



Ashesi University

Investigating Whether Ghana's Real Estate Market Is at Risk of Facing a
USA-Style Housing Market Crash

By

Jasmine Atswei Lomoh

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Supervised by: Dr. Stephen Emmanuel Armah

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DECLARATION

I duly declare that this thesis presented is my own genuine work and that not a single part of it has been presented for another degree in this University or anywhere else.

Student's Signature:

Student's Name: Lomoh Jasmine Atswei

Date:27th April 2021.....

I duly declare that the preparation and presentation of this thesis were supervised in accordance with the guidelines on supervision of theses set by the institution, Ashesi University.

Supervisor's Signature

Name:.....

Date:.....

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ABSTRACT

Ghana's real estate market is a very important industry that helps boost the economy of Ghana. Studies have shown that a lot of investors are coming into Ghana; this can boost the economy of Ghana and create more jobs for the citizens of the country. However, from a report by the Bank of Ghana (2007), developers that used mortgaging as a source of financing, faced difficulties paying back raising concern given the historical challenges in housing financing in developed countries like the USA.

The questions this research tackles are: is the Ghanaian real estate market at the risk of suffering a USA-style housing market crash? What are the risks of investing in the real estate market in Ghana? The research objectives are as follows: To Analyse trends and developments in the Ghanaian real estate market; To Investigate the causes and consequences of the US Housing Crisis; To Identify differences and similarities between trends in the Ghanaian and US Housing Market and to Learn some lessons from the US Housing Market Crash to prevent a similar occurrence in Ghana.

A mixed method approach was used for this research with a sample size of 60 for the quantitative part and eight interviews in all. The results for this research showed that Ghana's main housing problem was the pricing of houses and land disputes. And the Interviews showed that the chances of Ghana experiencing a USA housing style market crash were unlikely but only possible if there was a global crash.

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CHAPTER 1: BACKGROUND

1.1 Introduction

One of the most difficult challenges that citizens of developing countries all over the world face is the problem of housing. (Keivani & Werna, 2001;Ghana Statistical Service, 2014). Housing is an integral part of the economic growth of a country (UN-Habitat, 2011). This research focuses on the real estate market in Ghana, a developing country in West Africa, because real estate industry in Ghana has seen a massive boom and growth in recent years (African Business Report,2016).

According to the African business report (2016), the boom in Ghana's real estate industry is as a result of growth in Ghana's economy as real estate is regarded as a stimulant for economic growth because of its high multiplier effect as well as the numerous correlations with the overall economy (UN-habitat, 2016). Ghana is slowly turning into a go-to investment destination and a springboard for investors from all over the world. Ghana's GDP in 2019 had an estimated growth of 6.7%, compared to the previous year's 5.4% growth. There was also oil growth of 6% in 2019. Also, in the service sector, there was a growth of 7.2% which is relatively higher than the 1.25% from 2018. (WorldBank,2019). The robust growth in services sector was 7.6% in 2019 which was fueled by solid expansions in the real estate sector with up to 19.9%. (WorldBank,2019). And for Sub Saharan Africa the GDP per capita for 2018 was \$ 1596.147 and in 2019 it rose to \$1596.214. (WorldBank,2019)

Due to COVID-19 crisis, which resulted in a general drop in external demand as well as a terms of trade shock in the oil market, economic growth

is expected to about 1% as projected by the world bank in 2019. Due to the fact that community infections were rising, the effect if rapidly declining domestic economic activity due to social distancing measures will be amplified. (World bank,2019)

Below are graphs showing the GDP per capita and GDP of Ghana

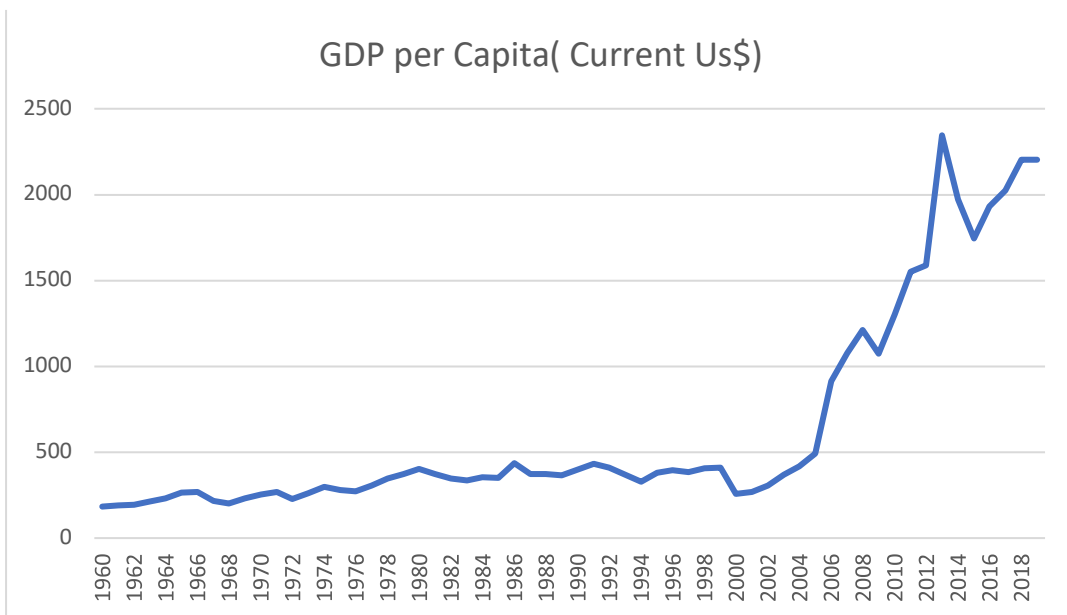


Figure 1.

Fom Figure 1, it is realized that the GDP per capita in US dollars, (even though it fell to 1743.85) began to rise and as of 2019 it became \$ 2202.16, which is an upward growth. From the graph it is realized that there has been a general increase in the GDP per capita which indicates a general boom in the economy of Ghana . Due to the fact that in 2019 there was an a non-oil increase of which Real estate increased by 19.9% it shows that the economy of the country is facing a boom in the economy not just because of the inflation of prices.

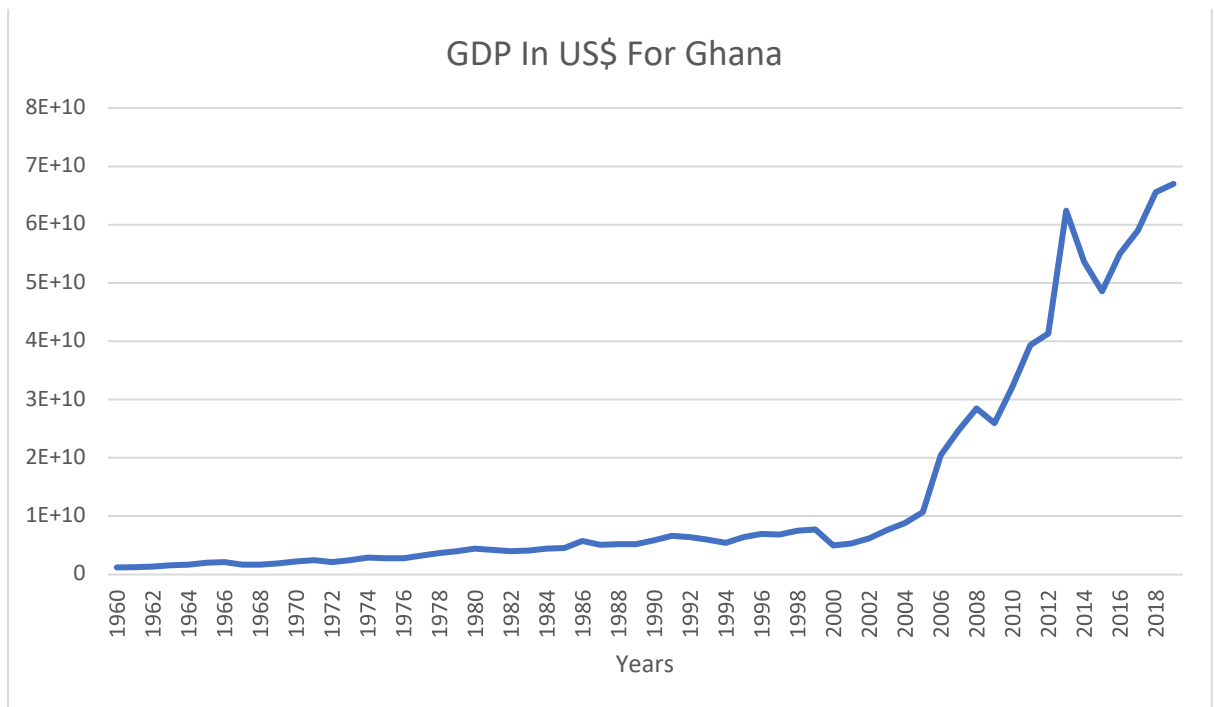


Figure 2

Figure 2 which shows the GDP of Ghana over the years from 1960 to 2019. From the general outlook of the graph, it is realized that there has been a general increase in the GDP, aside 2015 where there was a fall to \$48564863888, which by 2019, rose again to \$ 66983634224. The increase in GDP shows the general growth of the economy of the country. The Inflation rate in the country as of 2018 was 10.2% and reduced to 9.18% (WorldBank,2019) which shows that the increase in the Nominal GDP of Ghana was not as a result of general inflation balling down to the fact inflation decreased in 2019.

