures.

The PRECs were selected by means of Stratified Random Sampling which amounted up to 35. The first level grouping was done to capture only companies that are into housing and are operating in the GAR. Then the final selection was done using simple random sampling. With 35 companies operating within the region, the study attempted to generalize findings for sub-question 2.

3.8 Data Analysis Methods

Data was analysed both qualitatively and quantitatively since the method of triangulation was used. This included in-depth discussion of perceptions and statistical presentation of opinions and facts. Data was analysed qualitatively and responses from interviews were coded into subunits in accordance with the operationalization. Since the study is a deductive study, the codes were categorized into three families based on the three variables involved in the study.

With quantitative data, the Statistical Package for Social Science (SPSS) software was used to generate statistical data on the PM approaches adopted by the PRECs. Graphs and tables showing the results in frequencies and percentages were generated to support the analysis. At the same time, figures and data from the Bank of Ghana reports and national census documents about Ghana's housing sector were added to aid the analysis. To ensure confidentiality and anonymity of responses obtained from the interviews, the names of the companies were not presented but respondent numbers used instead. The respondents were chosen based on their knowledge, experience and expertise on the subject of discussion. Information gathered from them represent opinions, perceptions and facts regarding their duties in their respective companies. Table 5 below shows how the respondents were numbered;

Table 5. Respondents for the Interviews

Respondent #1	Respondent #2	Respondent #3	Respondent #4	Respondent #5	Respondent #6
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3.9 Validity and Reliability

In order to undertake a good case study research, the study should endeavour to achieve four vital goals, namely; internal validity, external validity and reliability (Yin, 2003). Among these goals, the most challenging is low external validity, due to the ‘small number of units’ involved (Thiel, 2014). The study was confronted by a number of challenges and the researcher devised several means to overcome them.

Firstly, the findings were unique to the context and involved only 6 respondents. The small number of units makes it difficult to generalize results for the entire Greater Accra region. To overcome this challenge, the researcher used the method of triangulation that is; using different methods, data sources and operationalisations to increase the external validity as well as reach a valid answer to the research question. The additional 35 PRECs companies selected for the survey, contributed to achieving high external validity on findings.

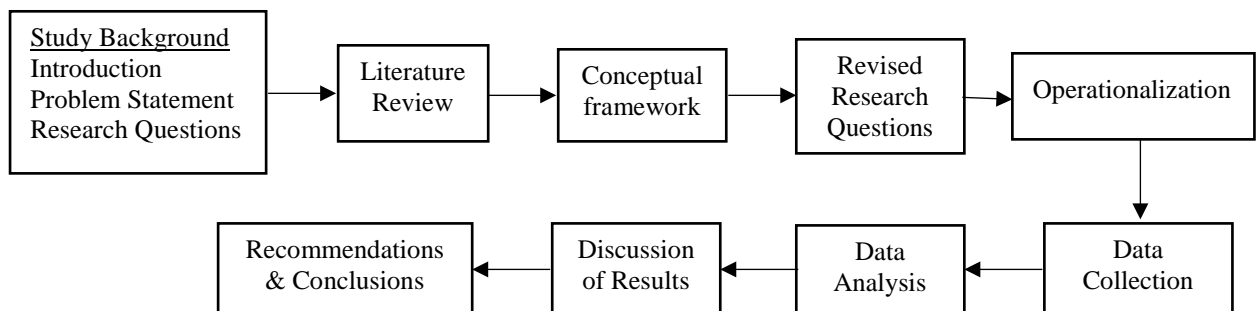
Secondly, some respondents were unwilling to cooperate fully and this was partly due to the fear that, their opinions may be traced back to them and could jeopardize their jobs. To overcome this, respondents were assured of confidentiality and anonymity. The researcher used respondent numbers (#1 to #6) to represent the PRECs. The units of study were the companies and not the individual respondents.

To achieve high reliability, Thiel (2014) explains that, the researcher may keep a database containing the step by step processes undertaken during the study to enable the whole work to be reviewed or checked afterwards. This is to ensure transparency and make it possible for another researcher to repeat the research process and obtain same results. The entire process involved during the study is documented and attached to the annexes to increase allow other researchers to repeat the research and obtain same results. Information regarding government’s effort towards enabling the private sector were obtained from official government documents increasing the level of reliability to the research.

3.9.1 Research Design

The research design proposed for this study is illustrated in the figure below;

Figure 7. Research Design



Chapter 4: Research Findings

4.1 Introduction

This chapter presents a discussion of the findings and results gathered from the fieldwork in line with the research design. It gives an overview of the profile of the study area, description of respondents, the type and procedure adopted for the analysis and justifications for the methodological choices made. It analyses identified relationships gathered from the qualitative and quantitative data with the aid of graphs and tables. Finally, it answers the 5 sub research questions congruent with the conceptual and theoretical framework.

4.1.1 Hypothesis

The hypothesis formulated for causal direction for this co-variation case study was based on selected theoretical postulations. Property management is the centre of the discussion but connects with the 'Enablement Theory' and the 'Investment Decision Theory'. This chapter presents both factual and interpretative arguments based on the fieldwork conducted. It entails an in-depth discussion of results as well statistical figures from both primary and secondary sources. The above mentioned theories and concepts guided the researcher to formulate the **hypothesis that;**

'Good property management would attract more housing investors to invest in affordable rental housing'

In 1973, Walters formulated an interesting hypotheses which sparked up heated debates among researchers in the real estate appraisal field. He stated that, **property management is the single most important area of concern in real estate investment analysis**. This hypotheses was hugely criticized by other researchers. Jaffe in 1979 carried out an investigation to test Walters's theory and concluded that property management deserves more attention than it is accorded in real estate investment analysis. Results from the sensitivity analysis he carried out brought to light, new insights about the importance of the property manager's role in increasing rates of return through innovative alterations and management skills. When taking investment decisions at the strategic level, housing investors looking to choose between homeownership and rental housing, tend to discuss the property management task and how prepared they are for such tasks.

Rental housing units, if managed well, would have the capacity to appreciate in value over time. However it is feared that, it is too expensive to manage and constitute a financial burden on investors. Expenses in the form of maintenance, replacements, finding tenants, property taxes, and so many others may become a huge concern especially in instances where rent collection is difficult and the returns on the investment is low. Downs (1983) establishes that, adequate maintenance is only possible if the rental unit is a profitable one. Perhaps this explains why many public rental housing in developing countries are poorly maintained as there was insufficient funds set aside for maintenance. The main challenge with public housing is that, there are fluctuations in the flow of finances needed to carry out maintenance works.

This study however focused on private rental housing and the investment decision of investors. It was conducted in Greater Accra Region of Ghana. The unit of study was private real estate companies (PRECs). Over the years, the activities of PRECs have increased significantly in Ghana's capital region. Their focus has been homeownership supply to the neglect of rental housing supply. The purpose of the study was to find out the extent to which property management influence the investment decision of PRECs towards rental housing supply.

4.1.2 Description of Respondents

Table 6. Description of Respondents

Respondent	Position in Company
Respondent #1	Estate Manager
Respondent #2	Head of Sales
Respondent #3	Estate Manager
Respondent #4	Estate Agent
Respondent #5	Estate Manager
Respondent #6	Estate Manager

For qualitative data, a total of 6 interviews were conducted to get an in-depth understanding of the phenomenon. The interviewees were Estate Managers, Estate Agents and Sales Managers of their respective companies. Interviews were conducted on phone; recorded, transcribed and analysed using data from different methods (Triangulation). The respondents requested that their responses be treated as anonymous and confidential and so the specific names of the companies were not mentioned in the analysis. The respondents were employed in their various positions during the time of the interviews.

For quantitative data, a total of 40 companies were served with questionnaires designed to obtain statistical data to draw quantifiable results to support the analysis. The questionnaires were distributed through hardcopy and online means. Out of the 40 questionnaires handed out, 35 were completed and returned. The quantitative outputs were generated using SPSS 22 and presented in the form of tables, graphs and charts. The online survey was generated using the Erasmus University Qualtrics platform, which allowed the researcher to track the responses and report findings appropriately. The response rate for the questionnaires was 87.5% (that is; 35 out of 40 responses were completed and returned). At the end, a total of 41 PRECs were selected as respondents for both qualitative and quantitative data.

4.1.3 Response Rate and Challenges Encountered During Data Collection

Generally, it was not easy getting the PRECs to contribute to the study. The Research Assistants who were hired to distribute the questionnaires faced a lot of delays as the specific respondents were mostly at the project sites, away from their administrative offices. Most of the respondents were busily working on on-going projects on the field and so were not readily available to complete the hardcopy questionnaires. The online format of the questionnaire was used as a backup for respondents who could not fill the hardcopy questionnaires on site.

A lot more interviews could have been conducted if there was more time and resources. A number of interview requests were turned down due to the fear that the information given out may be traced back to them. Also, since these were phone interviews, respondents were cautious not to disclose private company information to the caller they had no personal contact with. Again, the response rate was hugely affected by the events happening during the fieldwork. A famous investigative Journalist in Ghana called 'Anas Aremeyaw Anas' had just released a video of secret recordings of public officials who were taped and charged with bribery and corruption. These videos were shown to the public 2 weeks before the fieldwork commenced. The researcher felt that some of the respondents were being protective especially when their permission was sought to record the interview for the purpose of transcription.

4.1.4 Profile of Greater Accra Region (GAR), Ghana

Greater Accra Region is the capital region of Ghana located at the South Eastern part of the country. It is the hub of Ghana's political, commercial, industrial and administrative economy. It is one of the country's 10 regions and is noted as the Headquarters of Government and a host of all Government's national ministries and departments. It has a total of 27 Districts which is made up of 2 Metropolitan, 19 Municipal and 5 ordinary districts (Wikipedia, 2018).

Greater Accra region has a total population of 4,010,054 and occupies a total land area of 3,245km² which constitutes 1.4% of the total land area of Ghana (Ghana Statistical Service, 2013). It is known to be the second most populated region in Ghana despite its limited land area. The geographical boundary of the fieldwork was within the Greater Accra region as illustrated in the Fig 7 below;

Figure 8. Map of Greater Accra Region



Adapted from Otchere (2017)

The phenomenon of interest was dominant in this region and thus constituted the geographical context of the study. According to the 2013 Ghana Statistical Service Regional Analytical report, GAR is the most densely populated region in Ghana due to high rates of in-migration resulting from rapid urbanization. There are many young people who travel to the region in search of better employment opportunities and other avenues to explore the advantages the region offers. Due to the rapid in-migration, finding decent and adequate housing is not easy. There are many informal landlords who take advantage of the large numbers to make unlawful extensions to the existing properties for rental purposes.

Apart from the informal rental market, the economic and commercial potential of the region has acted as a catalyst to attract modern housing investments in recent times. These investments have increased through the activities of PRECs. The capital city, Accra is located with the Accra Metropolitan area. Figure 7 above is a map showing the boundaries of the Greater Accra region and the various towns and cities.

Investment decisions towards rental housing supply among private real estate companies in Greater Accra,30 Ghana

4.2 Housing Supply by Private Real Estate Companies (PRECs)

PRECs are major actors of formal housing supply in the Greater Accra Region. In spite of the increasing number of informal landlords and slums in the region, the formal sector have stepped up the pace in supply due to massive incentives given by the government. The topic on reducing Ghana's housing deficit is mostly brought up at housing conferences, political meetings and academic seminars. A lot of units have been added recently to the total housing stock due to several efforts from all parties but most of these newly added stock are for high income earners.

Concerns have been raised about the type of housing products offered on the market by PRECs. Observational evidence suggests that, there is a focus on homeownership supply as against rental housing. The study sought to find out from the field, the type of housing units supplied by the selected PRECs in the region. This was to determine whether arguments about their focus on homeownership was indeed true. The 35 questionnaires returned was intended to find out the number of companies that supply rental housing as against those that do not. From a superficial level, the data obtained were further clarified in the interviewed. The results obtained are illustrated in table 7 below;

Table 7. Rental Housing Supply

Type of Supply		Frequency	Percentage %	Total
1.	Companies that supply rental housing	16	45.7%	Freq. = 35 % = 100
2.	Companies that do not supply rental housing	19	54.3%	

From table 7, it can be seen that, out of the 35 responses obtained, 16 were supplying rental housing represented by 45.7% while the remaining 19 were only into homeownership represented by 54.3%. For those companies that were into rental housing investment, the study sought to find out the type of rental units they offered, whether the units were high and medium rise apartments or free standing units. Results showed that 31.4% were high and medium rise apartments, 2.9% were free standing and 11.4% were into both apartment and free standing units. This suggests that the PRECs invest in large number of units on a limited land area. However, observational evidence revealed that many of these companies offer more of free standing units than high and medium rise apartments. Many buyers prefer residential units that allows them to have their private compound rather sharing common spaces and apartments and condominiums. Managing apartments is perceived as a harder task than managing free standing units.

During this enquiry, a third group of housing supply was found. It was discovered that there was a 'hybrid supply of rental housing' by the PRECs. This was distinguished based on the ownership of the units. The companies were supply rental units which belonged to other housing investors. That is to say, these units were sold out, but the PRECs continue to manage it and rent it out on the market. This affected the survey response, as the question was not clear about who the real owners of the units are.

The hybrid supply is a key discovery of this study because it serves as the avenue where arrangements for property management services are initiated. PRECs develop the rental units and sell them out to secondary investors, who in tend give the units back to the PRECs to rent them out on their behalf at an agreed fee. This arrangement is discussed in detail under the investment decisions section of this section.

