

Strategies for financing real estate development in ghana



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BUSTER**

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Recognitions It has been a long 4 old ages. but they would hold seemed (and about surely would hold been) well longer without the input of assorted people. who have been instrumental in guaranting the successful completion of the MPhil.

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Declaration I declare that I have entirely undertaken the research reported herein under supervising and that due recognition have been given where other scholarly plants were utilised. Benjamin Appiagyeyi Nkyi (Student) Date..... .

I declare that I have supervised the pupil in set abouting the research reported herein and I confirm that the pupil has effected all corrections suggested by the testers. Mr. Ayirebi Danso
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Date.....

Abstraction

Fiscal schemes have become an efficient instrument for supplying existent estate developers with the necessary fiscal proficiency to heighten their operations. Financial personal businesss of houses play an obvious momentous function in their everyday concern activities. Real estate developers are confronted with challenges which require allotment of scarce resources (land. hard currency. lines of recognition. and the similar) to assorted land uses in different clip periods so that the value of the developers' benefit flow is optimized. Paradoxically. finance and entree to finance for existent estate development in developed states has attracted a great trade of attending from research workers. Nonetheless. bantam

empirical research has been conducted to look into the fiscal patterns of <https://assignbuster.com/strategies-for-financing-real-estate-development-in-ghana/>

existent estate developers in developing states like Ghana. The research extends current cognition and apprehension of fiscal patterns of existent estate houses in Ghana.

The authorities of Ghana has shifted from a direct supplier of residential belongings to a facilitator by making the necessary enabling environment. This has resulted in the constitution of several existent estate companies. under the umbrella of Ghana Real Estate Developers Association (GREDA) . This research draws theoretical accounts from existent estate and finance literature to place the spreads in cognition. These spreads directed the scene of purpose and aims for the survey.

In an effort to look into the fiscal restraints facing the developers. the research adopted a questionnaire study attack as its methodological analysis. A sum of 48 existent estate houses were involved in the survey. The informations collected were so analysed utilizing both descriptive statistics and multivariate analyses which cut down the figure of variables and detected the construction of relationships between them.

The empirical grounds of the research revealed that the figure of constructed residential belongings for straight-out sale by existent estate houses have a positive relation with the age of house. intend one-year outgo and house size (figure of employees) . The survey established the major fiscal beginnings of existent estate finance in Ghana to be retained net incomes and progress sedimentations with former as the chief finance acquisition form.

Fiscal troubles in the signifier of medium and long-run were besides discovered to be prevailing in the fiscal loaning system. The inability of existent estate houses to supply acceptable collateral and dealing cost were identified as some of the cardinal restraints facing developers on the troubles in obtaining finance.

This research has provided several policy waies to be formulated by stakeholders in footings of constitution of more mortgage loaning establishments. set uping fabrication and supply companies to heighten trade recognition and high purchase installations to existent estate houses and constitution of existent estate investing trust.

Cardinal Wordss: Financial Strategy. Real Estate. Factor Analysis

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Chapter ONE

Introduction TO THE RESEARCH

1. 1 BACKGROUND OF THE STUDY The existent estate sector comprises a major constituent of the national economic system and is closely linked with its fiscal markets (Ermisch 1990. Miles 1994) . Real Estate development in <https://assignbuster.com/strategies-for-financing-real-estate-development-in-ghana/>

Ghana is altering in response to developments in its political and economic context. Real estate bringing systems are in passage. as a portion of a more general tendency towards denationalization and ordinance of public undertakings. The authorities of Ghana has made some intercessions in the constitution of Home Finance Company (HFC) to supply secondary mortgage to persons. companies and groups to buy houses constructed by private existent estate developers. Besides. the authorities has introduced some inducements into the country's Investment Code for the benefit of those who want to put in lodging. They include revenue enhancement vacations. zero evaluation of all equipment and machinery imported into the state and unrestricted transportation of loan and involvement refund. every bit good as dividends. fees and royalties (Corporate Ghana. 2005) . These alterations suggest that it is non a requirement for existent estate developers to go financially autonomous to ship on development undertakings. Although this concerns the private existent estate sector in peculiar. it besides affects the societal lodging sector since they both contribute their quota to shelter proviso.