The housing market has become vital and tactical to policy makers in recent times due to its impact on output fluctuation and inflations. (BOG, 2007). The prices of houses influence the aggregate demand and resource utilizations, and hence monetary policy must respond to innovations in house prices since the role of the Central Bank is to manage total demand of the economy so as to

produce desirable incomes for inflation and employment (BOG,2007). Due to the developments in the mortgage lending market in the United States Which was the a lot of homeowners defaulting on their mortgages as a result of the burst of their housing bubble which led to them paying more mortgages for than the value of their houses, it is evident that the housing sector plays an important part in the overall macro-economic stability any country. The United States underwent an entire financial crisis from late 2007 where a little over six million citizens of America lost their source of income; major financial institutions were failing, with trillions of dollars that were in savings and retirement accounts being lost. This was all as a result of the housing market which in essence caused an entire world financial crisis (Bank of Ghana,2007).

In this chapter a brief overview of the study would be given. Furthermore, in this chapter a description of the background of the study would be given, to elaborate the aim of the study, the research question and set objectives. It also gives the significance of the research study, ending with a comprehensive outline of the research.

1.2 A focus on Ghana

In Comparison with advanced countries, Ghana's housing sector is at an elementary stage with very high property prices particularly in urban areas namely Accra, Tema, Kumasi and Takoradi (Bank of Ghana ,2007). This is powered by an expanding in the middle class, coupled with rapid and uncontrollable rural-urban migration. This affected the health of Ghana's housing industry. Developmental issues that are faced by policy makers of significance to policymaking is the pricing and sourcing of funding and

financing that is needed to meet the demand for housing. The demand was predicted to be about a million units over the next ten years (Bank of Ghana,2007).

The housing sector of Ghana is changing. It has moved from a public sector housing structure to a more private-driven one, thereby opening more doors for private sector housing. The emphasis on growing the housing industry in Ghana began in the late 1950's and early 1960's. As part of the First President of Ghana, Kwame Nkrumah's development plan, provision of housing was centralized with relevant government institutions being created to support the housing sector (Appiah,2007). Examples of such relevant public housing institutions include: State Housing Corporation (SHC), which worked in regions across the country and Tema Development Corporation (TDC) which worked on residential housing in Tema and its environs.

The resources that were allocated to providing real estate taking the form of subventions, loans or grants began to diminish as the economy of Ghana took a dive creating a more fragmented housing policy than a holistic one (Bank of Ghana,2007). The housing sector began facing fragmentary growth which was accompanied by urban sprawl as individuals began to build their own houses in an uncoordinated manner which could not be controlled.

In 1986 the National housing Policy Committee was birthed by the Ministry of Works and Housing to scrutinize the happenings in the housing sector to help create a government policy and action plan (Bank of Ghana,2007). Ghana's public housing amounted to 10% of the total housing stock in the country by 1982, with private housing amounting to over 80% of this housing stock. The relative absence of a well-developed real estate

market/industry was about 3-8% of the housing stock delivered then (Barnes, 1982).

From the late 1980's through to 2010, there had been no further addition to any housing units by the state from purely public provision as many schemes that were initiated within this time period stayed unfinished.

In 2006, from the annual requirement for housing was supposed to be 199,00 units however the annual contribution of the Ghana real Estate development Association was 2500 units which was less than 8%, having about 90 % of private individuals forming a large contribution to the number of units(BOG,2007).

Over the past three decades which is from 1980's- 2000's, contribution from the public sector has been non-existent as seen in the numerous uncompleted government housing projects (BOG,2007). This is coupled with to the fact that only about 8% of Ghanaians can afford to buy house without a mortgage and only 15% of the population have access to mortgage services (City Properties, 2010). The private sector has been affected because the real estate firms are creating their house units for the wealthy and prominent people in society thereby neglecting the middle income earners as well as the financially unfortunate.

In Ghana, housing is perceived to be a statute of household wealth and as a result, it has created a surge in demand for ownership. Rapid increase in population in Ghana has resulted in a large housing deficit, especially in urban areas. According to the Ghana Statistical Service (2014), there was a projection that the country needed at least 100,000 housing units annually while the supply

is estimated at 35% of the total need; this is creating a robust demand and putting upward pressure on prices.

There are three major segments of the real estate market in Ghana; Residential, commercial and industrial segments. According to the Ghana Investments Promotion Center (GIPC) the property market is denominated by residential and commercial developments with about 85,000 transactions. The residential market was valued around US\$1.7 billion according (GIPC,2019).

The part of the real estate market that this study would focus on would be the residential market since it is the most dominant sectors in the real estate. The main players in the real estate market in Ghana are the real estate agents, property developers and homeowners. Some of the big players in the development of real estate include; Devtraco Limited, Trasacco Estate Development Company, Regimanuel Gray Limited, Buena Vista Homes, Gold Key Properties.

In Ghana, the real estate developers normally finance housing projects partly by bank loans from the domestic financial institutions (BOG,2007). From a survey by the bank of Ghana (2007) it revealed that about 72.7 percent of real estate developers developed their properties by self-financing. 2 out of the 22 developers that took the survey used foreign loans and about 4 respondents made use of mortgaging financing arrangements. For most of the people that buy property in Ghana, they fund their property from remittances or are of high income.

1.3 Overview and History of of the USA Market

According to the Wall Street Journal, The USA is facing a shortage in its housing supply. As at the end of the seventh month of 2020, there were

about 1.3 million existing single family homes for sale, which was the lowest count for any year, from data tracing to as far back as 1982 (Carlson,2020).

In late 2007 and early 2008, the USA faced a financial crisis that affected the entire world. Housing prices were fluctuating from the early 2006 into 2008. The increased foreclosure rates from 2006-2007 amongst US house owners led to a crisis in 2008 for the subprime, mortgage, credit, hedge funds and foreign banks (Carlson,2020).

However, on December 30, 2008, the Case-Shiller price index reported the largest decline in home prices for as far back as could be remembered. The Case-Shiller index is a combination of several indexes that track the value of single family detached residence using arms-length and repeat sales methods. There was a credit crisis as a result of bursting the bubble due to policy changes. This in turn was a major cause of the great recession in the United States(Carlson,2020).

1.3 Problem Statement

Even though the Ghanaian real estate market is a young one, there seem to be significant investor interest to invest in Ghana's real estate market. A lot more investors are coming to Ghana, which may improve the economy of Ghana. However, from a report by the Bank of Ghana (2007), even with the number of developers that used mortgaging as a source of financing, there were still issues with them paying back. Even though the demand for housing supersedes the supply of housing, there might still be the problem of defaulting mortgages. Hence, the question arises; is there a chance that the Ghanaian real estate market is at risk of a USA style Housing market crash as a result of the few people that use mortgaging as a form of financing.

1.4 Research Question

The research questions for this research paper are as follows:

1. Is the Ghanaian real estate market at the risk of a USA-style housing market crash?
2. What are the risks of investing in the real estate market in Ghana?

1.5 Research Objectives

The research objectives that are sought to be answered by the end of this research are as follows:

1. To analyse trends and developments in the Ghanaian real estate market
2. To investigate the causes and consequences of the US Housing Crisis
3. To identify differences and similarities between trends in the Ghanaian and US Housing market
4. Learn some lessons from the US Housing Market Crash to prevent a similar occurrence in Ghana.

1.6 Scope of Study

The scope of study would be the Ghanaian real estate market, considering the urban areas like Accra, Tema. The US market is going to be used to understand the real estate market.

1.7 Research Method

The research method that is going to be used in this study is a mixed method. A mixture of both qualitative and quantitative data will be used. Semi structured interviews will be used so as to understand the Market in Ghana by interviewing some players in the market. Both secondary and primary data

since past literature and data would be used to understand the situations happening the real estate industry in the US and Ghana. Also, data from a few real estate developers as well as homeowners would be collected using quantitative data.

1.8 Relevance of The Study

This study is important to be aware of risk that may come about from investing in the real estate market. The SDG's that would relate to this study are SDG 8 which is Decent Work and Economic Growth and SDG 11 which is Sustainable Communities and Cities. With SDG 11 it applies to this research because, the residential real estate market as well as the commercial real estate market build a manage our urban communities in the sense that they make up the urban cities. If the supply of housing is at equilibrium with the demand for houses there would be a reduction of people living in slums if they can afford a housing. Also, the real estate market opens doors for many jobs therefore, this would create more jobs for people in the Ghanaian economy which would in turn help with economic growth.

With this study when the causes and lessons that could be learnt from the US housing market are found, it would help in determining the right things to do to develop Ghana's economy. Also, with this study new knowledge would be added to already existing literature to help developers, homeowners, scholars and policy makers as well.