4.2.1 The Building Materials Debate

Due to concerns about high taxes and duties on imported building materials used in constructing housing units in the region, the study assumed that, perhaps this could have played a major role in the high prices of residential homes offered on the market. A generic output about the types of building materials used by the PRECs, was generated to help understand a possible relationship between the complexity of building materials (i.e. the building technology) and the type of PM approach adopted. The survey categorized building materials into two, namely; [1] locally produced buildings and [2] imported foreign ones. The survey sought to find out which of these materials are used by the PRECs located in the GAR and what influence did it have on property management and house prices. This was intended to explain the balance between locally produced building materials and imported ones. The result of the output are illustrated in figure 8 below;

Figure 9. Type of Building Material

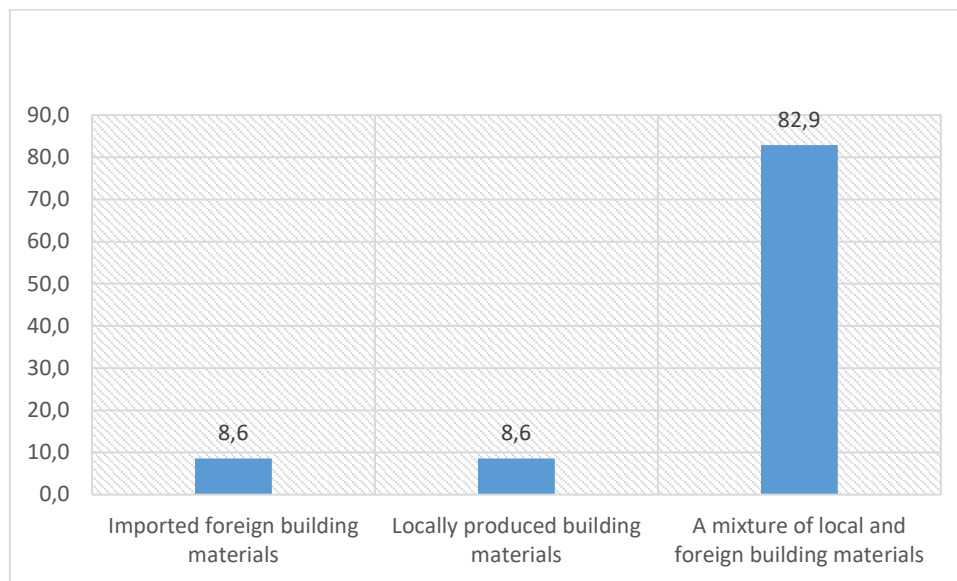


Figure 8 shows that, a massive 82.9% of the private real estate companies' use both locally produced building materials and imported building materials in constructing their housing units. This could be because of the preferences of housing investors for luxurious living and attempts to meet international modern standards. The percentage for the companies that use only locally produced was 8.6%, and this figure was the same for the companies that use only imported building materials in constructing their dwellings. It can therefore be inferred from the results that, majority of PRECs tend to combine both local and foreign materials to construct housing units.

Foreign building materials are more expensive because of the duties paid at the port and all the taxes that come with it. Depending on the architectural design of the units, the building materials may be of a high price and durability and may ultimately lead to high production cost. Respondent #3 explained that, to encourage the PRECs to go into affordable rental housing, the government should remove all taxes on imported building materials. This indicates that, cost of building materials is perceived as one of the main reasons why housing prices are high. However it was observed that the past and existing removal of different forms of taxes in the real estate sector have not persuaded the PRECs to go into affordable rental housing for the low ad middle income earners in the region.

4.3 Who are the Formal Housing Investors in Ghana

There are several types of housing investors operating in the Greater Accra Region of Ghana. This study excluded individual landlords who invest in formal rental housing and only focused on PRECs. Initially, the assumed that the PRECs were the main players in housing investments in the region. Findings from the fieldwork proved otherwise, as several actors were at play in the market. As discussed in the theoretical review, Acioly and French (2012) categorized the private sector as an entire group of housing developers in developing countries. However, not much detail was discussed in relation to the different types of housing investors with profit seeking objectives.

Findings from the fieldwork revealed the various actors in the investment category. This study categorizes housing investors into two main groups, namely; primary housing investors and secondary housing investors.

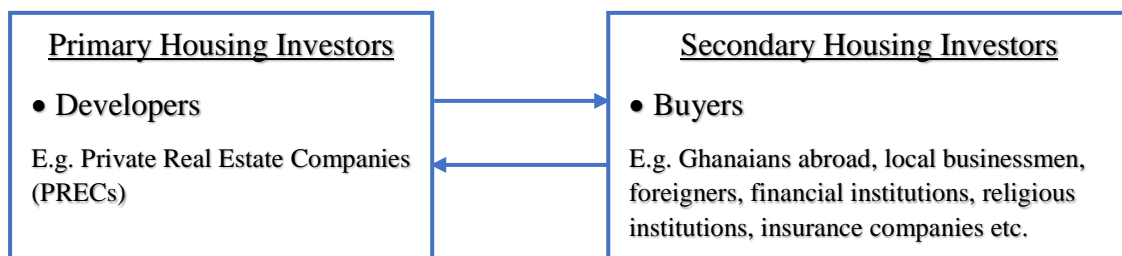
4.3.1 Primary Housing Investors

Primary housing investors are mainly the entities that focus their activities at the production and development phase of the housing process. These may be individuals, companies and multi-national organizations. They purchase the land, service it, construct the units and make it ready for the market. The PRECs are primary housing investors since they mostly develop the units and make them ready for sale or rent. It was observed that, Government of Ghana mostly consider the PRECs as the entities which need incentives since they develop most of the large scale formal housing units. Previous incentives given by the government have been given to the PRECs because of the capacity they have to increase housing supply through production and delivery.

4.3.2 Secondary Housing Investors

Secondary housing investors are individuals, organizations and businesses which patronize fully completed housing units from primary housing investors, for the purpose of offering those units on the market for profits. Findings from the fieldwork revealed that these secondary investors include; Ghanaians abroad, expatriates in Ghana, foreigners, local businessmen, financial institutions, religious institutions, insurance companies and politicians. This section of the market requires a huge investment capital and also housing units offered are mainly for high income earners. They are the target of the PRECs who develop sometimes to meet the demands and design preferences. Respondent #2 explained that, these category of investors are their main clients, not the individual buyers. This brings into question the perceived role of PRECs in housing delivery.

Figure 10 Types of Housing Investors in Ghana



4.4 Categories of Housing Investments in Ghana

PREC's engage in various housing investment categories of which property management forms a key part. Since the study looked into relationships between property management and investment decisions, it was important to define what type of housing investments they engage in and the place of property management in such decisions. The types of housing investment categories include investment in Bare Land, Infrastructure and Services, Physical Structure, Property Management and Mortgage financing. These categories are explained below;

4.4.1 Bare Land

Ghana's housing market is unique because of the different share of land ownership between the state, communities, clans and families. It was discovered that some investors purchase customary land from chiefs, families and clans and sell it for profit. They engage in speculative buying based on potential increase in land value in prime locations. Some of these investors are individuals, businessmen and organizations. They invest in bare land (i.e. undeveloped land). This type of investment is common in the Greater Accra Region. However, PRECs were not into this type of investments. Rather, they prefer to add some value to the land before selling it out.

4.4.2 Infrastructure and Services

It was found that, some of the PRECs are involved in offering serviced land for sale. They purchase the land, and construct roads, provide electricity access points, install street lights and other services like sewerage, water etc. Further interaction revealed that, some prospective home buyers prefer to construct their homes with their own designs. In such an instance, the PREC would sell the serviced land separately to the buyer, and then contract a different offer for the construction of the home. A plot of serviced could cost as much as \$50,000 USD. Some of these were in new towns in the region. This is also an avenue for PRECs to invest and gain profit.

4.4.3 Physical Structure (House)

There are those investors who first buy the land, service it and then construct the physical structures according to their own designs. Some of the developments exhibit uniformity and design, colour and style, and others construct different designs. Most of the PRECs invest at this level. They collaborate with the mortgage banks to offer these properties on the market. A lot of research are currently being carried out on such developments especially on gated communities.

4.4.4 Property Management

Another venture PRECs find attractive is the property management business. There are a lot of housing investors looking for specially established entities which are willing to take on the responsibility of managing their units for them. This is partly one of the reasons why majority of the PRECs have an in-house estate department. They accept such offers on contract basis and charge for their services. They serve as an intermediary between the investor and the tenants.

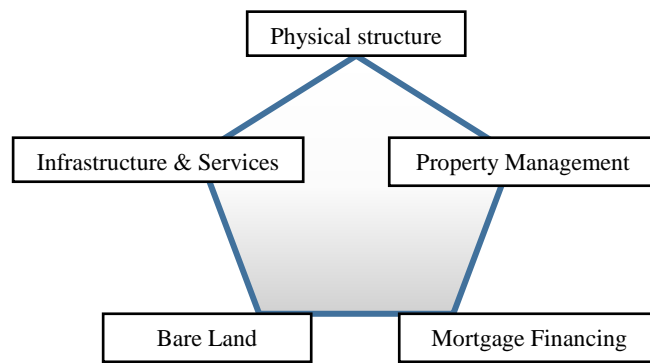
4.4.5 Mortgage Financing

The financial sector is another avenue for housing investment in Ghana. Aside the mortgage loans offered by the financial institutions, there are investors who go into mortgage Financing. It was found that some of the PRECs partner with the banks to offer mortgages and receive interests over a period. There are various financing models and arrangements between PRECs and the mortgage banks with respect to mortgage loans and financing real estate projects. Not much is known about the differences in financial arrangements between the companies and the

banks. There are investors who target the financial sector as an investment avenue especially in the housing market.

In summary, the study discovered that investors engage in 5 distinct categories of housing investments. Some engage in just one category while the others in two or more. There were other avenues for investments but not as vibrant as the ones discussed in this study. Figure 10 is an illustration of the investment categories identified;

Figure 11 Category of Housing Investments



Source: Author’s construct, 2018

The various housing investments could also be viewed as an iterative process. Investors one way or the other go through this investment process when it comes to housing. The following pictures show some projects of the PRECs interviewed;

Photograph 1: Free standing units



Source: official website of a PREC

A section of free standing units with same design, style and colour. It is sold out and subsequently rented out.

Photograph 2: High and medium rise apartments



Source: official website of a PREC

A section of apartments sold out and rented out. Same design, colour and style.

Photograph 3: Investment in Infrastructure and Services



Source: Website of British Consortium in Ghana

An example of a fully serviced land offered by Appolonia City Ghana, a PREC which invests in land, infrastructure and services.

Photograph 4: Rental units



Source: official website of a PREC

Rental units with same design, style and colour offered on the market.

4.5 Strategic and Tactical Level Investment Decisions

The Investment Decision theory proposed by Hargitay and Yu (2003) was adopted as the basis for developing the subjective and objective indicators used for collecting data on investment decision. It describes the various components that make up the general economic and political climate involved in taking investment decisions as discussed in the theoretical review. The Investment Decision theory includes six core components, namely; [1] Investor's Objectives, [2] Alternative Investment, [3] Risks and Preferences, [4] Market Considerations, [5] Availability of Funds, and [6] Forecast and Outlook. For the purpose of this study, three of these components are grouped under strategic level decisions and the other 3, tactical level decisions. The explanation given by Hargitay and Yu (2003) about the two decision levels are discussed below;

- a) **Strategic Level:** It involves setting the overall policy objective, selecting the investment media and allocating funds to the investment media. For the purpose of this study, strategic level investment decisions include; Investor's objectives, Alternative investment and Availability of funds.
- b) **Tactical Level:** Relates to ensuring that strategic decisions are implemented within an investment media. These decisions include the selection of specific sectors as well as the choice for individual investment projectors with the selected sectors. For the purpose of this study, tactical level include; Risk and preferences, Market Considerations, and Forecast and Outlook

The study ranked the components of the ID theory from low to high based on the 6 interviews conducted. The idea was to identify which of the components was more important and critical to the PRECs during decision making and to know whether there is an existing correlation between those components and property management. The type of data to discuss this relationship was mainly qualitative data and therefore constitutes events, facts and perceptions of the #6 respondents. Ranking was made based on the number of times these components surfaced during the interactions and relevance placed on them within the context of rental housing supply. It begins with how respondents reacted to questions on these components and the level of importance accorded it. The concluding part of this section shows a table with the generated ranking.

Investment decisions towards rental housing supply among private real estate companies in Greater Accra,36 Ghana

4.5.1 Strategic Level Decisions

a) Investors' Objectives

Housing investors are driven by their ultimate objectives which is dependent on the availability of funds and other equally important factors. Some investors come into the market on speculative basis and therefore have long term objectives. They predict the market and position themselves to benefit from future expectations in the industry. On the contrary, some investors have short term objectives and are very precise on the projects they invest in and their target group. Through the interviews, the study sought to better understand the overall investment objectives of the private real estate companies with respect to housing. The Respondents were asked whether their objective was for the short term (that is; 5years and below) or for a longer term (6years and above).

The study assumed that, investors with long term objectives would have rental housing as part of their housing investments while those with short term objectives may be driven mainly towards homeownership investments. Responses from the 6 interviews shows differences between company objectives. Four companies had short term objectives while the other two had long term objectives.

It was also revealed that some companies were investing in housing infrastructure and basic services, separate from their core investments. Table 8 below gives an illustration of the various objectives and investment media of the selected PRECs. It should be noted that this study excludes all other non-housing investments within their real estate investment portfolio and focuses on residential rental units. Through each company's brand and marketing strategy, the objectives are explained and presented in various forms.