Private and commercial investors have faced fiscal and market force per unit areas for a long clip. In add-on. the importance of rationalised. transparent schemes has increased. non merely in the societal sector. but besides in the commercial sector. This holds true in peculiar for larger. largely institutional existent estate investors. like pension finacess and other mortgage companies.

Beginnings of funding corporate existent estate and the use. techniques and motives involved in renting existent estate by fabrication and service
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corporations have been investigated by Redman and Tanner. These research workers found out that important beginnings of financers to get existent assets for production and distribution were running hard currency flows instead than external beginnings. Leasing was a common technique to finance and get assets. Letting for managerial flexibility and tax-sheltering benefits and making off-balance sheet funding (Redman and Tanner. 1989) .

Funds for existent estate development in Ghana are acquired through diverse beginnings. Some are obtained through the debt finance with some comparatively few Banks in the state giving fiscal support to existent estate developers provided all demands are fulfilled. Surveys throughout the state besides indicate the continuity of informal funding methods such as the usage of homeowners' own perspiration equity. swap agreements and remittals from abroad. (Debrah et al. 2002 and Erguden. 2002) . The loans acquired are given on short. medium and long footings repayment period with involvement rates charged on them. There are assorted signifiers of support that can be considered by existent estate houses in Ghana. Some of these are bonds. mortgage installations stocks investing trusts. merchandiser and commercial Banks and mortgage companies. .

Furthermore. there are other signifiers of fiscal relieve that are being enjoyed by existent estate developers. Trade crediting involves the hold of payment of creditors beyond the normal period. high buying system enables a company to bask a full usage of goods or equipment but avoids initial full amount payment.

The proviso of existent estate is capable to the public presentation of macro-economies within which the assorted lodging finance systems are located. This research therefore, examines and classifies chief tendencies of existent estate finance systems and factors considered in doing fiscal determinations towards existent estate development in Ghana. This research will besides cast visible radiation on the beginnings of finance and techniques used by existent estate developers and analyze the motive behind utilizing those beginnings and schemes. This is anticipated to demo some alone activity in the Ghanese existent estate finance system.

First, it should be borne in head that the lodging finance system consists of three markets: the primary mortgage market, the secondary mortgage market, and the capital market. In the primary mortgage market, mortgages are created and financers are loaned straight to borrowers. In the secondary mortgage market, loaners and investors buy and sell being mortgage loans and mortgage-backed securities (MBS). In the capital market, investors buy and sell longterm investing vehicles such as MBS, stocks, and bonds. By putting in mortgages and MBS, capital market investors help increase the flow of financers available for mortgage loaning.

1. 2 THE PROBLEM STATEMENT The growing in the size and cost of undertakings over the old ages has brought a new dimension to the existent estate industry with respects to international undertaking funding. Advanced fiscal instrument such as Project Finance Initiative and Public Private Initiative are well-known in Northern American existent estate finance markets. For old ages, existent estate funding in Ghana has been dominated by traditional mortgage credits with hazard minimization being the most of <https://assignbuster.com/strategies-for-financing-real-estate-development-in-ghana/>

import issue. While in the Northern American existent estate markets, advanced funding instruments appear to be portion of the standard repertory of specialized establishments. in Ghanese Bankss ; these instruments play a minor function. (Iblher and Lucius. 2003) .

An extended reappraisal of related literature and personal interactions with existent estate developers has convinced the research worker of the importance of reexamining the theoretical literature which might give penetration into and supply an apprehension of the restraints refering the manner of handiness of finance for existent estate development in Ghana. This research will therefore supply the theoretical apprehension on the funding of existent estate houses in Ghana.