Housing is crucial to a country's economy. People's needs, demands, and social processes are closely linked to the availability of land, infrastructure, construction materials, technology, labour, and housing finance thanks to its

backward and forward linkages with other parts of the economy. Because of these links, housing can serve as a powerful driver for societal and economic growth and poverty reduction.

1.9 Outline Of Study

Chapter one is the introductory chapter which gives a back ground to this study and also states the problem. It highlights the objectives of the study as well as the importance of this study.

Chapter two is the literature review. In the chapter, the various schools of thoughts concerning this topic are analyzed and existing literature will be compared to the subject matter after which relationships would be made. Also, an understanding of how other authors analyzed their findings would serve as a guide for this study.

Chapter three is the methodology; provides a detailed overview of how this research will be conducted. This includes the research method that will be used, the scope of the research and its relevance's as well as gives a discernment on how data will be collected and analyzed.

Chapter four contains the data analysis and discussion section where results from the data that will be collected will be collected and looked at analytically using a mixed method approach this is the data analysis and discussion section.

Chapter five is the conclusion and recommendations section of this report and it will be based on the research findings to give conclusions as to whether Ghana is at a chance of facing the housing market risk like in the US in 2008. Recommendations will also be given to developers as well as

financers/investors. Also, with this study, recommendations would be given for future research on the relationship and other related topics so as to give some sense of direction .

CHAPTER 2 : LITERATURE REVIEW

2.1 Introduction

This chapter is an account of existing literature on the housing market in Ghana as well as in the United States of America. It also accounts for the housing situation in both countries and how similar and dissimilar they are in nature. Also, in this chapter, the already existing literature is going to be critically analyzed so as to help in understanding the concepts being discussed in this dissertation.

2.2 Theoretical issues of housing

Housing is the most important and peculiar of commodities that an individual consumes. Housing has a variety of characteristics which distinguish it from the other commodities that are consumed. Housing, unlike the other commodities that are consumed, is a kind of its own; it is typically consumed by a particular household at any one time. As a result, I begin with an examination of the type of housing that has been selected. The relative price of housing is a critical determinant of the amount which is consumed (Muth & Goodman, 2001).

One of the things that could be noted about housing is the fact that it is one of the basic needs of every human being. According to Abraham Maslow's theory of self-needs, it falls at the bottom of the hierarchy of needs which is the first and topmost set of needs that ought to be actualized first, the physiological needs. (McLeod, 2018).

Under physiological needs, there is the need for air, clothes, food, sleep, reproduction and shelter. Hence it is highly important for each individual to have shelter or own their own shelter. Moreover, according to Smith & Todaro (2016), housing falls under the three core values of development namely sustenance, self-esteem and freedom. Sustenance is the basic goods and services such as food clothing and shelter which are necessary to sustain an average human being at a bare minimum of living (Smith, Todaro 2016). Smith and Todaro's definition of sustenance can be linked to the physiological need under Abraham Maslow's hierarchy of needs. From the core values of development and hierarchy of needs by Abraham Maslow, it is clear that housing is an essential need of every human being.

Demand in real estate terms, is defined as the space or number of units demanded at various prices (Himmelberg et al., 2005). Therefore, housing demand should be thought of as a schedule instead a single quantity. Embedded in the demand definition is effective demand which is the demand backed by purchasing power. In real estate terms, ex-ante demand or desired demand, is the aggregate desired quantity of a good before consumers interact with the marketplace (Muth & Goodman, 2001). After interacting with the marketplace, it becomes realized or ex-post demand. The annual cost of homeownership, also known in the housing literature as the “imputed rent”, is the sum of six components representing both costs and offsetting benefits (Himmelberg et al., 2005).

The First component being the cost of forgone interest that the homeowner could have earned by investing into something other than a house, the second component is one year cost of property taxes, the second component is the one-year cost of property taxes (Himmelberg et al., 2005). The third component is the tax deductible of mortgage interest and property taxes, the fourth term is a maintenance cost expressed as a fraction of home value (Himmelberg et al., 2005). The fifth term is the expected capital gain, and the sixth component is the addition risk premium to compensate homeowners for the additional risk of owning property rather than renting (Himmelberg et al., 2005).

2.3 The Housing Situation in the USA

In the United States of America, with about 68% of households owning their own homes, house price analysis had become a national pastime (Himmelberg

et al., 2005). In this paper by Himmelberg et al., the authors delve to question how the housing market in the US and the housing prices is assessed, as well as whether or not there were underlying factors affecting housing demand. It also sought to assess what the primary factors were that were supporting the housing demand. Himmelberg et al., 2005 identify four common fallacies that were assumed about the housing prices. Firstly, the price of a house is not the same as the annual cost of owning one. The second was that high price growth was not proof that housing is overvalued. According to Himmelberg et al., (2005), in some local housing markets, house price growth could outstrip national average rate of appreciation for a long while. The third fallacy was that differences in expected appreciation (rates of increase) rates and taxes can lead to considerable volatility in the price to rent ratio across markets. The last assumption being that the sensitivity of house price to changes in fundamentals is higher at times when real, long term interest rates are already low. In cities where expected price growth was high, house price growth accelerated and the outsized price increases in certain markets are not intrinsically signs of a bubble (Himmelberg et al., 2005)

In the research, the authors used data from the Office of federal housing enterprise oversight to produce the single-family index and this gave multiple observations of given houses unlike a traditional price index. It directed to some extent, the changes in quality due to home renovations.

The equilibrium in the housing market gave an implication that the expected annual cost of owning a house should not be higher than the annual cost of renting a house. If yearly cost of ownership rises without an equal rise in rents

of houses, house prices must fall to convince potential homebuyers to buy instead of renting and vice versa. (Himmelberg et al., 2005).

From the findings of this paper, it was realized that the cost of owning houses was high relative to the income or the cost of renting but in 2004. However, there was not much data for three decades to determine whether there was a housing bubble. However, for the next 10 years there would be promising data that would help in the analysis of finding the cost of ownership.

It can be concluded that there might be misquoted prices in the housing market. It was also realized that the location affects the supply and demand for housing. From this it can be noted that this would help in understanding the general demand and supply of housing in various cities in Ghana.

Another study analyzed the continuous increase of the housing bubble which was being reflected in some home sales and prices, with the sale of houses and prices rapidly growing, particularly since the early- to mid-1990s (Al-Bahrani,2010) . This was until the deterioration began in 2006–2007. The depreciation which in the beginning seemed tolerable and fair, then accelerated, with median prices declining below 2003 levels. By 2010, the rate of housing value decline apparently had started to be fair in most, but not all, of the largest metropolitan statistical areas (Al-Bahrani,2010). Sales declined by a tenth to three tenths in some cities and about 40% – 50% decline in certain regional marks. Homeownership rates were affected by the bubble and its consequences. Homeownership rates were asymmetrical in the United States with over 65% at the peak of the housing bubble (Al-Bahrani,2010).

The rise on the rate of home ownership was lopsided towards the western part of the United States, that is the younger demographic, the minority

groups and Hispanics (Al-Bahrani, 2010). Also, factors in the increase in subprime lending included a monetary policy (which led to low interest rates after the 2001 downturn), and regulatory laxity promoted by relevant institutions (Al-Bahrani, 2010). Successful experience with early mortgage lending and the insatiable demand of investors for higher returns created a market for a wider range of mortgage-backed securities, beyond those with implicit and explicit U.S. government backing through the government-sponsored enterprises (Al-Bahrani, 2010). With an increase in the non-agency service private label mortgage backed securities, there was low or no documentation which increased to about 60% in 2007 and as a result the two markets collided.

It was studied that a convergence of the macroeconomic, international and societal and financial forces created the prerequisites for the U.S. housing and USA mortgage bubbles to heighten into an ideal financial, economic, and housing market storm (Al-Bahrani, 2010). U.S. consumer debt fuelled the trade deficit, which was financed substantially with savings by U.S. trading partners. These global imbalances and capital inflows combined with official Fed interest-rate policy (in response to the dotcom bust and the recession of 2001) to generate cheap and plentiful debt. There was copious, cheap mortgage money for homebuyers at one end, and a willing pool of global investors for securitized mortgages (Al-Bahrani, 2010). From this, it is noted that the clash in both markets as written by the authors not only affected the US but the entire world (Al-Bahrani, 2010).

In a study by Shiller and Case (1988), a survey was taken to look at home buyers in May of 1988 in boom and post-boom markets. The survey was

done through questionnaire surveys in boom cities which were experiencing rapid price increase including Anaheim and San Francisco and in post-boom areas: Boston and Milwaukee where prices were stable or falling. Due to the development in the United States at that time, it was an ideal time to study the behaviour of the people in those areas. There was a 20% increase in housing prices in California, San Francisco and Anaheim with no sign of boom in the mid-west. In New York, however, during the boom in 1983 and mid-1987 prices of accommodation more than doubled in those areas.

With the different cities that were picked, the same questionnaire was sent around even though they were sent at different times. The differences in answers were as a result of the different markets. The results showed that the abruptness of boom needed to be understood in the terms of investors' reaction to each other, to price increase or to other evidence of boom markets rather than to economic fundamentals (Case & Shiller, 1988).