Table 8. Objectives for Housing Investments

Respondents	Objectives	Type of Investment
Respondent #1	Long term	α , β
Respondent #2	Short term	α
Respondent #3	Short term	α
Respondent #4	Short term	α
Respondent #5	Long term	α , β
Respondent #6	Short term	α
Key		
<ul style="list-style-type: none"> • Develop and sell = α • Develop and hold = β 		

Information from Table 8 indicate that, 4 out of the 6 companies interviewed had short term investment objectives. Those with short term goals had an agenda to **develop and sell** and therefore were mainly into homeownership investments. The remaining 2 which had long term goals, had investments in both rental and homeownership. It was found that those with both housing tenure investments still had homeownership, dominating their investment portfolio. It can therefore be suggested that homeownership dominates their housing investment portfolio. For every project completed, the objectives of the investor may be different. For those with short term objectives, the length of time depends on the availability of ready buyers. The study found that getting buyers for such properties was easy and hence these PRECs are able to

recoup their capital in the shortest possible time. Those with Long term objectives normally *develop and hold* the property for many years, but still had more home owning projects.

Further inquiry revealed that, there are annual housing fairs organized for PRECs to pitch their properties to potential homeowners and investors. Some purchase homes to live in, while others buy for investment purposes. Respondent #2 when asked whether they invest in rental housing, stated this;

“Yes, we supply rental housing. We do for investment purposes, so those that want to buy and rent, we help them manage [...] yes, and in one of our pitching, we pitch, so you can actually come in there, and buy from us” (Respondent #2).

Photograph 5 Annual Marketing Event for PRECs



A private real estate company marketing its housing projects at the 2018 pitching event in Accra. This is an event organized annually for all PRECs to showcase the type of housing investments they have to the general public.

Photograph 6 Marketing Event in Accra



Another private real estate company presenting its housing products to prospective home buyers and housing investors at the 2018 housing fair organized in Accra.

b) Alternative Investment

The Rational Choice Theory attributed to Scott (2000), explains how human decisions are made to reflect ‘rationality’ after giving consideration to the costs and benefits involved. Housing investors presented with alternatives would seek to make rational choices that would lead to the realization of profits. In housing studies, the two alternatives are rental and homeownership. The study sought to find out from the PRECs whether rental housing could return a profit as compared to homeownership. Given the associated costs and benefits, the investor is expected to make a rational choice of the two options. Responses obtained are the opinions and perceptions which reflect the experiences of the respondents on the matter. On inquiries about understanding rental housing profitability, Respondents #2 and #5 provided interesting insights about the profitability of rental as compared to homeownership. Respondent #2 explained that;

“Yes it is! It is because if you look at the long term, and errm you wouldn’t regain much, because you are buying a property worth \$40,000 and you are renting it out for like, [...] let say like \$400 per month, [...], at the end of the day you are getting some money, at the end of the day, the house would appreciate to a level that, you can actually recoup more, depending on how

much you bought it for. And also you might have also gotten something out of it, you understand”.
(Respondent #2)

Respondent #2 states an important phrase which suggests the rental housing supply is profitable in the ‘long term’. This means that, investors who expect quick recovery of capital may not find rental housing a profitable venture as compared to homeownership. It is good for investors with long term objectives. Respondent #2 also stated that, a rental unit is bound to appreciate in value over time and hence could be a good investment in the long term.

For homeownership, which is the alternative option, most of the PRECs invest in it because there is a lot profit. Investors who want to recoup their capital in the shortest possible time normally go into homeownership, that is, they develop and sell for immediate returns. Respondent #3 explained that, one of the main reasons why most of the PRECs are into homeownership is because there is a huge profit margin involved. He explained that there is a huge demand for such properties and that the homeownership market was still not saturated.

“The reason why there is increased homeownership investment is because, that’s what I just said. There is a huge profit margin. It’s highly profitable”.
(Respondent #3)

Considering the conducive investment environment created by the government in the form of tax exemptions and other incentives, PRECs make a lot of profits especially those who invest in homeownership for the higher income segment of the market. The support given to these companies has improved the building and construction industry as well as increased formal housing supply in the region. One observation made was that, most of the housing developments were surrounded by walls. The PRECs choose to distinguish their developments by providing gated communities. This is also to provide an answer to the calls for security services by high income households.

c) Availability of Funds for Investment

Large scale rental housing projects would require more financial resources. The assumption is that, when these PRECs get access to credit facilities with reasonable interest rates, they would be more willing to invest in rental housing in large quantities. A thriving financial sector with moderate interest rates would most likely encourage investors to go in for long term loans to finance real estate projects. This however depends on the flexibility of repayments and other requirements.

Some other housing finance options available to the PRECs include End-User Finance models. This is where the PRECs companies depend on finances from prospective buyers to finance and complete the projects. The study revealed that this type of financing arrangement is common among PRECs operating in the region. Some also depend on their own equity from savings, support from family and friends and other areas. The companies however have an advantage of securing credit facilities since they are established as entities and not more individual businesses. There are two main mortgage banks in Ghana, namely, GHL Bank and the Republic Bank.

The study looked into the different types of mortgage loans offered by GHL Bank and the Republic Bank Ghana (formerly HFC Bank). Housing investors consider the various avenues available to get funds to finance their projects. Apart from the interest rates, other tax reductions like the 17.5% VAT/NHIL granted by the Ministry of Finance and Economic Planning in 2018, also improves the business environment. Table 9 below shows a list of mortgage loans offered by the two major mortgage banks in Ghana.

Table 9. Mortgage Products offered by GHL Bank and Republic Bank

	GHL Bank		Republic Bank (formerly HFC Bank)
1	Purchase Mortgage (first time buyer)	1	Home Purchase Mortgage
2	Purchase Mortgage (Buy to let)	2	Home Equity Mortgage
3	Construction Mortgage	3	Home Completion Mortgage
4	Homeowners mortgage	4	Buy, Build and Own a Home
5	100% Purchase Mortgage	5	Republic Bank Employer Assisted Loan Scheme
6	Land Purchase Mortgage	6	Republic Public Sector Loan Scheme
7	Home Improvement Mortgage	7	Mortgage Properties
8	Quick Cash Mortgage	8	Home Improvement Mortgage
9	Home Completion Mortgage		
10	Mortgage Refinance		
11	Save-To-Own		

Adapted from Official websites of GHL Bank and Republic Bank, 2018

It can be seen from Table 9 that, products for home owners are more. This seems to suggest that the two mortgage banks have products that focus on home buyers than those who want to invest in long term rental housing projects. There are however two or three products that may be useful to PRECs for their housing projects. Examples of loan offers that may be useful for financing long term projects include; Construction Loans, Equity Release Loans and Mortgage Refinancing. All the 6 respondents interviewed stated they were aware of all the loans offered by these banks.

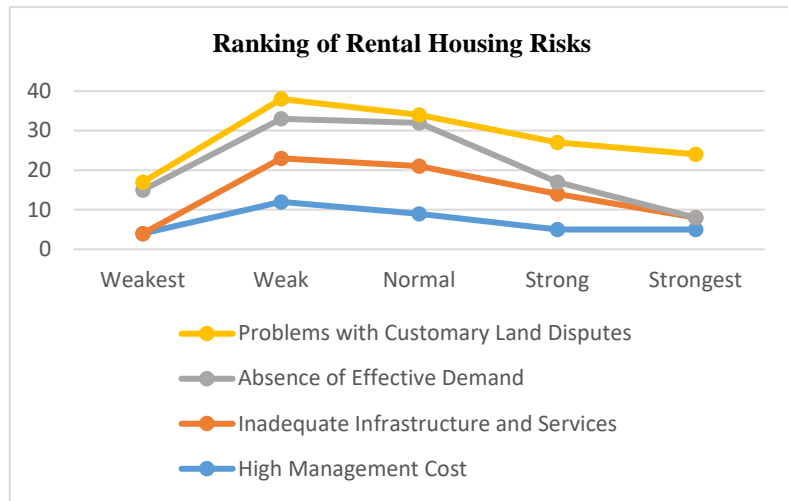
4.5.2 Tactical Level Decisions

a. Risk and Return Preferences

Depending on whether the investor is a risk bearer or risk averse, certain decisions may be delayed or aborted. There is a perception that, there are more rental house risks than homeownership risks to the investor. In the survey, respondents were asked to express opinion on whether indeed there were more rental housing risks than homeownership risks. Results gathered from the 35 PRECs indicate that, 25.7% strongly agree, 48.6% agree, 17.1% were neutral on the matter, 2.9% disagree while 5.7% strongly disagree. This suggests that PRECs perceive rental housing as a risky investment.

The identified risks associated with costs, returns and political environment are a huge concern to them. Firstly, respondents for the survey were asked to rank the specific challenges associated with rental housing investments from weakest [1] to strongest [5]. The rental housing challenges were identified in literature and were grouped into four main categories, namely; high management cost, inadequate infrastructure and services, ineffective demand and land disputes. The responses obtained are illustrated in Figure 9 below;

From the Fig. 9 above, it can be seen that PRECs ranked customary land disputes as the top most problems that discourage them from going to affordable rental housing. This is closely followed by the lack of effective demand on the market, which simply means that the need in the market is not backed by the requisite purchasing power. Inadequate infrastructure and services was ranked 3rd and finally high management cost ranked last.



The respondents engaged for the survey therefore did not hold the belief that high management cost discourages housing investors from investing in rental housing. Rather land related conflicts with long term consequences discourage housing investors from going to rental housing. However, on a deeper level of inquiry, respondents for the interview expressed a completely different view on the matter. They explained that the management burden, when expressed in financial terms ranks top. The risk associated with holding an investment in rental has more to do with management than the other known risks. An investor who is risk averse may want to avoid going into rental housing because it is associated with numerous uncertainties especially with tenant relations.

Secondly, housing for the young professionals in the region have attracted a lot of attention from government and policy makers in recent times. As has already been established, affordable rental housing is the most preferred option for dealing with the housing challenge. The study sought to find out from the PRECs, perceptions and opinions about rental housing investment for young professionals. According to the Ghana Statistical Analytical Report 2013, the rapid urbanization and in-migration into the GAR was mostly by the young professionals (usually between 24-35yrs), who troop into the region in search of better job opportunities and high standard of living. The study through in-depth interviews sought to understand why this is so. Firstly, the question about whether providing affordable rental housing for the young professionals (between 24-35yrs) is profitable or not brought to light diverse opinions. Respondent #1 answered it this way;

“For me, the issue would not be about age, it should be about their financial ability. What income bracket are you looking at? Because of pure market capitalist forces, the person may be 25 and may be earning a very good salary, so I will be more comfortable with their financial terms than even age”.
(Respondent #1)

Respondent #1 is the Estate Manager of a PREC noted for the supply of homeownership. At the primary level, they mostly develop and sell off to private individuals and organizations. Clearly, this response suggests that, housing investors do not look out for the age factor but more importantly the financial ability. He explained further;

“Well the point is, somebody may be young and he may start from the job ladder on a relatively higher income, higher than somebody who is say 40years. You understand, so if your assumption is that because they are young, their income level is on the lower side. But that assertion would not be valid. Some people may be 25 but may start on the job ladder at a higher income than somebody

who has been the ladder for say more than 10 years. You get my point, so let's look at the financial terms. What income brackets are you saying would be profitable in terms of if investors go into that rental market". (Respondent #1)

Respondent #4 stated that, rental housing is profitable and less risky for PRECs which charge rent advance payments. The problems associated with rent collection and other fees are minimized in such instances. He further stated that, profitability also depends on the type of unit constructed. The more luxurious the property is, the less profitable it may be. Many young professionals may not have the financial capacity to pay for it.

The responses stated above confirm that, investors care about profitability as has been established by Downs (1983) and Gilbert (2003). Specifically, Downs (1983) made an important linkage between 'adequate maintenance' and the level of profitability of the rented unit, which also connects to resulting quality of the rental unit. This assertion sets up the basis for discussions on whether rental housing in GAR is 'perceived' as a profitable investment among housing investors. As already discussed in the literature review, housing investors are often critical when taking investment decisions about rental housing and homeownership. The preferences of investors are often influenced by all the risks identified as well as the financial figures generated after the feasibility studies.

b. Market Considerations

In the context of rental housing supply, the market considerations are the general investment environment in the country. This includes the availability of an efficient institutional framework to regulate the rented sector. Koegh (1994) breaks down the real estate market into three major parts, namely; the user market, the investment market and the development market. The interactions between these segments of the real estate market define the demand and supply dynamics, which ultimately determine prices. This framework comprises of all types of real estate including land, retail, housing, industrial, commercial and so many others. This study focused on housing investment in Ghana and found a several players in the market.

Firstly, the study looked at figures for the business environment in Ghana. According to the 2018 Budget Statement read by the Ministry of Finance and Economic Planning (MoFEP), government abolished a list of taxes to free additional capital for businesses and also to provide relief to consumers. The list below comprises of tax incentives given by the government to improve the general business environment in the country.

- 5% VAT/NHIL on real estate sales
- 1% Special Import Levy on imported raw materials and machinery
- 17.5% VAT/NHIL on financial services
- 17.5% VAT/NHIL on Domestic Airline tickets
- Excise Duty on Petroleum
- Import Duty on specified vehicle spare parts;
- 17.5% VAT/NHIL on selected imported medicines not produced locally; and
- Levies imposed on 'kayayei' by Local Authorities.

Generally the business environment is perceived to be good by the PRECs as more tax exemptions are made. In addition to the taxes abolished, there are other positive signals such as the growth of businesses and real estate industry from 3.8% in 2016 to 4.2% at the end of 2017. PRECs are given a fairly attractive business environment to operate and create more jobs. This has reflected in the housing market as more developments are springing up, especially in the capital region.

Secondly, the performance of the rental market is not properly documented, as many transactions are done without records. Respondent #1 explains that it is difficult to truly measure performance indicators since there are no figures available to show for it. He explained;

“I would like to approach it this way; that generally, the housing market in Ghana has not been well defined. You understand, so such a question is very difficult to answer. Because if the market is well defined, we should have standards and performance indicators where you can clearly measure the performance of the market generally, as in Ghana, and also as say, micro town level, but as at now, the market is not that clearly defined, you understand.