A research survey which embraces the current patterns and jobs of the existent estate industry will hold a momentous part to literature sing the augmenting demand of the industry for competitory and accessible finance options sing their investing actions. On the reverse, some research workers have identified fiscal spreads in developed states even though others are of the position that there were no such spreads (Galizia and Steinberger. 2001) . However, this might non be applicable in developing states like Ghana. This research will try to place challenges that existent estate developers face in funding their activities in a underdeveloped state like Ghana.

The degree of fiscal cognition and capablenesss of existent estate directors to a big extent influences their fiscal determinations to integrate fiscal and accounting information into their operations. However, personal interaction

with existent estate developers has convinced the research worker that. neither the thought of what factors influence fiscal determinations of existent estate developers nor any relationship between these developers and their degree of fiscal capablenesss are known among most of the developers for any possible steps to be explored in shutting up these challenges. The importance of a research in this field will offer policy shapers a profound penetration about the existent estate industry and how frenetic attempts geared towards their fiscal challenges could be met.

Microeconomic variables such as involvement rate, revenue enhancement and rising prices have an impact on a firm's determination in taking between debt and equity (Modigliani, 1958 and Narayanan 1988) . In the context of a underdeveloped state like Ghana, the usage of these variables may non clearly be applicable sing the seeable volatility of these variables. Probably, other factors could break history for the fiscal methods and determination standards of existent estate developers. Ghana has a immense lodging shortage of about 1. 57 million and there is the demand for 2. 76 million units by 2020. (Minister for Water Resources, Works and Housing 2011) . Approximately 90 % of the lodging stock in Ghana is produced informally. (GoG, National Shelter Strategy 1999) . There is therefore the demand for fiscal schemes and handiness to heighten bringing of residential belongingsss by existent estate developers. This calls for the engagement of loaning establishments to supply fiscal aid to existent estate developers to spread out their activities.

Real estate

is a capital intensive investing and developers frequently face challenges in accessing finance. to finish the assorted phases in their development procedure which they commence with hard currency nest eggs and personal loans from household members (and in some instances from usurers) . Local Bankss progress merely 2 % of fiscal aid to the lodging sector as against 27 % for commercialism and finance and 22 % for fabrication. (Ghanese Times. July 18. 2005. Pg. 7) .

One of the chief grounds why finance for existent estate bringing has received small attending is the big capital that is needed to purchase or lease a residential belongings (Derban. et Al. 2002) . Most banking establishment nevertheless. demand higher involvement rate and warrants rendering loan acquisition intricate. However. by and large. deficiency of assurance in the banking system by the populace. the banks' inability to prosecute in venture capital. high default rates. widespread deceitful patterns and deficiency of expertness to decently measure undertakings are some of the jobs confronting the banking system (Hanson. 1999) .

In Ghana. deficiency of entree to long term capital is a major barrier to existent estate bringing. Even though the authorities policies recognises the private sector's dominant function in lodging proviso. the Bankss have short term support and unable to impart on medium or long-run bases. therefore stultifying the existent estate industry (Adjonyoh. 2007) .

Presently, there is a research spread between fiscal schemes, entree to finance, the adoption capacity and existent estate development in Ghana. With the lifting demand of Ghana for technological and fiscal inputs in the field of existent estate bringing, a research survey which deals with techniques of funding existent estate development in Ghana will hold an important part to knowledge.

1.3 JUSTIFICATION Real estate finance in Ghana has followed a conventional form of traditional loan acquisition from fiscal establishments. (Asare, 2004) . In most underdeveloped states including Ghana, entree to funding remains highly hard owing to the high hazard running environment (London Financial Group, 2005) . As a consequence, existent estate finance in the 1980s was seen as staying in a crude province compared to the rapid development of the banking sector. (Jaffe and Renaud, 1996) . There is, nevertheless, a clear segregation between the existent estate sector and the fiscal market in Ghana since there is small or no long term seed capital for existent estate development. There has been a rapid enlargement in the scope of public private sector fiscal enterprises in recent times. Additionally, the rapid growing in fiscal liberalization minimising restraints and barriers to competitory entree to finance from diverse beginnings (Gilbert and Scott, 2001) makes it necessary to shift imparting establishments to help in an effort to extinguish or understate the troubles in accessing finance for existent estate activities so as to guarantee its sustainability in Ghana.