From the questionnaire, respondents did answer that they perceived that the housing boom occurs as a result of the increase in interest rates. For example, in Boston the boom was stopped as a result of the stock market crash of 1987 which is a trigger that is not observed by most home buyers. Also, it was concluded that the demographic change or income change could have caused the initial increase in price and this may have resulted in the boom.

From Case & Shiller (1998), it was concluded that the residential real estate market was very dissimilar from the traditional models discussed in the literature. Also, in the rational market with rational human beings, prices were driven by basics like income, demographic changes, and national economic conditions amongst others. However, the results from the research were quit

contradictory, because the behaviour of the people during the boom and post boom were as a result of expectations. So, the people were either buying or investing in the housing sector due to what they expected to happen.

From this paper by Case and Shiller, the method used for collection of data was more of a qualitative as It was looking at the behaviour of the house owners and it is an effective way of collecting data however due to the fact that different answers may come from different correspondents it would be difficult to generalise.

Further studies by Case and Shiller (2003), employed a random sample of 500 home sales that were drawn from the same four cities/ Counties which were san Francisco, Boston, Milwaukee and the same questionnaire from 1988 was used. In this case Boston California and San Francisco were in a boom and Milwaukee was the control city. To get response from the 2000 participants, post cards were sent in January 2003, after they had not responded to the questionnaires sent between March and August 2002. Some of the things that were found out from the questionnaire was that, the sellers lower their asking price as a last resort. Therefore, there is clear resistance to prevent home prices from falling with 93% of the respondents having reservations about prices in San Francisco post boom.

From this it can be concluded that more pressure needs to apply on participants in a study so as to increase the response rate and also. it was very unlikely for seller of property to lower prices because they wouldn't want to lose value of their property. Also, a lot more people had different answers to the questions hence it was difficult to generalize the answers that were gotten from the data that was collected.

2.4 Situation around the world

A study by Korkmaz (2019) sought to examine the relationship between the financial markets and office markets across the Asian market. The paper examined the consequences of liquidity and excess liquidity on real estate markets. The paper used panel estimation utilizing quarterly data from the first quarter of 2007 to the fourth quarter of 2015, taking into account both time and location which allowed for a more accurate prediction of the relationships between liquidity and office market yields. The model that was used was to discount the net cashflows of the buildings.

The findings showed that per the empirical outcome, an increasing excess liquidity tended to decelerate the value of office yields in six major Asian office market centers due to its positive effect on commercial real estate value. This study helped in understanding if commercial real estate yields determinants.

In a study by Korkmaz(2019) it sought to study the investigate whether the twenty six regions of Turkey were affected by the inflationary pressure specifically in the housing pricing index. Data was collected from January 2010 to January 2019 and the relationship between consumer price index and home price index was analysed by Konya causality test which is an econometric method to show the relationship between trade openness ,Foreign direct investment and economic growth.

The results from the study showed that home price index causes inflationary pressures in some of the regions. Some of the limitation that author faced are that although there were many variables affecting the housing prices,

the aim of the study was only to investigate the casual link between inflation and housing prices. As a result of only the Housing price index and consumer price index alone being provided on a monthly basis, different macro economic variables could not be studied.

The take home from this study that would help in this current thesis research is that there may be problems in finding data for the housing market in Ghana, and also it may be very time consuming.

Also in a study by kritayanavaj(2009) it sought to analyse the global financial crisis from the view of Thailand .The financial crises affected the housing industry of Thailand. The banking sector became more cautious in providing financing to housing developers and mortgage loans to individual borrowers banks implemented prudent mortgage lending practices including employment, income and national credit bureau verification. The table below shows the residential real mortgages in Thailand and this showed that in 2007 and 2008 there was a major increase in the mortgages outstanding due to the financial crises that was ongoing at the time.

ITEM	2002	2003	2004	2005	2006	2007	2008
Residential Mortgages Outstanding (RM)	759,822	866,856	1,055,084	1,220,394	1,351,182	1,468,230	1,583,084
All Types of Loan (AL)	5,894,306	6,145,315	6,598,061	7,106,339	7,374,826	8,096,579	9,454,186
GDP at current price	5,450,643	5,917,369	5,917,369	7,092,893	7,841,297	8,493,311	9,102,785
RM: AL (%)	12.9	14.1	16.0	17.2	18.3	18.1	16.7
RM: GDP (%)	13.9	14.6	16.3	17.2	17.2	17.3	17.4

Source: Bank of Thailand

Figure 3

2.5 Situation in Developing countries

Over the years, studies have been done on housing economics in developing countries. As at 1986, these empirical frameworks were still relatively new. But a study by Buckley (2005) looks at the changes that had happened over the twenty years since then. One of the changes that were noticed by Buckley was that the demand for housing all over the world was highly regular with the belief that government and foreign organizations will assist in effectively structuring the components of housing projects. (Buckley, 2005). Also, the next finding in the research was that there was the need for the states to provide a security term and title to those in the informal sector. This involved empirically estimating how much value-low-income beneficiaries placed on having title (Buckley,2005).

From this study by Buckley (2005), he emphasised on the fact that there was the need to develop a long lasting supply of finance to fund housing investments and the fact that with high inflation, countries would not be able to withstand economic shocks that may emerge. This can be related to the USA financial crises of 2007 and how it affected the entire world and not just the United States.

Another study by Chien and Setyowati(2020) sought to explore how different uncertainty shocks affect international housing. The method used by the authors was to create a model of housing instability with uncertainty variables namely macro economic uncertainty, financial uncertainty with housing instability being the dependent variable . The results of the study showed that higher macro economic uncertainty and global economic risk

increase housing instability. In contrast greater financial uncertainty and geopolitical risk decrease the instability in housing.

From this study it helps to understand that the macro economic factors namely consumption, industrial production, gross domestic product, employment, broad money supply, inflation rate and effective exchange rate affect housing and as a result it gives strong evidence to support the research that is going to be carried out in this paper.

2.6 Situation in Ghana

A study Gross and Mayo (1987), talked about a crucial remodeling of the policies for housing in developing countries. It was stated that government provided housing at a subsidised rate for the citizens of the country. This study “presented an analytical model of the sites and services paradigm (which is used to examine how major project outcomes are influenced by project design); summarizes current research demand for houses in developing countries which was very important to designing appropriate sites and services projects); reviews planning assumptions used in World Bank sites and services projects; compares these assumptions with empirical evidence on willingness to pay for housing”. Nineteen countries were used for this study including Ghana, Egypt, Zambia, South Africa, El Salvador, Jamaica and Kenya. A log-linear model of housing expenditure was used with the formula being $\ln R = b + E_y (\ln y) + cH + dH^2 + U$. The variables were Rent being the dependent variable, Estimated income elasticity of demand, Income, household size with b, c and d being the coefficients of regression. The estimated income elasticity of demand, income household size were the independent variables in this study.

The results for that study showed that there was generally no structured change in the income elasticities of demands with country or city income level or population size but there was considerable change in dollar adjusted intercepts which were positively related to average city income.

Therefore, rent to income ratios decline systematically as income rises within cities but increase with average income across cities. Also, Form the study by Gross and Mayo (1985) it was noted that the relative variation in rent income ratios was higher at low income levels than high income levels. From the data, it was noticed that the Ghanaian market precisely, Kumasi in 1980 had data for only renters and no data for house hold owners which brings up the question as to how difficult it is to collect data from the Ghanaian Market.

In a study by (Imran,2015) the author analysed the Ghanaian real estate market and the risk that is related to investing in it. In an overview of the market, it was stated that the Ghanaian market was a young one although in a boom which is also related to news that has been circulating over the time (Ghana, 2019; (*African Business* 2014.)

The theoretical framework that was used for this study was profitability, and Profit. An outline of the various risk that were involved in investing in Ghana were given. The risks were categorized into four, credit risk, market risk, operational risks and liquidity risks . The evidence from the literature review that was used here showed that housing markets played a vital role in the macro economy and that the performance of the economy could affect the housing market hence the relation between some macro-economic factors and housing had to be analyzed. in the study.

For returns on property investments in Africa, macroeconomic factors have been seen to be a likely influence mainly due to the fact that most of the African economies are developing economies and as such very fragile and non-resilient to both internal and global shocks; therefore more responsive to the movement of economic variables.

For the study, Imran(2015), used data from GREDA(Ghana Real estate development Association) and compared them with the GDP growth rate, exchange rate, inflation rate and number of houses sold and the time period was between 2000 and 2014.

In Imran's model specification the author used Vector Autoregressive model against expected returns. The sample size for this study is 60 quarters and as such AIC and FPE would be used as the lag length selection criteria. And from the study, looking at only residential based real estate, the findings showed that shocks to the expected investment return, the GDP growth rate, and the interest rate explained about 90% of the movement of the expected investment return. This indicates that these variables were good at transmitting the effects of the shocks to the housing market. This links to the research going to be undertaken in this paper.