We don't know the number of houses. Always we say that there is a housing deficit. But we don't know the number of houses on the market and apart from the number of houses, we don't even know as in what kind of houses that people really want. As much as we talk about housing deficit, there are a lot of houses in the prime areas. So the market is not well defined, so generally there is that perceived returns on people buying houses and giving it out for rent and the returns, just like I said it's very difficult to really measure. Though the real estate developers they all parade round by making comments that if you buy my house, it has this return within a certain period, you understand. But that is coming from a pure marketing person, the person is the one who is selling, you understand.

From a pure independent professional standpoint, I don't think those assertions by the marketing people has been tested properly. Does that answer that question? The housing market in Ghana is not well defined because in other parts of the world where the market is well defined you get to know the performance of the market against other investment vehicles like stock exchange and those kind of stuffs. But as at now, Ghana, the market is just there and you see the developers trying to pitch by giving comments that if you buy our house, within a period there is this rate of return. And that's coming from the one who is developing. It's not coming from an independent person who is really getting up to the accuracy or otherwise of that statement”.

(Respondent #1)

Unlike many developed countries, developing countries are normally confronted with lack of adequate market data. Investment performance is largely difficult to measure in such instances. To be able to make factual conclusions on the rental housing market in Ghana, certain assumptions may have to be made to reflect a possible trend on the market. The investor may need to adopt an observational approach to undertake empirical investigations. Experts with a lot of experience in feasibility analysis may have to use high point indicators and discretions to complete an analysis.

Thirdly, the study sought to look into the institutional and legal framework of the rented sector in Ghana. Housing market institutions which interact may have a significant impact on housing outcomes. Hawtrey (2012) explained housing market institutions using the theory of institutional economics largely attributed to Commons (1931). He establishes that housing institutional groups comprises of the private sector, public sector and civil society organizations.

For the purposes of land acquisition, finance, regulations and incentives, institutions normally interact at various levels. In Ghana, land acquisition is mostly dominated by Stools, families and clans. The State controls just about 20% of all lands. The financial sector is vibrant, especially in the area of giving loans to small and medium scale businesses. However, there are few banks that specialize in providing credit facilities for housing investments. The two outstanding mortgage banks are GHIL Bank and Republic Bank (formerly HFC Bank). For regulations and incentives, there are specially established public institutions in charge. These include the Town and Country Planning Department, the Lands Commission, Ministry of Finance and Economic Planning and the Ministry of Works and Housing.

The study sought to obtain a ranking of possible support structures government could give the PRECs to encourage them to invest in affordable rental housing to serve the lower segment of the market. Based on theory, the subjective indicators of government supply-side support mechanisms were grouped into four main components, namely; Institutional support, Financial support, Land Banking and Tax Incentives. The survey sought to find out the opinion of the PRECs on what they think would be the most preferred form of support they need to go into affordable rental housing investments. It has been established in literature by Gilbert (2012) that the overly increasing homeownership in developing countries is due to the perverse incentives given by government to the private sector. The results of the rankings from weakest to strongest have been illustrated in table 11 and radar graph below;

Table 10. Ranking of the needed Government Support

Type of Support	Frequency				
	Weakest	Weak	Intermediate	Strong	Strongest
Institutional support	1	14	8	7	5
Subsidies	2	16	6	6	5
Land banking	1	1	10	13	10
Tax incentives	5	10	4	11	5

Figures from the table and radar chart above indicate a strong advocate for land banking support. PRECs are often confronted with issues of land disputes especially with customary lands. This response suggests that PRECs are not motivated to *build and hold* because of future uncertainties with the ownership of land. From observation, the process of securing land acres of land for development has already begun through the land banking scheme. Private developers are now able to buy large tracts of land through this scheme. It is however not present in all areas within the city. The expected land banking support is closely followed by tax incentives and institutional support. The PRECs are admonishing government of Ghana to increase tax incentives through tax exemptions and the like.

However, government of Ghana did not see any good result in the past when tax exemptions were granted to PRECs in Ghana. During the 2011 Budget Statement by the Minister of Finance and Economic Planning, the issue of biasness in housing supply was stated as the main reason why the tax exemption was abolished. The Minister in an address to the House of Parliament stated;

“Madam Speaker, the five years exemption period granted to companies engaged in the construction for letting or sale of residential premises under Section 11(6) of Act 592 was mainly to create affordable accommodation for the middle to low income earners. Unfortunately, the real estate developers focused on building for the high and upper class of the society while abandoning

Investment decisions towards rental housing supply among private real estate companies in Greater Accra,44 Ghana

the original purpose. The government proposes to abolish the general five year tax exemption for real estate developers”.

(Budget Statement, MFEP, 2011, p.46)

Government of Ghana, through the enabling approach, implemented a 5 year Tax Holiday to private real estate companies under the Internal Revenue [Amendment] Act 2006, (Act 700) s2(b). This incentive was intended to encourage businesses that focus on housing construction for sale or letting to increase their supply especially for low income earners. They were however abolished when government realized that the original purpose for those incentives had been defeated. These incentives were given without any policies to regulate or restrict direct beneficiaries. The PRECs were not obligated by law to go into affordable housing for the low and middle income group.

The PRECs engaged admitted that, the general business environment is good for real estate activities. The estate companies are able to make huge profits as a result of this. With the incentives provided, building to sell yields more returns than hold to rent out. The private sector seem to be demanding a lot of support from government in the real estate sector. Recently, government of Ghana’s proposal to set up a housing fund was gladly welcomed by the Ghana Real Estate Developers Association (GREDA). The president of the association stated that the proposed fund would help low income earners afford mortgages to allow them buy their own houses.

c) Forecast and Outlook

Forecasting in real estate investment analysis is important as it helps to predict the market in the near future. Generally real estate forecasting can be done on demand variables, supply variables, vacancy, rents and performance variables (Brooks and Tsolacos, 2010). They are necessary for building econometric models for the real estate market. For the rental housing market, variables such as vacancy and rents are needed when building models. The vacancy rate and the record on rents in the occupier market is required. In Ghana, data on such transactions are not available. As explained earlier, measuring the investment performance in Ghana cannot be efficiently undertaken.

It involves an anticipation of future events and patterns guided by past trends. For accurate prediction of future events, the past records are normally relied upon. In explaining the profitability of rental housing in the future, Respondents #2, #3, #4 and #5 mentioned the possibility of the rented unit to undergo long term appreciation in value. This means, when the investor is forecasting, the concept of liquidity comes to mind. The long term appreciated value is likely to be higher than the initial value.

One of the most unique advantages of landed property is its appreciating propensity over a period. However, findings revealed that the liquidity is directly linked to the quality. A property that is in good condition is most likely to command a higher price on the market. This establishes the place of property management in contributing to the appreciation of value. The value would depreciate if there is inadequate maintenance as established by Downs (1983). Aside forecasting, housing investors consider property management a key element in rental housing investment because of the role it plays in maintain the general condition of the units.

4.6 The Influence of Property Management on Rental Housing Investment

Based on assertions made by Walters (1973), Jaffe (1979), Downs (1983), Tuffour (2004) and Aziabah (2018), the study sought to investigate the relevance of property management in rental housing investment decision making. Does the responsibility of managing the rental unit

discourage investors in any way? What measures are put in place to manage rental housing units? By answering these questions, the study established a relationship between property management and rental housing investment, and provide deep insight into the activities of PRECs in the Greater Accra region of Ghana.

For the context of this study, property management is defined to include five categories, namely; [1] repairs and maintenance, [2] rent collection, [3] sales and marketing, [4] payment of utility bills, [4] tax payments and [5] rent contract matters. Any other activity not mentioned above may either fall under one of the categories or excluded from the context of this study. The categories were based on literature and tailored to suit the activities of the PRECs. The 6 respondents were asked to briefly explain how property management is carried out at their respective companies. Firstly, Respondent #6 stated;

“We do maintenance works on the units. Sometimes when something breaks down and it’s irreparable, we replace it with a new one. Every now and then, we do daily cleaning, normally mopping, getting rid of waste and so many other things”
(Respondent #6).

Respondent #6 covered an important component of property management, which is; - [1] Repairs and Maintenance, in his response. He explains that, they undertake repairs when something breaks down. As part of the maintenance duties, they carry out daily cleaning services, especially in the streets and common areas. Secondly, Respondent #2 described another aspect of property management. This is what she stated;

“...So we have the client service department. We also have another department for the estate. For instance when it comes to the beautification of the estate, there is somebody in charge of it to make sure everything is intact. When it comes to outgoing of flowers and all that, the beautification of the estate depends on it. And also we do security, we have a management that is in charge of recruiting personnel and to get their monies and all that and give the service. So that’s an overview of the whole process”. (Respondent #2)

Two important factors mentioned here are beautification and security services. These services are normally associated with gated communities and they are grouped as part of category [5] - Rent Contract Matters. This is because arrangement for such services are mostly included in the rent contract. In the response stated above, Respondent #2 did not make reference to rent collection and other maintenance duties. She was then asked whether all matters concerning rent collection and tenant support were part of the property management they offer. The respondent stated this;

“Yes, rent collection is in my department, rental is within my department. We get the people, we do the marketing to get the persons. So we are allowed to find the tenants and take the person to the client service department, they will pay this, and they will pay that, but they will just transfer them to the client service department”.
(Respondent #2)

In summary, it was discovered that the property management strategies among the selected PRECs differed, but they all included the [5 categories] and hence the classification was justified for the context of this study. The PRECs provide property management services for housing investors who buy from them. They take upon themselves the responsibility managing the property on behalf of the investors at an agreed fee. Housing investors however care about how much responsibility they are willing to take, and therefore this may influence the type of contract agreement between the company and the investor.

Also, based on Tuffour's (2004) argument that rental housing in Ghana is expensive to maintain, the study sought to find out from the PRECs whether or not property management discourages them or other housing investors, from investing in rental housing. Respondent #6 and #1 answered respectively;

“For us the companies, we are greatly discouraged by the huge risk associating with rental in Ghana. So this is why we do mostly homeownership and very little rental. Most of the rental we do, does not belong to us, it belongs to people who have bought it from us”. (Respondent #6)

This could possibly explain why the PRECs do not invest in rental units themselves. Observational evidence indicate that, residential properties offered by PRECs are mostly free standing units, maximum 3 stories designed for families. It is clear that the intention right from the design stage, was not meant for rental. Very few apartments are constructed by these PRECs. This could be disastrous in the long term, as the limited land area of the Greater Accra region is being hijacked for horizontal developments. The resulting factor is the emergence of slums. In response to whether or not PM discourages buyers, Respondent #1 stated this;

“It doesn't really discourage them, because it's an additional value that we sell to our would-be property owners. You can buy a house, once you buy a house, there is a ready market for rent for you, you understand. Then people buy it and once people buy and they find or we help them to find tenants, considering the nature of the order clients require from us, we are the busy type, you understand, so once you give them the understanding that, the burden of managing the tenant and property itself, you want to do that, of course as an additional service and an additional fee. You want to take that burden on yourself, people are more ready and willing to buy from you, because they will then be taken off the burden of always managing the property and the tenancy, yea”. (Respondent #1)

Respondent #1 explains that housing investors often need an assurance that their investments would be properly managed and maintained. He states that, PRECs which are ready and willing to take on the responsibility of managing the property get to attract more people to buy from them. Respondent #2 gives further details about buyer who are outside the country and want to buy a home and earn some money on it. This suggests that foreigners buy houses from them based on the assurance that, their absence, the property would be managed.

“It doesn't discourage them. All they are looking for is, can you manage it for me? Especially those that are not in the country, they need the property but they are not living in it, and they want it to be managed. Do you understand? So the question they always ask, can it be managed? You say yes! So we show you our contract, we sign a contract with you, then we manage it for you. Even though you are not here, to make sure is within shape. So once you are getting money on it and all that, when you come, you have a place to lay your head, and once you going too, we re-rent it out for you and all that”. (Respondent #2)

Responses from Respondents #3, #4, #5 and #6 were similar to what was said by #1 and #2. Property management therefore does not discourage housing investors from investing in rental housing, provided the PRECs are willing to take on the responsibility at an agreed fee.

Table 11. Extent of PM influence on Decisions of Respondents

Component of PM	Respondents					
	#1	#2	#3	#4	#5	#6
[1] Repairs and Maintenance	■ ■	■ ■	■ ■ ■	■ ■	■ ■	■ ■
[2] Rent Collection	■ ■ ■	■ ■ ■	■ ■ ■	■ ■ ■	■ ■ ■	■ ■
[3] Sales and Marketing	■ ■ ■	■ ■ ■	■ ■ ■	■ ■ ■	■ ■ ■	■ ■ ■
[4] Payment of utility bills	■	■	■	■ ■	■	■
[5] Tax payments	■	■	■	■	■	■
[6] Rent Contract Matters	■ ■	■	■	■	■ ■	■ ■ ■
Key	■ : Low ■ ■ : Moderate ■ ■ ■ : High					

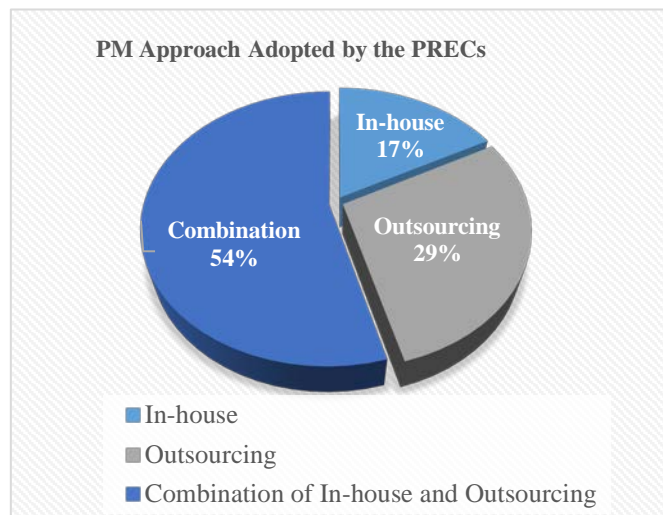
From table 12, it can be seen that components [2] and [3] received high ranking compared to the others. These are aspects of property management which mostly informed investment decisions. This suggests that PRECs could be justified for taking rent advance payments from tenants even before they move in. It helps reduce the uncertainties with rent collection. Again the PRECs admitted that finding the right tenants for the properties is also a big issue. The sales and market personnel make sure the tenants are in a good position to pay rent on time and with the full amount.