There is a general acknowledgment of the importance of the existent estate sector and the value of its part to the wellness of the economic systems of developed and developing states. In Ghana, by and large, it takes a long

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period. frequently between five and 15 old ages. for private persons to finish their residential belongings development. which can massively increase building costs. (Asare. 2004) . However. finacess that could efficaciously be used for other income generating ventures are tied up in the belongings. Relatively. states with a developed existent estate finance system tend to bask both lower building costs and the usage of existent estate assets to back up broader investing chances through formal institutional models (Boleat and Coles. 1987) . The fiscal market is critical to the development procedure for existent estate developers and investors. (Miles et al 2000) . This suggests that with the development of a existent estate formal sector in Ghana. investing can be enabled and payments spread over a long period of clip with respects to net incomes and capacity.

Real estate markets and lodging building in assorted economic systems have served as an engine of growing. The existent estate sector can typically play a prima function in the procedure of economic recovery from depression. This is particularly true in wealthier societies. notably the US and Japan. For illustration. residential belongings was found to be taking in the concern rhythm in front of all other investings. harmonizing to a survey of concern rhythms in the US between 1959 and 1992. (Green. 1997) . In Japan. there has been the usage of public residential activities and residential loans as a macro-economic stabilizer to increase supply and make employment during recessions in the 1970s and 1990s. (Hirayama. 2003) . Other states. such as Thailand and Singapore. have besides used investing in existent estate as a recovery step. (Sheng & A ; Kirinpanu. 2000 ; Phang. 2001) . A cardinal advantage of residential belongings is that it is a domestic sector. <https://assignbuster.com/strategies-for-financing-real-estate-development-in-ghana/>

and as such is protected from external influences. It could therefore be used to accomplish short and long-run economic aims. (Arku. 2006) .

Ghana has an estimated entire population of 22. 409. 000 with an tenancy rate of 5 individuals per family and a population growing rate of 2. 7 % per annum. (Ghana Census Department 2007) . With a domestic lodging shortage of about 1. 57 million units as at 2011. there is therefore a immense lodging inadequacy in the state. hence the demand to happen solutions to the job through fiscal techniques to existent estate developers (Minister for Water Resources. Works and Housing 2011) .

Ownership of belongings. particularly houses. is a really of import facet of the Ghanese tradition. Houses do non merely supply shelter. but besides serves as a step of societal standing and prestigiousness. Despite this high importance placed on houses and belongings. the Ghana Real Estate Developers Association (GREDA) . notes that merely 5 % of those who want to have a house can make so from their ain resources. 60 % would necessitate some signifier of fiscal aid and the staying 35 % are non capable of having and constructing a house in their life-time.

Between 1990 and 1998. some 15. 000 houses units between a individual sleeping room to four sleeping room or executive five sleeping room sign of the zodiac with an out-house have been bought either through mortgage funding or cash-and-carry (straight-out payment) . In add-on. the Social Security and National Insurance Trust (SSNIT) has provided over 30. 000 blocks of flats over the same period. Ghana. nevertheless. needs over 130. 000 units yearly over a ten-year period to be able to run into the turning

lodging demands (Statistical Service. 2004) . Research on finance schemes will bridge the spread in lodging shortage through assorted signifiers of fiscal bundle which can be made available to existent estate developers in Ghana.

This survey has been conducted with specific attending to the fiscal beginnings. troubles in accessing finance. tendencies in existent estate finance and determination standards of existent estate developers. Though the supply of finacess for existent estate development is still important in a underdeveloped state like Ghana. small or no empirical research has been documented on how existent estate developers finance their undertakings. Hence a research geared towards the above discussed issues will lend vastly to knowledge in Ghana.

The importance of the topic will be farther enhanced through formal research by manner of parts to the literature and by developing new standards and constructs associating to theory of fiscal methods and their relevancy to the investing schemes of the Ghanese existent estate industry.