Another study by (Appiah, 2007) talks about the functions of government policy in the real estate sector. He talks about the relevance of shelter as a measure of standard of living and for improving productivity in the country. This has led governments and communities to look for better and more efficient ways to provide housing for their citizens. With the happenings in African countries like Ghana it is critical, due to the short supply in number of

dwelling units, overcrowding and poor-quality housing with not very effective regulations and policies (Appiah,2007).

In this paper, it was stated that the world bank policy and advice on housing encouraged the government to reduce its activities to creating an “enabling environment”. For this paper, Ghana was the main focus of the study and the Capital city Accra Tema and neighbouring metropolitan cities were the specific areas of study. This also helps in narrowing down the study in this paper therefore to the capital and surrounding cities. The data was collected through survey questionnaires to realtors in the Accra and Tema metropolis (Appiah, 2007).

Appiah (2007) sated that even though different governments implemented various housing policies to improve the housing delivery in Accra, the housing crisis was nowhere near reaching a lasting solution. The housing crisis in Accra is partly characterized the inconsistency of various housing policies of different governments. From the survey it was concluded that the housing industry played an important role for professionals and it was up to Ghana to open up a forum to discuss with realtors of regulations to strengthen the industry and that the government should be active int e real estate industry(Appiah, 2007).

Also, a report by the Ghana statistical service (2014), studied Ghana’s housing and the quality of housing in the country, considering the policies. The objectives of the report were to:

1. Identify and analyse the trend of stock of houses, facilities and amenities of houses across different settlement sizes, namely metropolitan, municipal and other localities.

2. Assess the level of housing deficits across regions, city sizes and locality (rural and urban). 3. Analyse the various options for financing housing in Ghana.

The methodology that was used in this study drew on data collected from the 2010 population and Housing census. From this study it was realised that the housing deficit was also discussed here which is the gap between supply and demand of housing which is measured by taking account of the existing housing stock market and the number of persons per dwelling.

From the report by the Statistical service (2014), housing in Ghana was problematic or crippled in all aspects, right from the acquisition of land, through to the construction of the building. Access to basic services and infrastructure as well as financing proved problematic as well. The state of the housing market in Ghana is greatly challenged. Hence, individuals and households take on a variety of unceremonious means including self-financing and incremental building to be able to provide themselves with housing, their households and families.

The overall effect of the challenges is that the Ghanaian housing market is constrained leading to the situation whereby aggregate housing supply is unable to meet effective demand. Also, given the numerous problems facing the housing sector in Ghana, a number of studies and public policy documents have made several recommendations with the sole aim of improving the supply and the demand for housing in the country.

From this report it gives a fairly good analysis of the situation happening in the country even though data is a little old due to the fact that the population census is done every ten years. Also, it also shows how difficult it

would be to get recent data for housing in Ghana thereby making the research for this paper tiresome and difficult.

2.8 Conclusion

The above literature assesses the real estate market in both the Ghanaian market and in the USA market. It is realized that there is indeed a housing deficit. Also looking at both markets i.e., the USA and Ghanaian market in terms of financing we can notice that even though a few people use mortgages in Ghana it is prone to default like in the case of the USA market which caused the crash in the housing market. Also, from the above literature, regarding methodology, it would be best to use data that already exist (such as data from the statistical service) and also to use qualitative data. Both methods would therefore be adopted for this study.

CHAPTER 3: METHODOLOGY

3.1 Overview

Based on the evidence of a boom in the real estate market in Ghana, specifically the residential market, a study will be carried out to find out if the housing market is at risk of facing a US style housing market crash. In this section, the methods, approach, instruments and analysis that would be used in gathering data and interpreting results from the study will be evaluated .

3.2 Research Design

The research design is defined as the general plan or strategy that was used for conducting a research study to examine specific testable research questions of interest (Ritchie& Lewis,2003) . This study was a mixed method approach. This is a class of research where the researcher uses a combination of quantitative and qualitative research approaches in the same study . The mixed method approached was used for this research because even though some studies by Appiah (2007) focused mainly on the qualitative approach and studies by Shiller and case in (1987) where only questionnaires were used for the analysis so it was a more qualitative research to check the behaviours of the citizens in the US post boom and during a boom. However with this study the aim is to understand whether or not the real estate market in Ghana can face a US style housing market crash which can be viewed both qualitatively and quantitatively.

The qualitative method of study will help provide a very detailed description of what is happening in the real estate market and the quantitative will provide precise and specific data which will help with generalization.

3.3 Research Scope

3.3.1 Study population

The study population will consist of three major groups namely, home owners, the real estate developers and experts. This population has been chosen based on both demand and supply of housing in the country .

3.3.2 Study Area

The area of study for this research will be the greater Accra Region of Ghana. This is because from studies conducted by the Bank of Ghana and the Ghana Statistical Service, the Accra metropolis and Tema metropolis have recorded the highest urban population of 2,539,221 which is 1.7% as of 2000. As of 2021 the population of Greater Accra was estimated to be at 2,556,972. Which was based on the population census at that time. Also, from the report by The bank of Ghana, greater accra's housing stock was 13.2% but then even though it was lower than that of Ashanti region which was 15.1% , its urban share was about 80% . Hence Greater Accra would be the best study area.

3.4 Sampling Strategy

3.4.1 Sampling technique

The sampling technique that would be used for this research is purposive sampling. Purposive sampling is described as the intentional seeking out of participants with particular characteristics according to the needs of the developing analysis and theory (Lewis & Ritchie, 2003). The snowballing technique will be used in order to get a reasonable amount of data for the study.

3.4.2 Sample size

According to the Bank of Ghana the population of Ghana grows at 2.17%. The population of the Accra is 2,556,972. The sample size is set at 100 with a confidence interval of 9.8. However due to the slow response rate the confidence interval was increased to 12.65 with a confidence level of 95% and a sample size of 60 which was calculated with a sample size calculator (*Sample Size Calculator - Confidence Level, Confidence Interval, Sample Size, Population Size, Relevant Population - Creative Research Systems, 2020*). With qualitative data, it is optimum to use a small number of people Ritchie and Lewis (2003). Hence for this research one person from GREDA would be interviewed, two homeowners as well as one person from a real estate firm.

3.5 Data collection.

3.5.1 Data collection Instrument

The data was collected for this research through the use of interviews for the qualitative data and the use of questionnaires for the quantitative data that would be developed by the researcher. Interviews were semi structured to allow for flexibility in answering the questions however with the questionnaires they were ended to allow for some reliability.

3.6 Data preparation, collection, collation and processing

First of all a tryout would be done first before the actual set of interviews. So as to help develop some conclusions and to push the area of research or in the generation of other researchable questions that may come up. This will help in assess the right information that would be needed. Interviews would be done via zoom or phone calls due to the global pandemic, permission was sought from participants to record the information gotten also, key things

said during interviews were written down so as to have evidence of things said and also to have in memory things that would be said.

3.7. Data Analysis

Data was analysed as and when it is gathered. This initial analysis helped inform the upcoming interviews as to whether or not the method needed to be revised or changed and the empirical data that would be used would be analysed using excel .

3.8 Validity and reliability

Reliability shows the degree to which a research method produces results that are stable and consistent across different times, groups of people, or versions of the instruments used for measurement (Vanderstoep and Johnston, 2009). Validity on the other hand, shows if a quantity accurately measures what is intended to be measured (Vanderstoep and Johnston, 2009). To ensure the validity of the research, a pilot test will be done . This will be used to check that the questions being asked in the interviews and questionnaires will be appropriate and useful in meeting the objectives of the study. Questionnaires will also be standardised to ensure reliability.

3.9 Ethical consideration

A research proposal which would include the questionnaire for the study and the interviews would be given to the Institutional Review board of Ashesi University before any form of field work would be started. This committee would ensure that the study meets all ethical and legal requirements . After the approval from the institutional review board , the field work would begin .

Also, confidentiality and anonymity will be observed so as to protect the participants of the research whom may give out sensitive information. Data from the research would also be reported honestly to reflect the actual responses that will be gathered from the research.

3.10 Limitations

The response rate to the questionnaires that was sent around was very low making it difficult to get the data. Also, not all the participants of the research were willing to partake in the interviews and barely had time for the interview hence the initial number of people to be interviewed reduced as a result of availability. This may limit the information that is to be understood from this study. The last limitation is as a result of the Global Pandemic, COVID-19, it made passing out questionnaires difficult and generally meeting people for information very difficult.

CHAPTER FOUR: RESULTS

4.1 Introduction.

The focal point of this chapter is to present the data gathered from property owners as well as real estate experts and representatives with regards to the housing market within the greater Accra region, the data for this research was gathered from sixty correspondents using questionnaires as well as semi structured interviews with seven real estate reps from seven different firms and one lecturer.

These sixty respondents are property owners within the greater Accra. This chapter will first outline the demographics of the respondents and discuss and analyze the data in alignment with the research objectives and questions.

The objectives of this study were to: to analyse trends and developments in the Ghanaian real estate market, to investigate the causes and consequences of the US Housing Crisis, to identify differences and similarities between trends in the Ghanaian and US Housing Market, learn some lessons from the US Housing Market Crash to prevent a similar occurrence in Ghana.