4.6.1 Establishing an In-House Property Management Department

The study also sought to find out the property management approaches adopted by the PRECs located in within the GAR. The various approaches as identified in literature included; In-house model, Outsourcing model, Mixture of In-house and Outsourcing, and Out-tasking model. This was to find out whether they sometimes are restrained in terms of management expertise and therefore engage the services of external property management companies, or they just use their in-house services. The survey was used to get an idea about which of the PM approaches are adopted by these PRECs. The interviews helped to better understand how this happens.

Out of the total 35 companies engaged for the survey, 17% were using the in-house model. That is to say, they have an internal estate department in charge of all property management duties within the activities of the company. Those companies which adopted the Outsourcing model were 29%, about twice the number of the companies with in-house model. However, 54% adopt both in-house and outsourcing. It was revealed that none of the companies engaged adopt out-tasking. This could be because the out-taking model is sufficiently developed in literature and has not gained roots in practice.

It was discovered from the field that, majority of the PRECs selected for the study had an in-house estate department. In addition to that, they sometimes outsource it depending on how complex or technical the maintenance or renovation is. Elements like rent collection, utility bills, property tax payments and tenant seeking are never outsourced. It was also found that, these PRECs use the in-house departments as a separate business venture. They accept the responsibility of managing properties sold out and charge fees accordingly. Respondent #4 explained that it helps the company to keep its presence in the market even after selling out all their properties. If the dwellings are in a gated community, the company still owns the amenities such as parks, children playgrounds, sport facilities etc. In a confined residential environment, there is the need to be an authority managing all aspects of living, including, all the property management components and more.



4.6.2 When to Outsource Property Management

Property management companies are entities that specialize in providing asset management services for individuals and organizations. The services they render include maintenance, repairs, renovations, replacement and so many others. They employ highly skilled management experts to guide and head all activities. Their clients normally include big organizations, private individuals, government entities and international agencies with real assets. Sometimes, PRECs outsource management responsibilities to these external management companies on contractual basis over a period of time. One popular property management company in Ghana is Broll GH Ltd. The study sought to find out from the PRECs whether there is sufficient competition among property management companies in GAR. Respondent #1 stated;

“Well it depends on the definition of competition. Because what I see is that... I would say competition depending on the definition of competition. I don’t think there is any company competing with Broll, because they are in a class of their own. You understand, then you have the individual property, so somehow there is competition and there is no competition, depending on the definition of competition”.
(Respondent #1)

“Yea, they are a lot, they are a lot. But the real estate people are seeing it as a different venture, do you understand. That is what makes it a bit difficult for you to outsource it. But when it comes to management of the bigger properties like the malls and all that, you can’t do it, you need to outsource it. But when it comes to individual housing, like the residential buildings and let’s say the ones even closer to us, they all being managed by the developers. Except that they see it as also a venture. Aside that, when it comes to the big ones, you need someone to manage. Looking at what is happening in Ghana now, a lot of malls are coming up. But when it comes to estate for housing, it will be difficult to outsource”.

(Respondent #2)

“Not so much competition, it’s now coming up. It’s already in the market but it’s not so much. So the competition is not so much”. (Respondent #3)

Property management is the untapped opportunity for investors with management focus to make money. The various in-house departments in the PRECs are acting as both internal and external platforms to provide management services to both existing and in-coming clients. Adequate competition among property management companies is needed to encourage more rental housing investments in the region. Housing investors are looking for reliable property management entities who would take on the responsibility of managing rental units in the long term. Competition would also bring down the charges and fees as more and more companies would be available to take offers. Private developers who shun away from developing rental units because of the difficulty in managing the units may be willing to go into rental housing when the property management market is vibrant and fairly organized.

4.6.3 Challenges Faced By PRECs with Property Management

Difficulty in Finding the Right Tenants

One of the major challenges faced by PRECs in doing their property management duties is finding the right tenants. Out of the 16 companies that supply rental housing, 5 said it normally takes them between 11-15 weeks averagely per year to find the ‘right’ tenants. This is a long time as the investor may lose income over the period. The challenge of finding a tenant overlaps with rent collection issues and other contractual matters. Interestingly, research conducted by Arku (2012) revealed that tenants also complain about long searches for rental units. In his study, the units of study included both formal and informal rental units.

There seem to be an imbalance between the demand and supply dynamics of Ghana’s rental market. Finding accommodation is never easy, even in developed countries where rental market is vibrant. It is up to both landlords and tenants to find the place of equilibrium where the units available are sufficient for the market and at the same time affordable. In rapidly urbanizing cities, rental markets are suitable to serve the massive demands by the in-migrants. This is confirmed by Datta (2012), who stated that the rental market is preferred to serve rural urban migrants. The selected PRECs admitted that finding the tenants with the capacity to pay for their units is easy. There are so many tenants looking for places to rent but very few who can afford to pay for the units offered by the PRECs.

When tenants are brought in to discuss the tenancy agreement, they are discouraged about various fees associated with services like security, beautification, streetlights, waste collection and others. Some tenants only care about the house they rented and are reluctant to pay for management services offered by the PRECs. The respondents made the following statements during the interviews;

“...finding tenants is one of the key challenges. Because eh it takes quite a bit of time to really find a tenant, and the tenant also appreciating what goes into the tenancy...” (Respondent #1)

“Basically, when it comes to the payment of fees by the tenants. That is the major challenge. For instance payment of security an all that. All they are thinking is they came to rent an apartment, they don’t care whatever they have to do. Even though some of them you take them through and tell them, ok they are charging you this amount because you will be paying some fees and all that, then it makes sense to them’. (Respondent #2)

Difficulty in Collecting Rents

Some tenants are difficult when it comes to paying their rents on time and in full. As an aspect of property management, rent collection is one of the challenges faced by PRECs. Tenants with irregular source of incomes fall the most culprits when it comes to this. In Ghana, both formal and informal landlords salvage this situation by charging 2 years advance rent payment even though it against the rent control laws. The law restricts landlords from charging rent advance payments to a maximum of 6 months. The PRECs selected for the interview were reluctant to disclose whether they charge advance payment or not. But the rent advance payment has been used as a remedy against poor rent payment by some tenants.

As rightly stated by Arku (2012), the problem is not really about the tenants defaulting to pay, but the more importantly the perception they hold about landlords. Tenants in developing countries are somewhat pessimistic about whether landlords have their interest at heart. Due to past experiences, tenants are cautious with dealing with landlords on rental contracts. In the past, agreements between landlords and tenants were mostly made informally and through gentlemen's' agreement. Bitter experiences have forced tenants to demand more written contracts. PRECs are however perceived as credible because of their position as 'companies' and not individuals. They can serve a lot more tenants if their units are made more affordable.

Poor Attitude by Tenants towards Maintenance

Sometimes tenants are negligent with keeping fittings and fixtures in good condition. Depending on the tenancy agreement, maintenance attitude and culture plays a very key role in property management. Respondent #2 explained that the attitude of some tenants are sometimes difficult to deal with. Some vacate their units without giving prior notice to the management of the PRECs. For a proper property management operation, the study supports Aziabah's (2018) statement that; a change in culture and attitude of tenants is crucial for ensuring adequate maintenance. It is mostly about how tenants perceive the tenancy agreements they are parties to, and whether it is enforceable even at the law courts.

4.7 Summary of Key Findings

In recapping the discoveries made during the fieldwork, the study summarises the following key findings;

Firstly, it was revealed that, housing supply among PRECs in Greater Accra region include; rental housing, homeownership and a hybrid form of supply. The hybrid supply is an arrangement where the PRECs develop the units, sell them out, manage them on behalf of the new owners and offer the units on the market for rental. In this case, the units belong to the buyers but are retained by the PRECs for management.

Secondly it was discovered that many PRECs adopt a combination of in-house and outsourcing when it comes to managing their units. More importantly, the in-house approach seemed to be common among these companies as it was viewed as a key element of their housing investment. Prospective buyers expect these companies to be ready to manage their units for them. Due to this, the PRECs provide employment to a lot of people in the real estate industry. These include both administrative and technical jobs for architects, civil engineers, real estate agents, marketing personnel and so many others.

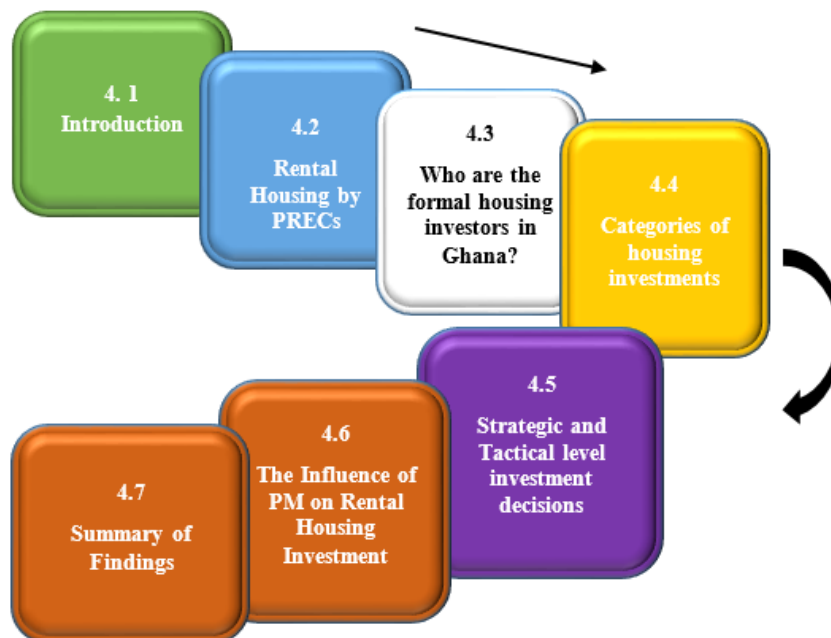
Thirdly, the PRECs are highly motivated by profit motives instead of a group-think social attitude towards housing supply. They seem not to be enthused about providing affordable rental units for the lower end of the market. Their focus is serving those who have the financial capacity and can afford to pay for the housing they supply.

Fourthly, findings showed that, the PRECs mainly concentrate on building to sell (i.e. offering homeownership on the market). They can therefore be perceived as developers of home owning options. Rental housing is not a focus for them as they expect to recoup their initial capital invested in the shortest possible time. The reasons why they shun away from rental housing investment is because of the risks associated with rental, specifically high management cost. The Ghanaian rental market is undefined and also there are problems with rent collection, high vacancy rates, poor attitude of tenants and other closely related reasons.

Finally, property management is key to rental housing investment. If the study is to go by scholars who believe rental housing is the most suitable housing option for the urban poor, then it can be said that property management is equally as important in the regard. The two are not mutually exclusive and should be treated as such in all such discussions.

4.8 Chapter Conclusion

Figure 12 Outline of Chapter 4



This chapter presented a discussion of results obtained from the different data collection methods used for the study. These include a brief introduction of the fieldwork, the profile of the study area, rental housing supply by PRECs, categories of rental housing investments, strategic and tactical level investment decisions, the influence of property management on rental housing investment and finally a summary of key findings. It also discusses the limitations encountered during the research particularly with the response rate, fieldwork and analysis based on existing literature and relevant theories.

This study sought to contribute the general studies on the Ghanaian rental market. These are studies conducted by Arku (2009), Nercua and Bongwa (2009), Arku (2006), Tuffour (2004), Tipple and Korboe (1998), Owusu-Ansah et al (2018), Aziabah (2018) and so many others. The findings from this study builds on existing knowledge in the field as well as brings new insights about formal rental housing supply among PRECs in the Greater Accra region of Ghana. Also, on general research on rental housing in developing countries, this study makes interesting inputs on the formal rented sector, building upon studies by Acioly and Frech (2012), Gilbert (2012a), Gilbert (2012b) and others.

Chapter 5: Conclusions and recommendations

This chapter draws conclusions on the findings of the entire research. It presents answers to the sub-questions needed to answer the main question, with reference to theoretical arguments discussed in chapter 2 and 4. It proposes a revised research framework following the relationships identified from the fieldwork conducted and finally discusses recommendations for further research.

The study was conducted in a clear and transparent manner, taking into consideration internal and external validity. By reflecting on the retrospective process of using triangulation, the study achieved high internal validity with the 6 interviews conducted. Responses obtained were in-depth and gave a deep understanding of the situation. Additionally, in order to generalize findings on some key issues, the 35 PRECs which were served with questionnaires contributed to achieving high external validity. Information gathered through the survey were on the property management approaches adopted, number of rental units, average vacancies, perception about rental housing investment and others.

In some instances, there were mixed results between the survey and the interviews. For instance, with the inquiry about the factors which discourage the PRECs from investing in rental, the survey generated results which suggested that the problem with customary land disputes is the most limiting factor. However, through the interviews, it was discovered that their apathy towards rental housing investment was mainly because of the property management task. Data obtained from the survey was on a superficial level while the interviews were on a deep level. Triangulation did not only help to achieve validity but also complemented the general responses obtained from the fieldwork.