1. 4 AIM The chief purpose of the survey is to lend to a better apprehension of the fiscal patterns and jobs on the growing of existent estate houses in Ghana. In prosecuting this chief purpose. the survey efforts to research the variables that explain the patterns and jobs of financing the growing of existent estate houses.

1. 5 OBJECTIVES OF STUDY The aims of the survey are:

i. two. three. four.

To place major beginnings of existent estate finance To analyze troublesfaced in raising finance To place the determiners of fiscal supply from imparting Institutions To place the fiscal determination factors used by existent estate developers

1. 6 RESEARCH QUESTION In pursuit of the above aims. the survey will try to reply the undermentioned inquiry with respect to existent estate finance in Ghana.

I.

What is the association between the features of existent estate houses and the entire value of existent estate keeping in Ghana?

The reply to this inquiry will show an appraisal of fiscal features of existent estate industry in Ghana. The inquiry will besides be able to explicate the patterns and jobs of financing the industry in Ghana. Hence. the replies will portray the influential features in an order of importance with respect to beginnings and schemes of existent estate finance in Ghana.

1. 7 SCOPE In order to accomplish the above listed aims. the research examines the function of the authorities of Ghana and fiscal establishments in the proviso of mortgage finance services to developers. The theory of existent estate houses and their proviso of finance. elaboratenesss in raising finance in footings of fiscal troubles and determination standards in finance proviso by the houses are discussed in the subsequent subdivisions. This research samples the fiscal schemes of active members of Ghana Real Estate Development Association (GREDA) members in Ghana.

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1. 8 METHODOLOGY To place major beginnings of existent estate finance Empirical survey was conducted into chief beginnings of finance. the types of finance available and fiscal forms. This was achieved through sample study of questionnaire design and interviews by appraisal of the incidence forms. types of finance and troubles faced by existent estate developers in sourcing for finance.

To analyze troubles faced in raising finance Literature was reviewed and a sample study of questionnaires were designed and administered to obtain empirical informations on the jobs faced by existent estate developers in raising finance from the position of both loaning establishments and the developers. Related restraints in raising finance like debt restraints. equity. information and cognition. funding planning and direction restraints are loosely discussed.

To place the tendencies and inventions in existent estate finance This facet of the research examines past tendencies and inventions such as fiscal beginnings. the type of loaning establishments used and the troubles encountered in the existent estate industry. Sample study of questionnaire design and interviews were conducted to obtain the needful empirical information.

To look into the fiscal techniques and determination standards used by existent estate developers Literature was reviewed on fiscal variables to determine funding determination schemes used by existent estate developers. The literature will be broadened to integrate fiscal variables such as income statement. balance sheet. hard currency flow appraisal and other

cardinal fiscal ratios which help existent estate developers in doing fiscal determinations. Data was gathered through the usage of questionnaires and interviews.

1. 9 Administration OF THE THESIS The thesis has been organised harmonizing to the research procedure employed in this survey. It comprises five chapters. Chapter One contains a general background to the research. It states the purpose and aims of the research. range. methodological analysis and its importance have been justified. Chapter Two nowadays an extended reappraisal of the related literature dwelling of theoretical. empirical and dianoetic Hagiographas. The demand for finance. beginnings of finance. troubles in raising finance and fiscal determinations factors are all discussed in this chapter. This chapter besides highlights the importance of the features of a house. its growing forms and the planning techniques used on existent estate building undertakings.

Chapter Three considers the method to be adopted for the survey. The choice of research methodological analysis for informations aggregation and analysis was influenced by the plants of Bryman (1992) and Bryman (2004) . The pick of research methodological analysis must non be influenced by more popular adopted scientific schemes. but instead careful consideration should be given to the relevancy and utility of the research and the research worker must choose the most befitted scheme to carry through his intent (Bryman 1992) . Furthermore. research schemes to heighten good-quality research are dependent on the how the methodological analysis and available informations are awarded the due

disposition (Bryman 2004) . This will animate farther research into the theoretical model to steer the survey.

Data was obtained from GREDA members and fiscal establishments.