4.2 Demographic Characteristics of respondents.

Greater Accra region was selected as the focus of the study due to the convenience as well as the fact that there are more real estate developments in the region. A sum of sixty respondents participated in this study out of which 71.67% of them were males (forty-three males) and 28.33% (seventeen) females. Eight of the respondents were in the age range of 20-39, eight were in the 40-49 age range, 24 were in the 50-59 age range and 20 were 60+. The majority of property owners were between the ages of Fifty and fifty-

nine with a percentage of 40%. With the real estate representatives that were interviewed four of them were males and two of them were females. The real estate expert that was interviewed was a male

The distribution of the age range of the respondents is represented in the graph below.

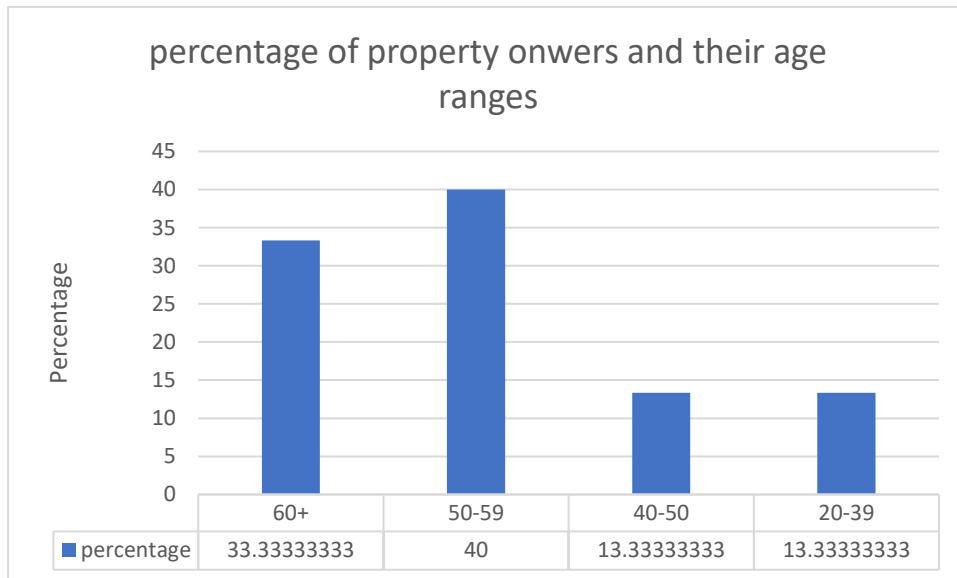


Figure 4

4.3 Analysis of Findings.

4.3.1 Ranking factors that influence Property ownership

In the Ghanaian housing market specifically Accra, According to the data from the respondents. Out of the 60 people that own property, 49 of them own land they built on, 6 of them buying from real estate firms, and the 5 others buying the house from an agent or property owner.

The first thing that would be analyzed the difficulty of landowners to register their land title.

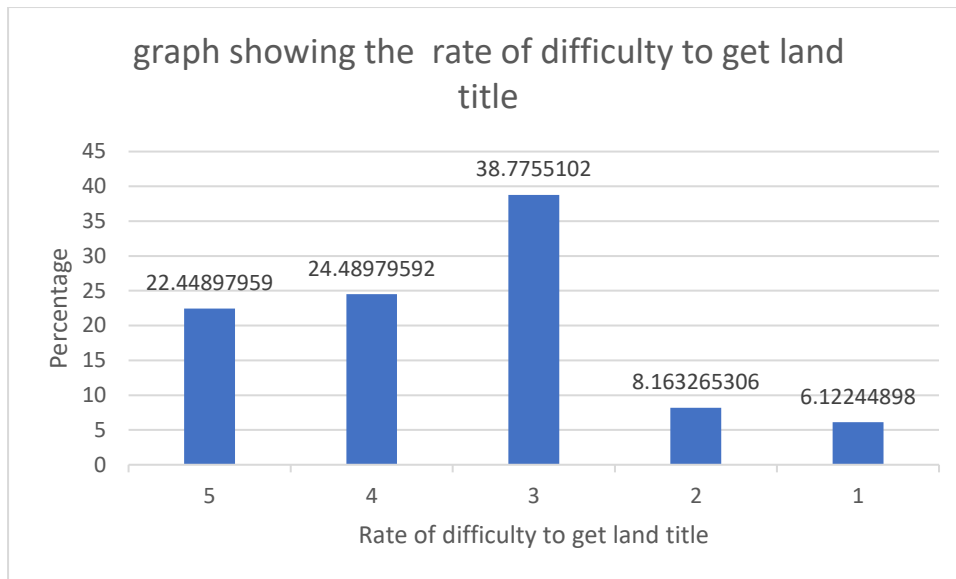


Figure 5

In this graph it represents the rate of difficulty to register the land title with 5 being extremely difficult 4 being very difficult, 3 being difficult, 2 being fair and 1 being easy. From the results it is noticed that even though there were a few people that had it easy being 6.12%, 8.16% said it was fair, majority of the landowners (38.78%), 24.9% said it was very difficult and 22.45% said it was extremely difficult.

4.4 Discussion of the real estate industry from the suppliers' point of view

Semi-structured Interviews were conducted with real estate representative which gave more insight into the housing market in Ghana from the suppliers' point of view. For this part of the data collection and analysis, Seven real estate representatives with experience between four to twelve years and one real estate expert.

With regards to the changes in the Ghanaian real estate market, according to one interviewee, the market has become more competitive as more and more players have entered the market. Also, he stated that the

standard of marketing has improved. Also, the other interviewee stated that from a marketing point of view it has become a bit easier. Also, with the recent happenings like the year of return had been of tremendous it attracted more expatriates into the real estate market. The year of return is was linked to the 400th anniversary of slaves landing in the USA. Ghana was a key point of transporting slaves and as a result it was an opportunity to welcome all those whose could trace their ancestry to Africa. The year of return brought a lot of African diasporas to the country and this in turn attracted more expatriates into the real estate market.

Another change that was thought to be good was that people were becoming more receptive to purchasing studio apartments and one-bedroom apartments instead of huge family -house type buildings, He said “It was becoming popular, and it was being accepted by local professionals just like the younger people”.

The next respondent said that more multinationals are coming into the country to set up into the market. With there being an oversupply of high-end property in Prime Accra.

The fourth representative pointed out that the changed she noticed in the real estate the rental prices before COVID-19 were higher but as a result of the COVID-19, there was a little reduction in the pricing. She also stated that there was a lot more competition in the market now.

The fifth respondent stated that a lot more people were utilizing Short lived residential places. So, there was the upcoming of AIRBNB homes for short stay people. She also stated that the suppliers of housing were pumping

more money into the high-end market. The sixth representative stated that there were people looking to buy and buy more property.

The sixth real estate rep stated that there was oversupply as more and more companies keep building for the high-end market leaving most of the spaces empty with little or few occupants.

The next important question that was asked was, how did COVID-19 affect the market and the responses were as follows; According to the first real estate rep, the uncertainty in the time reduced closed transactions. Buyers face the uncertainty of employment and business also savings rates also fell within this t time. Also, the other interviewee stated that due to the pandemic, people were scared to invest in certain things, and they would rather keep money for unforeseen complications that may occur as a result of COVID-19.

The fourth respondent stated that COVID-19 affected rentals in particular as most of the expatriates were either losing their contracts hence could not afford to pay exorbitant prices. She also stated that, however with the sale of property, in her firm, it was not really affected as more people were still buying property.

The fifth respondent representative stated that the residential market was not in any way affected by COVID-19 people still needed accommodation to live in. However, in the commercial market due to the uncertainties and the anticipation for a deep in prices, there was as an initial scare however the market picked up after some time. The sixth respondent stated that COVID had not affected the market in any way.

The sixth real estate representative stated that most of the construction teams for these projects were Lebanese and Israelis so it stalled construction.

Also, some developers were not able to fund their developments since their parent companies were not sending as many funds. Furthermore, he stated that due to the fact that there was a global pandemic most of the expatriates went back to their countries because they were wanted to feel safe in their countries leaving these high-end properties empty. Also, he stated that due to the fact that the properties were empty with vacant spaces. It allowed for a lot of negotiations between landlords and their tenants where they started reducing their payments to quarterly payments or biannual payments.

One of the questions that was asked both interviewees was how often do clients default? From the first interviewee he said it was quite often and gave an example of how during the Menzgold saga a lot of money was tied up hence people really defaulted around that time. Menzgold was trading in gold but on September 7th, 2018, it was directed by the Security Exchange Commission to suspend its gold trading operations and this decision was backed by the fact that menzgold had been dealing in the purchase and deposit of gold deposit of gold collectibles from the public and issuing contracts with guaranteed returns to their clients without a valid license. Due to this all those that invested in them lost their money.

However, before that Ghana home loans and HFC used to auction out houses whose payments were defaulted. With the other interviewee, he stated that default rates have increased over the last two years. Which ends up affecting developers since they have to put in more money or to terminate agreements and replace buyers.