For secondary data, the study used existing data on the matter to buttress the coherence and consistency of linking up with existing knowledge. This included academic materials, official government documents and statistical information on the study area. It contributed to the reliability of the research as it harmonized what is in literature to what is happening on the field and finally the direction in official government policy documents.

Property management is very important in real estate investment analysis, especially in housing investments. It is considered crucial whether or not the development is for profit or non-profit purpose. For private investors, it becomes more critical as the investor expect a certain required rate of return from the investment over a period. The element of operational expenses which are treated as outgoings literally determines the net-profit the investor enjoys.

It had been observed that, PRECs in Ghana's Greater Accra Region were showing apathy towards rental housing investments despite government's immense support to them. The study initially assumed that perhaps, these companies were avoiding the 'responsibility' of managing the rental units over a long term due to the perceived risks associated with them. Based on this premise, the study was conducted to measure and explain the extent to which property management influence the investment decision of private real estate companies to supply affordable rental housing.

One would have thought that, since these PRECs are benefiting from government incentives, their production costs would go down and therefore would be able to invest in affordable rental housing, to serve the lower end of the market. Unfortunately, this has not been so, judging from current research evidence and observation. Using the 'enablement theory', the 'investment decision theory' and the concept of property management, the study answered the research questions. The scale used as a benchmark for measuring 'the extent' was one of the following; {low/moderate/ high}.

Investment decisions towards rental housing supply among private real estate companies in Greater Accra,53 Ghana

5.1 Answering the Research Questions

Sub-Question 1: What do PRECs consider most important when taking investment decisions about rental housing?

The most important factor PRECs consider when deciding whether to invest in affordable rental housing or not, is 'Risks and Preferences'. Resonating responses from all 6 interviews revealed that, PRECs are frequently confronted with incessant problems such as; poor attitude of tenants, trouble with collecting rents, high vacancy rates and difficulty in finding the right tenants, as illustrated in table 10. These challenges pose potential risks to investors' net-profits and so PRECs tend to show massive preference for homeownership investments instead and thus, build to sell rather than hold to rent out. At the tactical level of decision making, risks and preference ranks the most important of all, especially with rental housing. It is important to note that the position of PRECs not to invest in rental housing is based on bitter experiences with tenants in the past. The companies hold the view that tenants make property management more difficult and unappealing. It is too much of a risk to returns and therefore not attractive as homeownership investment.

This is confirmed by Gilbert (2003) who asserts that, housing investors expect profitable returns from their investments but are often critical and objective about certain risks that may derail their profit making propensity. There are too many risks associated with rental housing investment and the obvious preference for homeownership investment by PRECs is an evidence of avoiding such risks. Shelton (1968) explains that, rental housing investors who have existing rental stock cover costs related to maintenance, property taxes, obsolescence, vacancy allowance etc. and these seem to be more costs compared to those who sell their units.

Sub-Question 2: What property management strategies are adopted by PRECs in Greater Accra Region?

Findings from the fieldwork revealed that, many PRECs in the Greater Accra region adopt a combination of in-house and outsourcing. PRECs occasionally import highly complex building materials from developed countries to construct their properties, and as a result of that, engage the services of external property management companies. Their in-house departments may not have the PM experts to properly maintain the units. Through outsourcing, they are able to secure the services of PM specialists for efficiency and effectiveness. Barret (1995) affirms that some companies prefer to adopt a combination of in-house and outsourcing because it is the most appropriate for the kind of organization and the demands needed. He however states that, in such instances, both the internal management experts and the external experts must be willing to coordinate and work together, with no particular side given ultimate power over the other. Atkin (2003) refers to this form of arrangement the 'mixed economy'.

The PM strategies adopted may be influenced by the availability of PM institutions in the region and therefore the study sought to find out the current situation. Findings revealed that, the property management market in the Greater Accra region is highly monopolized. There is one giant international property management company called Broll GH, which receives contracts to manage most of the big projects like shopping malls, auditoriums, stadiums, high apartments, flats and others. There is minimal competition among external PM companies in Greater Accra region and therefore require high fees for their services. This is important because it may be affect the overall rent charges. PRECs only compete at the lower end of the market for small housing projects. The in-house PM Service has been identified as a lucrative business venture and treated as a separate investment media.

Sub-question 3: What administrative commitments do PRECs make towards managing their rental units?

It was found that, PRECs with rental housing investments mostly have a fully established in-house estate department, in charge of the property management activities of the company. They hire administrative and technical housing management experts to manage existing projects. These workers are fully employed with monthly salaries depending on their roles and years of experience. The PRECs also provide all the equipment and gadgets needed for a full maintenance apparatus, including vehicles for solid waste collection and management. It was interesting to know that, employees in the in-house estate department are paid every month, even when there are no tenants and that the vacancy rate is high. This is why many PRECs have separate Sales and Marketing departments, which look for tenants and bring them in to rent their units. These departments are also responsible for representing the company at the annual pitching events organized for PRECs to showcase and market their units. PRECs make huge technical and administrative commitments towards managing rental units, and in some instances they set aside vacancy allowance to cater for any form of fallouts when the rental units are vacant. This study agrees with Otchere et al (2015) that, establishing an in-house estate department is uneconomical since maintenance requests are rarely made. However, the services of these property management experts are needed. It is therefore up to rental housing investors to balance making profits with keeping the units in good condition.

Sub-question 4: Who are the rental housing investors in Greater Accra Region and how important is property management to them?

Results from the study indicate that there are mainly two categories of rental housing investors in the Greater Accra region of Ghana. These are primary and secondary housing investors. Primary housing investors are those who develop and rent their units out on the market. PRECs are an example of primary rental housing investors. The secondary rental housing investors in Ghana belong to one of the following groups; Ghanaians abroad, foreigners, local businessmen/individual investors, banks, religious institutions and politicians. These investors buy from the PRECs and in many instances request that they manage their properties for them at agreed fees. Their responsibility includes finding tenants for them, collecting rents, paying utility bills and taxes. The PRECs virtually take the 'property management role'. It should be noted that this study excludes informal and individual landlords. It was further revealed that, property management is very important to rental housing investors, such that, they do not buy from PRECs who do not offer such services. In view of the growing demand for property management services, PRECs have identified it as a new business venture, and therefore establish in-house departments for such purposes.

Sub-question 5: What perceptions do private real estate companies hold about the profitability of affordable rental housing for young professionals?

PRECs hold the opinion that homeownership investment is more profitable than affordable rental housing. They do not believe the age factor, but mostly look out for the financial capability of the young professionals. They hold the view that, affordable rental housing may only be profitable in the long term. They stated that, investors who want to recoup their initial capital in the short term are not advised to go into rental but homeownership. Rental housing investment is viewed as an investment media with a long period of waiting. Finally, PRECs hold the view that rental housing has the capacity to appreciate in value over time, provided it is properly maintained during that time, supporting the statement made by Downs (1983).

Answer to main research question

To what extent does property management influence the investment decision of private real estate companies (PRECs) to supply rental housing in Greater Accra Region (GAR) in Ghana?

To draw a final conclusion, the answer to the main research question after considering answers to sub-questions 1, 2, 3, 4 and 5 is that, property management **'highly'** influences the investment decision of PRECs towards rental housing investment. The risks associated with rental housing investment are challenging to deal with and therefore explains their apathy towards rental housing. Property management therefore discourages PRECs from building to hold. However, PM is required by secondary investors who buy from these companies and give it to them to manage it on their behalf. Findings indicate that, PRECs are interested in shifting the risks to other investors and subsequently accepting the responsibility of managing those risks at an agreed fee. In that regard, the total risk would be on the secondary investors, not the PRECs.

5.2 Limitations to Findings

There was lack of data on the total number of registered PRECs operating in the Greater Accra region. The official database of the Ghana Real Estate Developers Associated which was the next best alternative was also not used because its membership included ancillary construction companies and estate agents who were not fully documented as real estate companies.

5.3 Conclusion

The study therefore concludes that, government of Ghana's enablement strategy to PRECs has not yielded much results because PRECs find rental housing investment a risky venture. The risks associated with tenants in general during property management discourages PRECs from investing in rental housing. The study therefore agrees with Jaffe (1979) and Walters (1973) that, housing investors need to pay more attention to property management when taking investment decisions. Property management represent a form of outgoings in rental housing investment. After building the units, it forms the very core of operational expenses which ultimately affects the net profit. In order to make rental housing a profitable investment venture, a good property management strategy is needed.

The study agrees with existing studies and discussions that, rental housing is the most suitable housing option to dealing with the housing challenge. It is cheaper, more convenient and appropriate for serving migrants and young professionals who form a greater portion of rapidly urbanizing areas like Greater Accra region. Formal housing investors like PRECs prefer to build and sell rather than to build and hold, which further reinforces the huge housing disparity between the rich and the poor. In this regard, the study also agrees with Gilbert's (2012b) assertion that, 'perverse' housing incentives have allowed the rich to seek capital gains by purchasing more expensive properties.

With regard to property management, the study supports Aziabah's (2018) statement that, a change in attitude of tenants is required for efficient housing management. The Ghanaian formal rental market is very vibrant but serves only a small percentage of the total population. Landlord tenant relationships appear to be damaged due to bitter experiences from both ends. The attitude of tenants is likely to improve if the bad perceptions they hold about landlords are changed to ensure good relationships which would enable the sector to thrive. A maintenance culture and attitude must be instilled in all parties through public awareness and education. It should involve a more collective efforts towards making the private rental market more efficient.

5.4 Recommendations for Further Research

Having reached the conclusion above, the study makes some recommendations for further research regarding rental housing investment in Ghana.

For future research, the study recommends an investigation into property management services offered by PRECs to secondary housing investors and to assess which costs are taken by the investor and which ones are for the tenants. This could be useful in determining the cause of the exceedingly high rents charged by these companies. The study revealed that sometimes tenants are hesitant about accepting the responsibility of paying certain fees like security, beautification, open spaces etc.

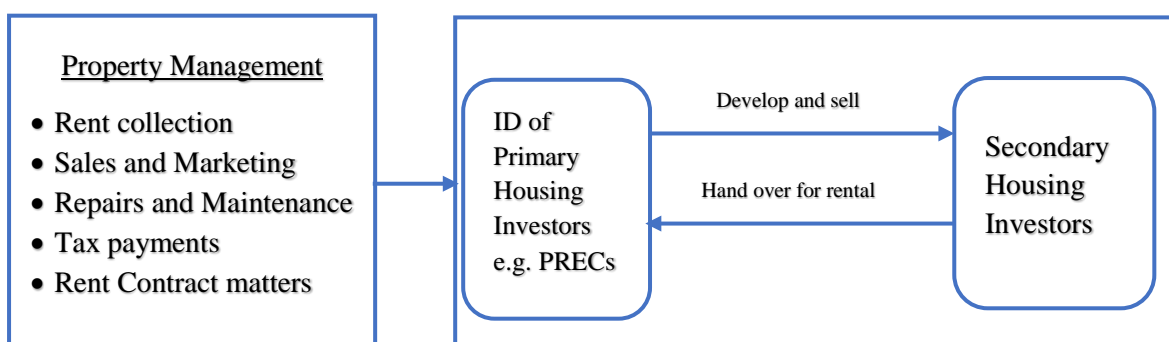
Secondly, the study recommends an empirical investigation into the various forms of financing arrangements for housing investors in the region. Very little is known about how the PRECs finance their projects and what kind of returns they make. This would contribute to understanding fully, how the formal rental market in Ghana works and the avenues for improvement. If government wants to balance the supply of both housing options in the market, it should look beyond granting tax incentives. This is take away the ‘perverse’ incentives discussed in the conclusion. Efforts should rather channeled towards empowering housing market institutions to stimulate rental housing investment through an efficient property management sector. It can focus on understanding how housing market institutions interact to generate housing outcomes and it what way they can be reformed to stimulate rental housing supply.

Thirdly, an inclusionary housing policy, could serve as a needful approach to mandate PRECs to provide affordable rental housing for low income earners in the region. In order not to spook prospective investors away from the market, this policy can be a condition for housing incentives, which would generate a desired reaction from the market. Again, the inclusionary policy can be a success if there is an efficient property management sector. Additionally, affordable housing programs by public, private and civil societies should endeavor to offer both rental housing and homeownership options.

Finally, since property management is considered expensive for housing investors, further studies can focus on finding innovative ways of increasing rates of returns through efficient property management strategies. This is to build on Jaffe’s (1979) assertion that, the property manager plays an important role in increasing rate of returns for the investor.

The proposed conceptual framework for the study is presented below. It shows the relationships between PM and the two main categories of housing investors in the GAR. PM is a precondition for secondary housing investors to invest in rental housing. PRECs mainly develop and sell, and accept the task of managing the units on behalf of the new owners.