Questionnaires were distributed to all 69 active members of GREDA and some selected fiscal establishments. Datas

collected was analysed and discussed in Chapter Four. A multi-variation analysis was used in analysing informations collected. Under multi-variation analysis. chief component analysis and factor analysis were used to group influential factors and their constituents. Multiple additive arrested development was used to rank the factors in order of importance bespeaking their relationship with other chief constituents through the usage of its co-efficient. A non-parametric trial was conducted to corroborate trial consequences. Chapter Five gives a sum-up of the research findings and research parts. restrictions of the research and the chief decisions. The chapter will besides include recommendations to the existent estate finance and future research.

1. 10 SUMMARY OF CHAPTER This chapter has presented an debut to the survey. the job statement. purposes and aims and research importance have been presented. The relevancy of the research part to knowledge and methodology directing this research has been highlighted. The subsequent chapter discusses a reappraisal of related literature.

Chapter TWO

LITERATURE REVIEW: Real Estate Financing IN GHANA

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The chapter reviews literature on existent estate funding in Ghana and is divided into nine correlative subdivisions. The first subdivision provides a preliminary to the general construct of existent estate, discoursing its overview and development procedure, demand and supply beginnings, and selling. The 2nd discusses the theory of existent estate industry and the proviso of finance. The following challenge of the reappraisal establishes the beginnings of finance available for existent estate development. The forth subdivision discusses the existent estate fiscal system and fiscal rhythm. This motivated the survey to place the assorted types of finance available for development of the existent estate industry in Ghana. The following stage of the reappraisal is geared towards the troubles in raising existent estate finance which inspired the research to set up what literature says about fiscal restraints (spreads) and whether this is peculiarly the instance with the existent estate industry in Ghana. The principle is to set up the conceptual evidences for farther probes utilizing empirical informations. The wining subdivision discusses the theory of existent estate houses and external fiscal restraints. The next-to-last subdivision reviews literature on fiscal variables and fiscal determinations of existent estate houses, discoursing the fiscal ratios which provide the bases for the developers in fiscal picks. The last phase of the reappraisal focuses on inventions in existent estate finance such as securitisation, venture capital and Real Estate Investment Trusts (REITs) .

2. 1 CONCEPT OF REAL ESTATE Real estate is defined as land and all the things for good attached to it, such as trees, edifices and minerals beneath the surface. (World Book Encyclopedia, 2001) . It besides refers to set down

including all the belongings on it that can non be moved and any affiliated rights. (Encarta. 2007) . Real estate is besides belongings consisting of land or edifices. (normally residential) that are bought or sold. (Collins Gem lexicon) . In this survey. existent estate is defined as a belongings consisting residential edifices for sale or rental. For the intent of this survey. existent estate must be differentiated from existent belongings.

Real estate is a physical entity including the land and betterment affixed to the land while existent belongings is a legal construct that gives the person the right to utilize and command the existent estate or physical entity.

(Smith. Tschappat and Racster. 1981) . Real estate belongings is bound to set down doing it an immoveable assert. Land is besides a finite and valuable resource. which is affected by legion legal. physical and environmental restraints and involvements.

2. 1. 1 Overview of Real Estate Development Processes and Risk The planning and direction of big. multiple- usage existent estate undertakings is an highly hard undertaking. There are complex and unsure fiscal. political. and societal factors impacting existent estate developments. Major concerns lie in the long clip skyline and big capital investing necessary to change over land into a marketable merchandise. (Miles M. & A ; Wurtzebach C. H. . 1977. Wendt P. F. & A ; Alan C. R. . 1969) . Besides proficient technology jobs. the existent estate developer must cover with the volatile demand for existent belongings and with invariably altering costs over the planning and building periods.

Real estate undertakings could be developed in many sorts. A few general constructs are common to their developments though each sort has its own set of features (Brueggeman and Fisher. 2005 pg 432). The typical development procedure is applicable to developing states including Ghana and common to most classes of undertaking development. but none at their direction stage as shown in figure 1. Basically, a developer ; acquires a site, develops the site and concepts constructing betterment, provides the finish-out and makes ready the infinite for tenancy by renters, manages the belongings after completion, and may finally sell the belongings. Specific hazards are associated to all these stages. Consequently, hazard starts with land acquisition and steadily grows as building begins until expected hard currency flow from renting stage is materialised.