For the next respondent stated that it was rare for people to default on their payments to firms. However, there are quite a number of properties that

are being foreclosed by Ghana home loans and they are being advertised in papers.

For the fourth respondent she stated that it rarely happens and due to the fact, that with the firm they give a payment plan out and also there are charges for missing out on the original payment hence people hardly default because they wouldn't want to pay extra. The fifth respondent stated that that people default on housing payment a lot and they do this as a result of the steep mortgage payments which is as high as twice the value of the original house. The sixth on the other hand stated that for him, people do not default on their payments to him.

The next thing that was asked was how defaulting affected the firms. This was answered surprisingly differently. One interviewee stated that due to the fact that most payment plans for houses were between banks and the clients hence the liability was on the bank which meant that it did not affect the real estate firms in anyway. Which was the same thing that was said by the fourth and fifth respondent. In contrast the other interviewee also stated that default rates affect the cash flow and consequent schedules hence the delays feed through either higher interests' costs if the developer needs to raise bridge financing or a reduced project margin if the input costs change.

4.5.1. Research question 1: Is the Ghanaian Real Estate Market at the Risk of a USA-style Housing Market Crash?

In response to how the Ghanaian real estate market is at risk of facing a similar crash as what the USA faced, with the two interviewees that were gotten, only one spoke extensively on the USA housing market in Comparison

to the Ghanaian market and from his expertise and knowledge he felt as though there was no chance of Ghana facing a USA style housing market crash. The responses to answer this question are as follows.

The first interviewee that was able to answer this stated that the chances of there being a crash in Ghana was very unlikely because even though for the past two years the rent market has been decreasing it was still unlikely due to the lack of debt.

With the third representative stated that he did not think a crash was likely to happen that even if it did it would take a long time for such an occurrence to happen.

The fourth respondent stated that in her opinion she did not see the USA housing market crash happen at all. The fifth respondent also stated that it was not likely to happen as the dynamics of the countries are a bit different. The fifth respondent stated that if there was going to be a crash it was not going to be now.

The intellect of an expert and lecturer was needed for this as they must have studied the real estate market for a while. The lecturer that was used for this research had 6 years of teaching experience minus his years of studying. With this question he answered with uncertainty stating that he could not say yes or no because of the volatility of the market and that if there was a global crash, it would also affect the country.

4.5.2 Research Question 2: What are the risks of investing in the real estate market in Ghana?

According to the interviewee the risk of investing in Ghanaian real estate are the long process of registering land title, Litigation and land guards.

With the questionnaire from property owners a question was posed about the problems in of investing in the Ghanaian real estate market. Answers to the question include the high prices, making it very unaffordable to price and land litigation. A table the problems faced by the Ghanaian real estate market according to property owners.

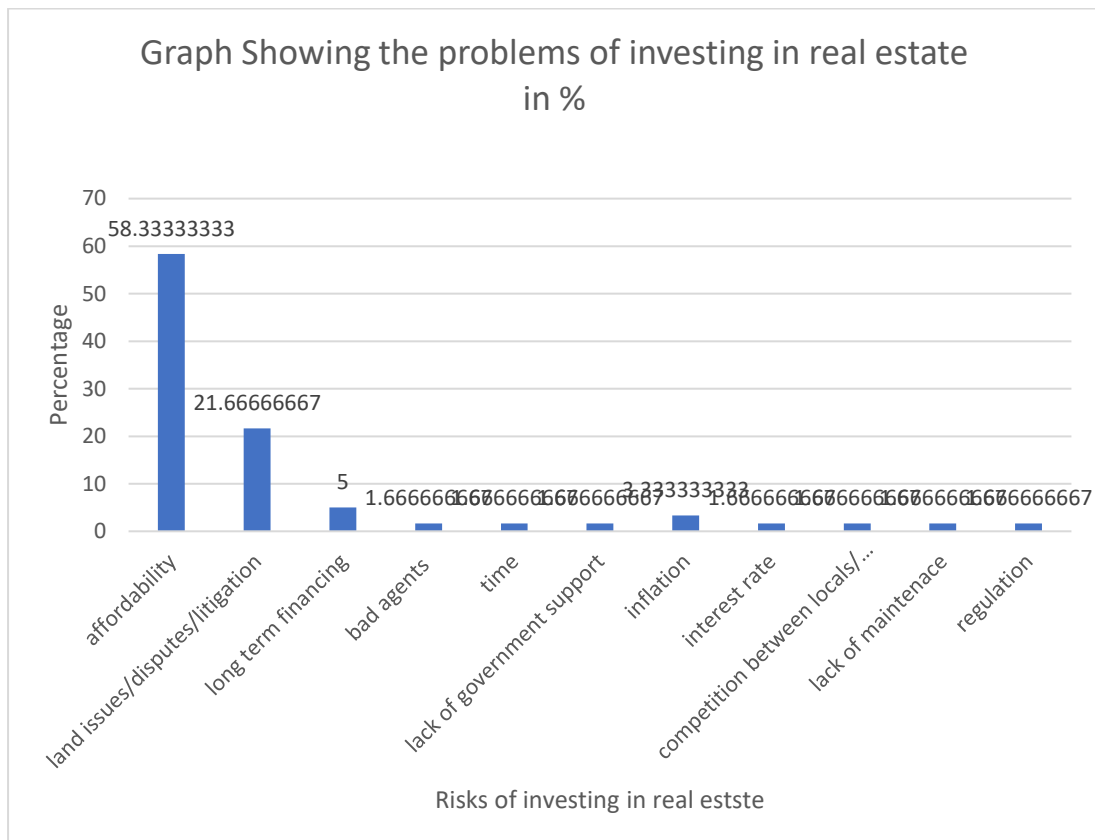


Figure 6

According to this figure it shows that one of the main problems faced by the consumers in the Ghanaian real estate market included the high pricing with about 58.3% of the respondents in the housing market saying was very unaffordable or pricy. In an interview with one of the real estate reps he stated that the firm he worked in was a for high end target market which meant that they were not at an affordable rate for the general middle-income worker to afford.

The third representative also stated that Prime Accra which was a high-end market was mostly filled with expatriates and the middle income and low-income earners. Also, it meant that they were mostly targeting expatriates that settled in Ghana. In addition to his earlier statement, he also stated that the firm started building homes for middle income earner but beyond Prampram which meant that they would have to market to people that lived in those environs. This meant that in as much as they were trying to provide for middle income earners, the locations were not very appealing and for one to have housing in beautiful locations and locations within town, it will mean that they would have to be very pricey.

The fourth respondent stated that pricing is an issue in the real estate market as most of the properties being built are not very affordable and only the rich can afford. Hence the rich keep buying property and then rent out to other people making them only richer. She also stated that housing in Ghana is more expensive than in other countries according to the expatriate clients she has.

The fifth and sixth representatives also stated that pricing was a big issue in the Ghanaian market. That housing was far from affordable. The sixth respondent stated that he did not really see the pricing as a problem and that pricing was relative however construction was expensive hence it translates into the pricing of the houses sold.

The next most talked about problem in the housing industry is land disputes, land litigation and land guards. These issues are very with property bought by landowners. They end up going to court and pay extra bills for a land. This issue is very risky as it would deter people from wanting to buy

land if they would have through years of fighting for land ownership. Also, there are occasions where these land guards end up killing people in the name of protecting the land which also deters people from wanting to fight for what they bought with hard earned money. All the six interviewees who were representatives of the real estate also thought that land litigation was also an issue.

The fifth respondent gave an example of Trassaco Estate development Company having a land dispute. There was a legal tussle between Trassaco estate and Top kings limited about a property issue. The judges ruled in favor of Top kings thereby slapping Trassaco valley with a fine of GHC 10,000 (DailyGuide,2021). This gives a vivid example of the kind of land disputes that go on the country.

From the real estate expert, he stated that housing prices were relatively high hence it affected the demand for housing. He also stated that the factors that affected the demand for housing included the unemployment rate which is relatively high in Ghana

For the Suppliers of housing one of the risks they face according to an interview from with the second real estate representative is that Building property is capital intensive and as a result, going through the process of getting a financier for a particular project. Assuming the firm had to made certain projections and was expecting to sell a number of units for the next two years to be able to get the funds back to pay their financier and Uncertainties like Covid happen. It may cause them to lose. Because according to their projections they their two-year projection wouldn't be enough which means that there would be two years of debt accruing which

would increase debts causing them to have to either reduce cost or reduce the project size.

The second real estate representative stated that some of the problems there are several factors that make it difficult to put supply into the market, ranging from land issues to port bureaucracy to a lack of construction financing he said the land issues are a huge factor as the suppliers may also spend so much time getting land titles thereby eating into the time of their projections. Also, with port bureaucracy it makes the bringing of their supplies into Ghana a bit difficult. This can be aligned to a problem that was stated by a property owner which is government regulations. It is a major problem which slows down processes across board.