Figure 13 Revised Research Framework



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Annex 1:

a) Matrix for Analysis

Sub-Question	Variable	Indicators	Questions	Analysis
What do PRECs consider most important when taking decisions about rental housing investments?	Investment Decision			Qualitative and Quantitative
	Strategic Level	- Investor's Objectives - Availability of Funds - Alternative Investment	~ What are your objectives as a housing investor? ~ Do you access loans offered by mortgage banks for your investments? ~ Do you invest in homeownership?	
	Tactical Level	- Risk and Preferences - Market Considerations - Forecast and Outlook	~ What are the rental housing risks? ~ Are you confronted with any regulatory restrictions? ~ How do you measure the performance of the rental housing market?	
What property management institutions and approaches are patronized by PRECs in Greater Accra Region?	Property Management Approach	- In-house - Outsourcing - Mixed Approach - Out-tasking	~ Do you have an in-house estate department? ~ Do you sometimes outsource PM? ~ When do you outsource PM? ~ Do you engage the services of local cleaners and Artisans?	Qualitative and Quantitative
What administrative commitments do PRECs make to manage their rental units?	Property Management Institutions	- Components of PM - Level of completion among external PM companies	~ How does your company undertake PM? ~ Do you think there is sufficient competition among external PM companies?	Qualitative
Who are the rental housing investors in Greater Accra Region and how important is property management to them?	Housing Investors	- Types of Investors - Types of housing investments - Importance of PM to housing investors	~ Who are the housing investors in Ghana? ~ What type of housing investments do PRECs engage in? ~ How important is PM to housing investors	Qualitative
What perceptions do private real estate companies hold about the profitability of affordable rental housing for young professionals?	Affordable Rental Housing	- Rental housing for young professionals - Profitability of rental housing	~ Do you think affordable rental housing for young professionals would return profit? ~ Is rental housing a profitable investment?	Qualitative

b) Details of Interviews

Respondents	Position in Company	Type of Interview	Date
Respondent #1	Estate Manager	Phone Interview	3 rd July 2018
Respondent #2	Head of Sales	Phone Interview	9 th July 2018
Respondent #3	Estate Manager	Phone Interview	9 th July 2018
Respondent #4	Estate Agent	Phone Interview	19 th July 2018
Respondent #5	Estate Manager	Phone Interview	7 th August 2018
Respondent #6	Estate Manager	Phone Interview	7 th August 2018

c) Questionnaires Distribution

Total Number Sent Out	40
Total Number Completed	35
Hardcopy Completed	23 (Dist. by Research Assistants)
Online Completed (EURQP)	12 (By both Research Assistants & Main Researcher)
Uncompleted Questionnaires	5

d) Gantt Chart for Research Design

Schedule	April	May	June	July	Aug.	Sept.
Preparation of Research Proposal	→					
Preparation for fieldwork			→			
Fieldwork and Analysis					→	
Completion of Research	→					

e) Questionnaire

ERASMUS UNIVERSITY ROTTERDAM, NETHERLANDS

Questionnaire for Estate Managers

The purpose of this survey is to gather information on the property management delivery approaches adopted by private real estate companies in Greater Accra, Ghana.

Information gathered will be used for academic purposes **only** and will be treated with confidentiality. Please tick the appropriate response.

1. Does your company supply rental housing? If yes, please answer 2-4. If no, skip to 5.

Yes No

2. What type of rented unit do you supply?

- High and medium rise-apartment
 Free standing housing units
 Both
 Other, please specify.....

3. How many rental units are you managing?

- Below 20 units
 Between 21 and 60 units
 Between 61 and 90 units
 91 units and above

4. What is the average period of vacancy per year?

- 4 weeks
 Between 5-10 weeks
 Between 11-15 weeks
 16 weeks and above

5. Which of the following building materials do you use to construct your buildings?

- Imported foreign building materials
 Locally produced building materials
 A mixture of local and foreign building materials
 Not sure

6. What type of property management approach do you adopt?

- An internal estate department
 Outsourcing
 A combination of In-house and Outsourcing
 We give contracts to agents as and when something breaks down
 None of the above. Please specify.....

7. In your opinion, which of the above named approaches requires very little money from the investor?

- In-house estate department
 External property management companies (Outsourcing)
 A mixture of In-house and Outsourcing

Out-tasking (external agents, artisans or companies to perform specific tasks)

a) Tenure Choice & Property Management Delivery (no. 8-19)

Please tick the appropriate response to the following statements

	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
8.	It is better to outsource property management than to establish an In-house estate department?					
9.	There is sufficient competition among external property management companies in Greater Accra.					
10.	Rental housing is the most preferred option for middle and low income earners.					
11.	Many real estate companies do not invest in rental housing.					
12.	Investing in homeownership is more profitable than rental housing					
13.	There are more rental housing risks than homeownership risks.					
14.	It is more difficult to collect rent from young tenants than older ones					
15.	High management cost is the main reason why most private real estate companies do not invest in rental housing.					
16.	There are strict rent control laws in Ghana.					
17.	Government provides tax-based incentives to private real estate companies.					

18.	Your company has benefited from government's tax-based incentives.					
19.	There is a huge demand for rental housing in Greater Accra					

b) Facilitating the housing market (no.21-22)

Please rank the following statements by ticking the appropriate boxes

21. Government should provide the following support to private real estate companies to encourage investment in affordable rental housing?					
	1-weakest	2	3	4	5-strongest
Institutional support					
Financial support					
Support smooth land acquisition (through land banking)					
Limit or remove taxes on housing transactions					
22. The following problems discourages investors from investing in affordable rental housing?					
The high cost involved in managing rental housing.					
Inadequate supply of public infrastructure and services					
There is insufficient effective demand for rental housing					
Problems with customary land disputes					

f) Data from Survey

Does your Company Supply Rental Housing?

Response	Frequency	Percentage (%)
Yes	16	45.7
No	19	54.3
Total	35	100.0

What type of rental unit do you supply?

Response	Frequency	Percentage (%)
High and medium rise apartment	11	31.4
Free standing housing units	1	2.9
Both	4	11.4
Total	16	45.7

Average vacancy per year

Response	Frequency	Percentage (%)
1- 4 weeks	4	11.4
5-10 weeks	4	11.4
11-15 weeks	5	14.3
16 weeks and above	3	8.6
Total	16	45.7

Rental housing risks are more than homeownership

Response	Frequency	Percentage (%)
Strongly disagree	2	5.7
Disagree	1	2.9
Neutral	6	17.1
Agree	17	48.6
Strongly agree	9	25.7
Total	35	100.0

Homeownership is more profitable than rental

Response	Frequency	Percentage (%)
Disagree	1	2.9
Neutral	11	31.4
Agree	19	54.3
Strongly agree	4	11.4
Total	35	100.0

g) Interview Transcripts

Six (6) Private Real Estate Companies

Respondent #1

Date of Interview: 3rd July 2018

Your company is noted for the supply of home-ownership in Ghana, is that true?

“Yes”

As a company, do you undertake property management?

“Yes, yes, we have in-house property management team”.

Do you also out-source it at times or you just use your internal department? Can you explain to me how exactly you go about it?

“It’s more internal but then again, our business just like you rightly said, we build houses and sell the house. So once we sell the houses, we are a bit measured as in how we interfere in the management of the property. But, ordinarily most of the clients want to still continue to do business by giving us the property to manage for and on their behalf. You understand my point. You can’t control the property owner as to whether the person should give his or her property to you to manage. Most of them want to continue to have that relationship with us whiles we sold the house to them”.

Does property management discourage you from investing in affordable rental housing? For example, does the burden of property management discourage your company from investing in rental housing?

“It doesn’t really discourage them, because it’s an additional value that we sell to our would-be property owners. You can buy a house, once you buy a house, there is a ready market for rent for you, you understand. Then people buy it and once people buy and they find or we help them to find tenants, considering the nature of the order clients require from us, we are the busy type, you understand, so once you give them the understanding that, the burden of managing the tenant and property itself, you want to do that, of course as an additional service and an additional fee. You want to take that burden on yourself, people are more ready and willing to buy from you, because they will then be taken off the burden of always managing the property and the tenancy, yea”.

So individual investors buy houses and they give it to you to manage and rent it out for them?

“Yes!”

As a pioneer in homeownership supply, what challenges do you face?

“As in, is it...? Because I need to be clear here. Because I wear a lot of hats, you understand. The Estate Manager, so I wear a lot of hats. So you need to be a bit specific, what line of my work are you asking, as in the challenges that I face?”

To be more specific, what challenges do you face in terms of regulations and property management?

“Well, like I said, I wear a lot of hats, so depending on... yea but if its property management, finding tenants is one of the key challenges. Because eh it takes quite a bit of time to really find a tenant, and the tenant also appreciating what goes into the tenancy. The parties, managing the parties generally”.

Investment decisions towards rental housing supply among private real estate companies in Greater Accra,68 Ghana

Are you aware of any long term loans available to housing investors who want to go into affordable rental housing? Example Equity release loans by GHIL Bank.

“Yes, yes! I am fully aware”.

In your view, can rental housing return the desired profit expected by the housing investor? If so, how many years of turn over to recover investment?

“I would like to approach it this way; that generally, the housing market in Ghana has not been well defined. You understand, so such a question is very difficult to answer. Because if the market is well defined, we should have standards and performance indicators where you can clearly measure the performance of the market generally, as in Ghana, and also as say, micro town level, but as at now, the market is not that clearly defined, you understand.”

We don't know the number of houses. Always we say that there is a housing deficit. But we don't know the number of houses on the market and apart from the number of houses, we don't even know as in what kind of houses that people really want. As much as we talk about housing deficit, there are a lot of houses in the prime areas. So the market is not well defined, so generally there is that perceived returns on people buying houses and giving it out for rent and the returns, just like I said it's very difficult to really measure. Though the real estate developers they all parade round by making comments that if you buy my house, it has this return within a certain period, you understand. But that is coming from a pure marketing person, the person is the one who is selling, you understand.”

From a pure independent professional standpoint, I don't think those assertions by the marketing people has been tested properly. Does that answer that question? The housing market in Ghana is not well defined because in other parts of the world where the market is well defined you get to know the performance of the market against other investment vehicles like stock exchange and those kind of stuffs. But as at now, Ghana, the market is just there and you see the developers trying to pitch by giving comments that if you buy our house, within a period there is this rate of return. And that's coming from the one who is developing. It's not coming from an independent person who is really getting up to the accuracy or otherwise of that statement”.

So would you say your company's main objective is to develop and sell and not develop and hold? Like you develop a property and hold it as company. Like you own it and still rent it out?

“No, we don't have any property at all. We build and sell, but when people buy, they continue to give it to us to manage on their behalf”.

In your opinion, do you think affordable rental housing for the young population is a profitable investment? Normally between the ages of 25-35years.

“For me, the issue would not be about age, it should be about their financial ability. What income bracket are you looking at? Because the pure market capitalist forces, so the person may be 25 and may be earning a very good salary, so I will be more comfortable with their financial terms than even age”.

So you don't look at whether they are young or old, you look at their capacity to pay for it?

“Well the point is, somebody may be young and he may start from the job ladder on a relatively higher income, higher than somebody who is say 40years. You understand, so if your

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assumption is that because they are young, their income level is on the lower side. But that assertion would not be valid. Some people may be 25 but may start on the job ladder at a higher income than somebody who has been the ladder for say more than 10 years. You get my point, so let's look at the financial terms. What income brackets are you saying would be profitable in terms of if investors go into that rental market".

What kind of support do you think government should give to private real estate companies to encourage investments in affordable rental housing supply?

"For me, my argument whenever I hear of housing deficit and housing challenge in Ghana, I always argue that there is no such a thing as housing deficit. It's a financing challenge. It's a pure financing issue, you understand. So my position is that, as at now, our mortgage market is not well developed. If the mortgage market is well developed and the housing market is well defined and people know that may be the returns on say real estate investments is that much, it will attract a lot of capital into the industry. You understand, and once the mortgage market is also active, as at now, apart from Ghana Home Loans and HFC, these are the two key mortgage financial institutions in Ghana. Although there are other ones that they look at their income level... these are the two key mortgage companies. Once the mortgage market is well developed, you understand, what will happen is that, 25, you finish school, you get a job, you should be able to secure a mortgage and start your life with it, you understand. But as at now because the market is not well defined and the mortgage too is not well developed, what is happening is that the whole real estate industry is not attracting funds, so eventually, the market is not well defined, so it's not attracting funds, and people who buy I would say they even buy as a way of gambling. Because you don't even know whether when you buy and you want to rent it out to people, there is the market for you or not. So once the market is well defined and the mortgage market is also well developed, the funds would come, and developers would develop, and there would be more houses stock on the market either for those who want to own those who want to let out from owners".

Do you think there is sufficient competition among property management companies in Ghana?

"Well it depends on the definition of competition. Because what I see is that... I would say competition depending on the definition of competition. I don't think there is any company competing with Broll, because they are in a class of their own. You understand, then you have the individual property, so somehow there is competition and there is no competition, depending on the definition of competition".

Do you employ the services of local cleaners, plumbers, and carpenters etc.?

"Yes! We have that team in-house that work with us".

So they are employed by the in-house estate department?

"Yes"

Respondent #2

Date of Interview: 9th July 2018

Do you supply rental housing?

“Yes, we do. We do for investment purposes, so those that want to buy and rent, we help them manage”.

So both rental and homeownership?

“Yes, but the rental is not an open field. We don’t look out for other houses then rent outside our estates. It’s basically for those that want it for investment that is the ones that we supply, do you understand? Yes”.

So you have individuals who buy from you and you manage and rent for them?

“Yes, and in one of our pitching, we pitch, so you can actually come in there, and buy from us”.

In your opinion, do you think affordable rental housing for the young population is a profitable investment?

“Yes it is! It is because if you look at the long term, and errm you wouldn’t regain much, because you are buying a property worth \$40,000 and you are renting it out for like, [...] let say like \$400 per month, [...], at the end of the day you are getting some money, at the end of the day, the house would appreciate to a level that, you can actually recoup more, depending on how much you bought it for. And also you might have also gotten something out of it, you understand”.

So, it takes a longer time to recoup your capital?

“It takes a longer time. The fact that it takes a longer time means you want it to sit there for it to appreciate, that is another fact. Another part is the fact that once you rent, you will be getting money out of it. But you wouldn’t get your investment, the money that invested into it right away”.

So do you do property management?

“We do property management, yes. We manage them”.

So, do you an in-house estate department or you outsource it?

“Yes, we have an in-house department”.

Do you outsource it at some point or you do not?

“No, we’ve never outsource it before, we do everything ourselves”.