The World Bank estimates that registering formal ownership/lease over a piece of unencumbered land in Ghana is the 3rd longest enrollment procedure in the universe (World Bank. 2004). Hazard diminishes at direction stage since renters are committed to rent. The type of concern scheme adopted by a developer dictates the issue period or merchandising clip for the undertaking and the economic success. A developer creates value by uniting land and edifice betterments in a mode that is extremely valued in surplus of its cost. (ibid ; pp 433-434) .

Furthermore, the concern schemes of developers are loosely classified into three groups. First, existent estate developers who have renting and direction as built-in portion of their concerns in concurrence with the development function, hold the heads of owning and pull offing the

belongings after completion. Secondly, some developers sell belongings
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after completion. and therefore. normally rely on outsourcing for other professionals. Third. some developers besides usually develop land and commercial belongingss such as Parkss and industrial Parkss for onward rental in a master-planned development. Many developers. in the nutshell. intentionally specialise in one or many stages of belongings development. (ibid ; pp 433434) .

Figure 1. 1: Phases of Real Estate Project Development and Risk

(A) Lower than normal predevelopment leasing. completion behind agenda

(B) Normal predevelopment leasing. completion on agenda (C) Greater

than normal predevelopment leasing. completion in front of agenda

Beginning: Brueggeman and Fisher. 2009 The existent estate developer's job requires the allotment of scarce resources (land. hard currency. lines of recognition. and so on) to assorted land uses in different clip periods so that the value of the developer's benefit flows is optimized. Specifically. the developer's job entails. foremost. the appraisal of the expected future hard currency grosss and outgos associated with assorted land utilizations and funding conditions ; secondly. land-use allotments and clocking that consequence in a maximization of the net present value of the hereafter hard currency flows ; and thirdly. satisfaction of the

fiscal. technological. and social conditions that limit theprivileges of the developer. (Gau G. W. and Kohlhepp. 1980) .

Developing states like Ghana face a funding deficit of \$ 270-700 billion in 2009. as private sector creditors shun emerging markets. and merely one

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one-fourth of the most vulnerable states have the resources to forestall a rise in poorness. 94 out of 116 developing states have experienced a lag in economic growing. Of these states. 43 have high degrees of poorness. and presently the most affected sectors are those that were the most dynamic. typically urban-based exporters. building. excavation and fabrication. (World Bank Report 2009) . This suggests that the fiscal crisis will hold long-run deductions for the development of existent estate in Ghana. Besides debt issue will increase dramatically. herding out many developing state borrowers. both private and public. Developing states that can still entree fiscal markets will confront higher adoption costs. and lower capital flows. taking to weaker investing and slower growing in the hereafter.

2. 1. 2 Demand Sources of existent estate Home ownership remains the cardinal precedence of most Ghanaians. However due to limited beginnings of mortgage funding. this precedence has remained a dream for a important proportion of the population. The demand for lodging in the state has risen enormously. Whilst many private developers have concentrated on the center and upper terminal of the lodging market. really few private developers have concentrated on low-cost and economic lodging for Ghanese multitudes and the mean Ghanese worker taking to a shortage in lodging bringing. With the estimated aggregative demand in Ghana may be between 1. 57 million units and 2. 76 units by 2020. (Minister for Water Resources. Works and Housing 2011) . Housing

is non easy accessible to bulk of Ghanaians partially due to fiscal restraints. The chief beginnings of demand in the state are ; locally resident Ghanaians. non-resident Ghanaians. expatriates populating in Ghana and corporate
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organisations. Foreigners, like Nigerians, Liberians, Sierra Leoneans etc are increasing figure from the West Africa sub-region.