4.5.3 Identifying differences and similarities between trends in the Ghanaian and US Housing Market

The interview with the second real estate representative went a bit deeper as he had fair knowledge of both the Ghanaian market and the USA housing market. From his answers, he stated that in the USA, there is reduced land title risk as compared to Ghana. And also, Financing across all the main stages of real estate in the USA was easier. He also stated that Buyers have access to long term loans and as compared to Ghana there is only the use of Ghana home loans GHL and Housing Finance Commission (HFC) now known as Republic bank for loans and mortgages concerning housing.

The third representative stated that, mortgaging in Ghana is expensive and low-income earners may not be able to afford that kind of financing for buying property. He also stated that in Ghana everyone sits information and

that it is difficult to get information on housing in Ghana, whereas in the USA there a database for properties in the states.

A major difference between the two markets is that most developers in Ghana have to find their own land, build sell and even managed their properties which makes property companies fully integrated whereas in the USA developers can choose which stage of the value chain they want to work at which means that the realtors may or may not spend so much capital depending which part of the value.

The fourth representative stated that one of the major differences between the markets was that housing was more expensive in Ghana that her clients complained that accommodation was more expensive than where they came from.

The fifth respondent stated that in the USA cost of loans are cheaper and also depending on the state you are in prices of housing are cheaper. She also revealed that the USA housing is more regulated and the Ghanaian market the sixth respondent also stated that the market in the USA was more regulated.

The seventh respondent stated that the mortgages in the USA were more flexible and the interest rates were lower than that of Ghana.

In addition to this, it was noticed that most of the respondents of the data were of ages above 30 which leads to question of how long it would take the youth to earn money to finally be able to buy property of their own.

4.5.4 Strengths and Weaknesses of the Ghanaian Market

From the interviews that were run the most common weaknesses of the Ghanaian market were the fact that there was lack of structure, there were too many land disputes and the fact that the regulations in Ghana do not work.

There was also the issue of there being housing but not affordable to everyone, just the high-end market. The main strength of the Ghanaian market as stated by most of the interviewees was that it is a growing market hence there is more room for growth and development. One unique strength that was given by the expert was that it would be easier to get lands on the Outskirts of Accra.

4.5.5. How to Address the Situation in Ghana

From the interviews that were conducted it is realized that prices of houses were and continues to be a big issue. For this to be addressed it is best for suppliers to try and concentrate on building low-cost housing or change their target market. The seventh real estate representative suggested that Ghana should consider the production of material so as to reduce the cost of importing the raw materials into the country. Real estate developers should also do. “A lot more market research to be able to meet the needs of the, market they come into” was a statement by the Real estate expert.

CHAPTER 5: CONCLUSION

5.1 Overview

This concluding chapter summarizes the entire research project. It goes on to make recommendations based on the information gathered, which will in turn help understand the Ghanaian Real estate market better and prevent it from experiencing anything like what happened in the USA.

5.2 Summary of Study

The purpose of this research was to analyze the Ghanaian real estate market to see if it was a risk of facing a crash similar to that of what occurred in the USA in 2007/2008. This study sought to add on to works already written

by Imran (2015) on the risk of investing in real estate in Ghana. and to further add on to the probability of Ghana facing a housing market crash. The groups that were used for this study were property owners and workers in the real estate industry

Based on the interviews conducted, it was stated that there was not a chance of Ghana experiencing what The USA faced however further studies could be done toward the study.

This research utilized both a quantitative and qualitative approach in the data collection. The data that was gathered from the quantitative research through the questionnaires indicated that the main problems of owning property in this country included the pricing of housing and then land litigation and disputes which are major risks of investing in the Ghanaian market. The issue of land litigation and disputes can be solved by creating a well updated database to show the correct owners of lands and who to actually go to get land title. Also, with the issue of pricing, if the materials for building property were made locally it would cost less to own property thereby making the prices of house a bit fair.

From the interviews that were conducted with the real estate representatives and expert, the key take away was that the likelihood of a USA style housing market crash occurring in the country was relatively low due to the different happenings in the country. But due to the volatility of the real estate Market, if there is a global housing crash, it could affect the country. And to prevent this from happening. renowned businesses in the country should not over invest in houses for flipping purposes and not carry the burden of some mortgages. Another Key take ay from the interviews was that better

financing should be created to help Ghanaians afford home be it the creation of more mortgage banks and a reduction of the interest rates to entice people into the market.

The main limitation of the study was that some relevant stakeholders who could have provided key insight into the study were not available to be interviewed and also, due to the fact the this research mostly involved house owners it made it difficult to actually get property owners.

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Appendices

Interview Guide for Real Estate Representatives

Hello participant,

My Name is Jasmine Atswei Lomoh final year student of Ashesi University and I am a conducting a research on the real estate market in Ghana the residential market and the trends in the market. Whether or not the market is growing and whether or not it faces the chances of experiencing the US style housing market crash.

This interview would broaden my understanding of the happenings in the market and help me in drawing conclusions.

This interview may be recorded to help me go back to your statements and also to make sure I don't misinterpret anything said during this interview. Also, this is strictly for academic purposes hence everything said during this interview would be treated with respect confidentiality and integrity.

- 1.How long have you been in the real estate market?
- 2.Have you switched companies in the time you have been working?
- 3.How are the companies different?
- 4.Over time what are the various changes that you have seen in the market?
- 5.What happens during a dry spell?
- 6.How has Covid-19 Affected the real estate market?
- 7.How often do people default on payments on houses purchased?
8. is the rate of default high enough to significantly affect the earnings of the firm in any way?

9. Are there any payment plans to make this flexible for customers?
10. What problems do you face as a builder/ supplier of real estate?
11. Are you familiar with the USA real estate market?
12. In your opinion, what are the differences and similarities between the US and Ghanaian real estate market?
13. What are the strengths and weaknesses of the Ghanaian real estate market?
14. How do returns from the real estate market compare to the market interest rate?
15. What factors will cause Ghana's real estate market to crash?
16. What are the main problems facing Ghana's real estate sector?
17. Is demand for housing a problem in Ghana?
18. Do customers complain of exorbitant prices? Is pricing an issue?
19. Will you say housing is affordable in Ghana?
20. How quickly do house prices appreciate?
21. In your opinion do you think there is the chance of there being a USA style market crash in Ghana?

Interview Guide for Real Estate Experts

1. How long have you been studying in the real estate field?
2. Over the time you have been teaching in this area, what have the things that have changed?
3. Do you think in Ghana, pricing affects demand for housing?
4. What are some of the problems faced with the Ghanaian real estate market?
 - Are you familiar with the US market?

- In your opinion what are the differences/ similarities between the US and Ghanaian Markets?
- What are the strengths and weaknesses of the Ghanaian real estate market?
- How do returns from the real estate market compare to the market interest rate/
- What factors will cause Ghana's real estate market to crash?
- What are the main problems facing Ghana's real estate sector?
- Is demand for houses a problem in Ghana?
- Do customers complain of exorbitant prices? Is pricing an issue?
- Will you say houses are affordable in Ghana?
- How quickly do home prices appreciate?

5. In your opinion do you think there is a chance of there being a USA style housing market crash in Ghana?

Questionnaire for Property Owners

Assessment of Ghana's housing Sector(Questionnaire for property Owners)

Hello respondent,

I am jasmine Atswei Lomoh a final year student of Ashesi university. This questionnaire has been designed to collect relevant data for my final year dissertation. I am carrying this research out to try and understand the housing market in Ghana to know if it is at risk of facing a housing crisis like that of the USA. As part of my dissertation, I am required to do research on the residential real estate market in Ghana and to know the trends and changes over time. The data collected here will aid in understanding the demand phase

of the real estate market in Ghana and how the consumers respond to changes in the market.

The filling of this form will take and an average of 8 minutes.

All information provided in this research is strictly for academic purposes and will be treated with the utmost respect, confidentiality and integrity.

All the responses will be welcome for a period of one week.

For any more enquiries and clarifications please contact me via email or via phone call jasmine.lomoh@ashesi.edu.gh or 0505586427.

1.What is your gender?

Male. Female

2.What is your age?

3.Do you own Property? Yes/ No

4. If yes, how long have you owned it for?

5. Did you buy the land you built on? (if no please skip to SECTION 3)

Yes/ No

Section for Land owners .

5. How difficult was it to register the land title? (on a scale of 1-5 with 5 being very difficult)

A1 b 2 c 3 D 4 E5

6. How long did it take to register for the land?

7. How did you finance your property ?

Section for owners who bought from real estate firms/agencies.

8. Did you buy from a real estate company?

9. Why did you choose the particular real estate firm to purchase from?

Section for all property owners.

10. Would you say the real estate sector in Ghana offers significant returns to investment?

11. If you already own property, will you build another property to rent out or invest the money in a bank to earn interest?

12. Considering the time you bought your property versus now, what do you think of the real estate market now (how different is the market from the time you bought your property eg prices have increased, more agencies have come up etc)?

13. Would you consider buying more property ?

14. If yes, Why?

15. What are the main problems facing the Ghanaian real estate market ?

16. What factors do you think can cause a crash in the Ghanaian real estate market?

THANK YOU

This is the end of the questionnaire. I appreciate your patience and participation in this questionnaire. Please be reminded that all the information obtained will be used for my thesis .