Can you explain to me how exactly you go about it, with respect to maintenance, rent collection etc.?

“Unfortunately, this is a different department, this is the client service department. But basically I can give you a gist of how they are set-up. So they have the client service department ok. So they have one department for the estate. For instance when it comes to the beautification of the estate, there is somebody in charge of it to make sure everything is intact. When it comes to outgoing of flowers and all that, the beautification of the estate depends on it. And also we do security, we have a management that is in charge of recruiting personnel and to get their monies and all that and give the service. So that’s an overview of the whole process”.

And I'm sure rent collection is part of their duties as well?

"Yes, rent collection is in my department, rental is within my department. We get the people, we do the marketing to get the persons. So we allowed to find the tenants and take the person to the client service department, they will pay this, and they will pay that, but they will just transfer them to the client service department".

Looking at the external property management companies like Broll Ghana, do you think is enough competition among these companies to carry out property management in the market?

"Yea, they are a lot, they are a lot. But the real estate people are seeing it as a different venture, do you understand. That is what makes it a bit difficult for you to outsource it. But when it comes to management of the bigger properties like the malls and all that, you can't do it, you need to outsource it. But when it comes to individual housing, like the residential buildings and let's say the ones even closer to us, they all being managed by the developers. Except that they see it as also a venture. Aside that, when it comes to the big ones, you need someone to manage. Looking at what is happening in Ghana now, a lot of malls are coming up. But when it comes to estate for housing, it will be difficult to outsource".

Since rental housing requires a lot of property management, do you think, all the burden of managing the property could discourage investors from investing in it?

"It doesn't discourage them. All they are looking for is, can you manage it for me? Especially those that are not in the country, they need the property but they are not living in it, and they want it to be managed. Do you understand? So the question they always ask, can it be managed? You say yes! So we show you our contract, we sign a contract with you, then we manage it for you. Even though you are not here, to make sure is within shape. So once you are getting money on it and all that, when you come, you have a place to lay your head, and once you going too, we re-rent it out for you and all that".

With your rental, what challenges do you face, for example with rental collection, vacancies?

"Basically, when it comes to the payment of fees by the tenants. That is the major challenge. For instance payment of security an all that. All they are thinking is they came to rent an apartment, they don't care whatever they have to do. Even though some of them you take them through and tell them, ok they are charging you this amount because you will be paying some fees and all that, then it makes sense to them'.

So you have been charging the fees as part of the total rent?

"It depends, some we don't, some we do".

Respondent #3

Date of Interview: 9th July 2018

Does your company undertake property management?

"Yes"

Do you have an in-house estate department or you outsource it to external property management companies?

"In-house department".

Do you sometimes outsource it?

"No, we use only in-house".

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Do you think PM discourage investors from investing in rental housing?

"No it doesn't"

Why?

"It doesn't because without PM, the property would deteriorate in no time and loose its value".

So you have individual investors who buy from you and ask you to rent it out for them?

"Yes"

So your company manages it on behalf of them?

"No, those we have sold out are managed by our estate department. There is an automatic lifeline property management service we provide for the first 1 year, which includes all aspects of property management. After the 1 year, the investors or purchaser would need to engage our services to get their houses managed. This comes with a fee".

So within the first 1 year lifeline service, what challenges do you face?

"Not so much, because the property is fairly new within the 1st year so very little maintenance is required. Within a period of 1 year we don't expect the property to deteriorate that much. But if the request comes, we will call you and it is between GHC 8,000 and GHC 15,000 Ghana cedi's. The property is new and so we don't face a lot of challenges.

In your opinion, do you think rented housing is profitable compared to homeownership?

"If I am building to live in, then I don't need to rent, because I am not using it for an investment. If I am building to rent then I will consider how the rental market is performing. Yes, but if I am building to sell and I am building to rent and you ask me which one is more profitable then I would ask you that building to sell is more profitable than building to rent. Because if you do the cost analysis and it will cost you GHC 500, 000 to build a 3 bedroom and it would you cost GHC 500,000 to build another 3 bedroom, the amount of rent you would get from that is GHC 2,000 per month maximum. How much would it take you to recover your GHC 500,000? But if I do a 3 bedroom and it cost me GHC 500,000, I can sell it at GHC 800,000. Because real estate asset is highly cost effective and there is a huge profit margin on real estate business.

Why do you think most of the PRECs are mostly into homeownership?

"The reason why there is homeownership because, that's what I just said. There is a huge profit margin. It's highly profitable".

What kind of support do you think government should give to PRECs to encourage them to go into affordable rental housing?

"You should remove taxes on building materials. You should make flexible mortgage systems for them to finance projects. You should make land available for real estate developers at a low price, so that even a nurse can buy a house, a teacher can buy a house".

With external property management companies like Broll GH, do you think there is sufficient competition among them in the market?

"Not so much, it's now coming up. It's already in the market but it's not so much. So the competition is not so much".

Are you of any long term loans for rental housing investments for e.g. Equity release loans by GHL Bank?

"Yes"

Investment decisions towards rental housing supply among private real estate companies in Greater Accra,73 Ghana

Does rent control affect your activities?

“Rent control does not have any effect on rental. Even if there is, they are not being applied”.

Respondent #4

Date of Interview: 19th July 2018

As a company, do you undertake property management?

“Yes, we do”.

Do you also outsource it at times or you just use your internal department? Can you explain to me how exactly you go about it?

“No, we never outsource it to any company. We have an estate department that is in charge of all aspects of property management including maintenance, rent collection, utility bills and the rest”.

How exactly do you go about it?

“Well, some of our cleaners are local people in the neighbourhood and they work with us to clean common spaces in the estates. Actually, they are not employed directly by us, but we pay them when they finish working. Depending on the agreement we have with the tenant, all other services are carried out by the people we hire. When something gets spoilt, we fix it ourselves, but the tenant pays for it”.

Do you think property management discourages housing investor’s from investing in rental housing?

“Well, one thing is, you are looking profit within the shortest possible time. With rental, the profit comes over a long period of time, uhuh but with the selling you are able to gather profit within the shortest possible time. The second this is, I think rental has a lot of issues and it requires a lot of work as compared to sale. With rental you would have to be chasing down tenants to collect rents, and if you’re unlucky, they will break down items which would incur extra cost to you.

Do you think affordable rental housing for young professionals would return profit?

“Depending on the type of property, I think it’s profitable. If it’s affordable, you end up always getting people to rent. But if it expensive and it’s for the middle and upper income class, that becomes a difficulty one, it goes very slowly compared to the very affordable one. Rental housing could only be safe and profitable if you charge 2 years advance rent payment. In this way, you are able to deduct all expenses, you know. You also know how much money you have available for the entire 2 years. You do not have to worry about tenant issues because the person pays before moving in”.

What kind of support do you think government should give to PRECs to encourage them to go into affordable rental housing?

“Incentives could be one, the tax bit, they can reduce it a bit more that is one. Generally, I think it would be difficult. Very few developers have rental housing as part of their projects. I know of some companies, they have an estate around here. They used to rental housing, they put out the house and rent them out. They actually stopped that project. I really do not know how the developers would not sell but rent. They find it more attractive and profitable to sell than to rent, you see”.

So people buy from you and ask you manage it for them?

“Oh yes, that one, they do. So they risk doesn’t lie on us again. But lies with the individuals who have purchased the property. So ours is to just collect the rents on their behalf and ensure that the property is kept up to its standard. But sometimes you never know, it depends on what happens. Because you’d have problems where almost anytime you arrange with the tenant to inspect the property, he is always not available and they would have damaged a lot”.

So which type of people buy houses from you?

“So we have citizens who come in, and then people who live outside. Nigerians also buy from us. Then we have Ghanaians who have stayed outside and then would want to actually come back home. Most of the people are found within the upper middle income to the high income people. We’ve had companies renting like 6 houses, renting a number of houses form us”.

With external property management companies like Broll GH, do you think there is sufficient competition among them in the market?

“Oh with the competition bit, there are new companies coming up, uhuh, I think just a few companies, I think about 5 companies that are were known and Broll tops it. There just a few compared to the entire market. But I think that each developers has its own estate department in charge of all the property management activities”.

What challenges do you face in your PM duties?

“Some tenants easily break things and expect management to cover that cost. As for this company, we do not face much problem with rent collection because we make the tenant pay before they move in. But it is difficult to find tenants and it’s because most of our developments are gated and so unless you go to our website or like you follow up on our advertisements on TV and other platforms. Many people do not know when there are vacancies, they just think we build and sell houses. So generally finding tenants is difficult. Sometimes the way the tenants behave is really bad, especially when it comes to paying fees for security and other stuffs. We decided not to add those to the rents because it makes it go up too high, yea”.

Respondent #5

Date of Interview: 7th August 2018

What your objectives a company, is it for the short or long term?

“We have a long term objective to invest in real estate. This is why we have rentals as well as sales. I’m sure we will operate for so many years to come”.

Do you think affordable rental housing for young professionals would return profit?

“It is profitable. Because you know with the homeownership, is a one-time sought of payment let say lump sum but with the rental, the value change over time, you understand. Even though you will be able to recoup your capital over time, you still get more.

What kind of support do you think government should give to PRECs to encourage them to go into affordable rental housing?

“I think the reason why most of the developers would not want to rent out is because for them they have invested a lot and you don’t know the source of the money so one of the quick ways to recoup whatever they’ve invested is to sell out, because the rental take a little bit of time to

Investment decisions towards rental housing supply among private real estate companies in Greater Accra,⁷⁵ Ghana

recoup whatever you have invested. So may be if any form of support, it has to be may be the tax or interest on the loans they go in for to build”.

Do you think there is a challenge with rental collection?

“It’s not really an issue because I know most take the money before they allow even the tenant to come in. So you make payment you move in, you get it?”

Do you also outsource it at times or you just use your internal department? Can you explain to me how exactly you go about it?

“No, we have an internal estate department. We don’t outsource it”.

Does your company supply rental housing?

“Yes, we are into both rental and sale. Some of the properties we rent out are for us, some too are for the homeowners”.

Do you think property management discourages housing investor’s from investing in rental housing?

“For the developer, it does but for the buyers it doesn’t. Let me explain to you why I say so. I told you earlier that, normally the developers are in a hurry to recoup their capital and so are willing to sell off their properties. In that sense I think, it discourages them because they do not have time to wait for a long time to recoup their capital. For the homeowners they sometimes ask us to manage their properties for them, it depends, some do, some don’t. So I don’t think it discourages them, it actually makes them want to go into rental, if they know that we can manage it for them”.

Do you think there is sufficient competition among external property management companies?

“Yes, I think is sufficient competition. But we do not know most of them. They one we hear of is Broll. But I think there are other ones, probably smaller ones that we don’t hear of, but they also offer the same services. So when you say competition, ermm... they do not compete on the same level with Broll but they exist in the market. If you look for them you will find them”.

Respondent #6

Date of Interview: 7th August 2018

What are your objectives as a housing investor?

“We mainly develop and sell, so it’s more like a short term investment. We have objects in other parts of the world.

Do you invest in homeownership?

“Yes, we do homeownership for families, investors and others. These are in our estates, some of them gated. We have different projects in different parts of the country. But our focus in Accra”.

Are you confronted with any regulatory restrictions?

“No we are not. Those rent laws do not work even though they are there. Most developers charge rent advance payments you know. Yes”.

Do you have an in-house estate department?

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“Yes, we have an estate department”.

Do you sometimes outsource PM?

“No, it we don’t outsource it. This is why we have employed our own people in charge of doing all the supervisory and monitoring role in our estates. They also work with us in our on-going projects on the sites. So we don’t outsource it to anybody”.

Do you engage the services of local cleaners and Artisans?

“Yes, we do. Some of them are directly employed by us, others too they get the chance to work with us whenever something comes up, more like in an ad-hoc way”

How does your company undertake PM?

“We do maintenance works on the units. Sometimes when something breaks down and it’s irreparable, we replace it with a new one. Every now and then, we do daily cleaning, normally mopping, getting rid of waste and so many other things”.

Do you think there is sufficient competition among external PM companies?

“No, there is no competition at all, at least not that I know of. Broll GH is the only major property management company I know of. There may be other small companies, but we don’t know them or hear of them”.

What challenge do you face in your PM duties?

“Sometimes it’s difficult to get the tenants to pay for the rent. They are very busy and not around most of the time. Some too delay, they bring all sort of excuses, and it is really difficult at times”.

Who are the housing investors in Ghana?

“We have people from all walks of life coming in to buy from us. Some are just people who want to own a home. So we have families, sometimes they are abroad and hoping to resettle back to Ghana. We also have organizations which buy from us for investment purposes, you know, some of them are banks, churches and others”.

How important is PM to housing investors

“If you are an investor and you want to buy from us, we offer the opportunity for you to give your property to us to manage it for you. It is important to them because they may not have the time to do maintenance themselves, you know most of them may be big time businessmen or sometimes they may not even be living in the country. So in such instances we do maintenance for them”.

Do you think property management discourages housing investor’s from investing in rental housing?

“For us the companies, we are greatly discouraged by the huge risk associating with rental in Ghana. So this is why we do mostly homeownership and very little rental. Most of the rental we do, does not belong to us, it belongs to people who have bought it from us”.

Do you think affordable rental housing for young professionals would return profit?

“In the short term, no, it is not. We developers get loans from various sources and are always happy to get back our capital as soon as possible. It also depends. If you are into short term stay business for expatriates who come in work for between say 3 months and 6 months, it is quite profitable. These short stay foreigners normally pay in dollars in advance. They prefer

Investment decisions towards rental housing supply among private real estate companies in Greater Accra,⁷⁷ Ghana

to rent such apartments rather than to go to hotels nearby and pay a lot. You know the hotels are more expensive to stay in for obvious reasons. So it can be profitable”.

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