2. 1. 3 Supply Sources of existent estate Historically, the authorities through the State-owned province Housing Corporation has played a important function in lodging bringing. However, under the Government liberalisation policy, since 1992 the province has reduced its function in the lodging sector and encouraged the engagement of the private sector to supply lodging.

One of the government's intercessions is the constitution of the Ghana Real Estate Developers Association (GREDA) and Home Finance Company (HFC) to supply secondary mortgage to persons, companies and groups to buy residential belongings constructed by GREDA and other private developers. The authorities has introduced some inducements into the country's Investment Code for the benefit of those who want to put in residential belongings. These include revenue enhancement vacations, zero evaluation of all equipment and machinery imported into the state, and unrestricted transportation of loan and involvement refunds, every bit good as dividends, fees and royalties. (Corporate Ghana, 2004) .

The existent estate industry is besides besieged with land acquisition jobs. Land acquisition in Ghana normally, has been crippled with differences and judicial proceedings. The authorities, through its ministry of Land, Forestry and Mines is easing the acquisition of 30, 000 estates of land for lodging investors. This should besides come with the constitution of effectual regulative and supervising mechanisms to streamline land acquisition and

enrollment to extinguish judicial proceeding and invasion. (Corporate Ghana. 2004) .

The authorities. through the Ministry of Lands. Forestry and Mines. Ghana. has secured about one hundred and 19 1000. four hundred 35 hectares (119. 435 hour angle) of Land into the Land Information Bank for possible investors in Ghana. Most of these lands could be used for agricultural intents. There are rather a big figure of packages of land which can besides be used for Real Estate Development. Industrial or Commercial intents depending on the location. (Ghana land bank directory World Wide Web. ghanadistricts. com 2008) .

2. 1. 4 Real Estate Marketing The focal point on this section of the market falls to the full in the formal sector of commercial existent estate which can be defined as income bring forth residential existent estate assets. Real estate faculty members and professionals are among the few who realize that existent estate is the most complex and sophisticated plus anyone is likely to analyze (Scribner. 1997) . As a fiscal vehicle. existent estate competes for investing with stocks. bonds. and other signifiers of securitisation. However. because of its physical nature. existent belongings enjoys or suffers from location and societal tendencies and signifiers of obsolescence different from other fiscal investings. Therefore. its analysis is intricate. necessitating specialised cognition. Since marketability analysis of existent estate is the precursor to economic feasibility. its function should be defined explicitly.

A marketability survey involves finding to what extent a specific land usage or specific combination of land utilizations on a peculiar piece of belongings can be marketed. It analyses the

latent or present demand and the future demand for each proposed usage on that belongings and the bing and likely future supply of closely competitory installations. A marketability survey includes: analyses of economic quality in footings of gross revenues monetary values or rent degrees for each usage together with their corresponding physical quality degrees ; estimations of the edifice size or measure of infinite in each usage that the market can absorb at the antecedently estimated quality degrees and an soaking up agenda ; and the specific conditions. such as floor layout. interior and exterior coatings. services and comfortss unit monetary values. selling suggestions. and even financing that may be necessary to accomplish or heighten the soaking up (Downs. 1966) . Real estate markets in developed states have been securitized in the stock market. offering diverse selling chances to its investors ; but in a underdeveloped state like Ghana. the existent estate industry is yet to maturate to this extent. . much of the development which has occurred in the formal sector in Ghana has been fostered by Government policy. supplying an enabling environment for public and private sector engagement.

The Ghana Real Estate Developers Association (GREDA) . for illustration. pull together representatives of Government sections. belongings professional organic structures. agents and major developers to organize public policy and the private sector. The members of GREDA are the major providers of new rented residential existent estate in Ghana and have <https://assignbuster.com/strategies-for-financing-real-estate-development-in-ghana/>

contributed significantly towards the development of residential markets in Accra. Tema. Kumasi and Takoradi. Their new gated communities in Accra are emerging as preferred residential locations. with strong demand from expatriate workers in Ghana every bit good as Ghanaians in the high-income bracket. Other outstanding existent estate developers are province bureaus such as the Tema Development Company. State Housing Company. and the Social