

EXPLORING STRATEGIES FOR PRICING OF REAL ESTATE HOUSING IN GHANA

KNUST

By

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ABSTRACT

In real estate development, as in other consumer markets, some of the largest challenges have always been pricing of the units and the time it takes to sell them. This is especially apparent in the housing market, where a large number of factors affect the final sales price and the fluctuations in demand. The pricing of real estate houses for sale is one of the most difficult things to decide on when listing them. There are a lot of factors that come into play when deciding the price and determining the best pricing strategy which this study critically examined. In line with this purpose, the study identified factors that contribute to the pricing of estate houses in Ghana, identified challenges in the pricing of estate houses in Ghana, and proposed strategies for effective pricing of real estate houses in Ghana. Based on the findings, the study indicated that the three most contributing factors to Ghanaian real estate house pricing were construction cost, land price, availability of building materials. Inadequate financial capability, transfer of land ownership problems, increasing demand for cheap houses, and high cost of building materials are some of the challenges in the pricing of real estate houses in Ghana. Based on the relative importance index calculation, the best strategy for pricing are Psychological Pricing Strategy (where buyers are encouraged to buy products based on emotions rather than on common-sense logic) and Pay plan model and Premium pricing strategy. It is recommended that to help enhance pricing of real estate housing in Ghana, estate developers must not only identify their target buyers but also be aware of the seasonal shifts of the market, pricing above or below market value, emphasising on amenities and staying updated about the online market as well.

Keywords: real estate, pricing strategy, GREDA, Affordable housing

DECLARATION

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which to a substantial extent has been accepted for the award of any other degree or diploma at the Kwame Nkrumah University of Science and Technology, Kumasi or any other educational institution, except where due acknowledgement is made in the thesis.

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DEDICATION

This dissertation is dedicated to God Almighty and to my lovely wife Mrs Juliet Nana-Kusi.

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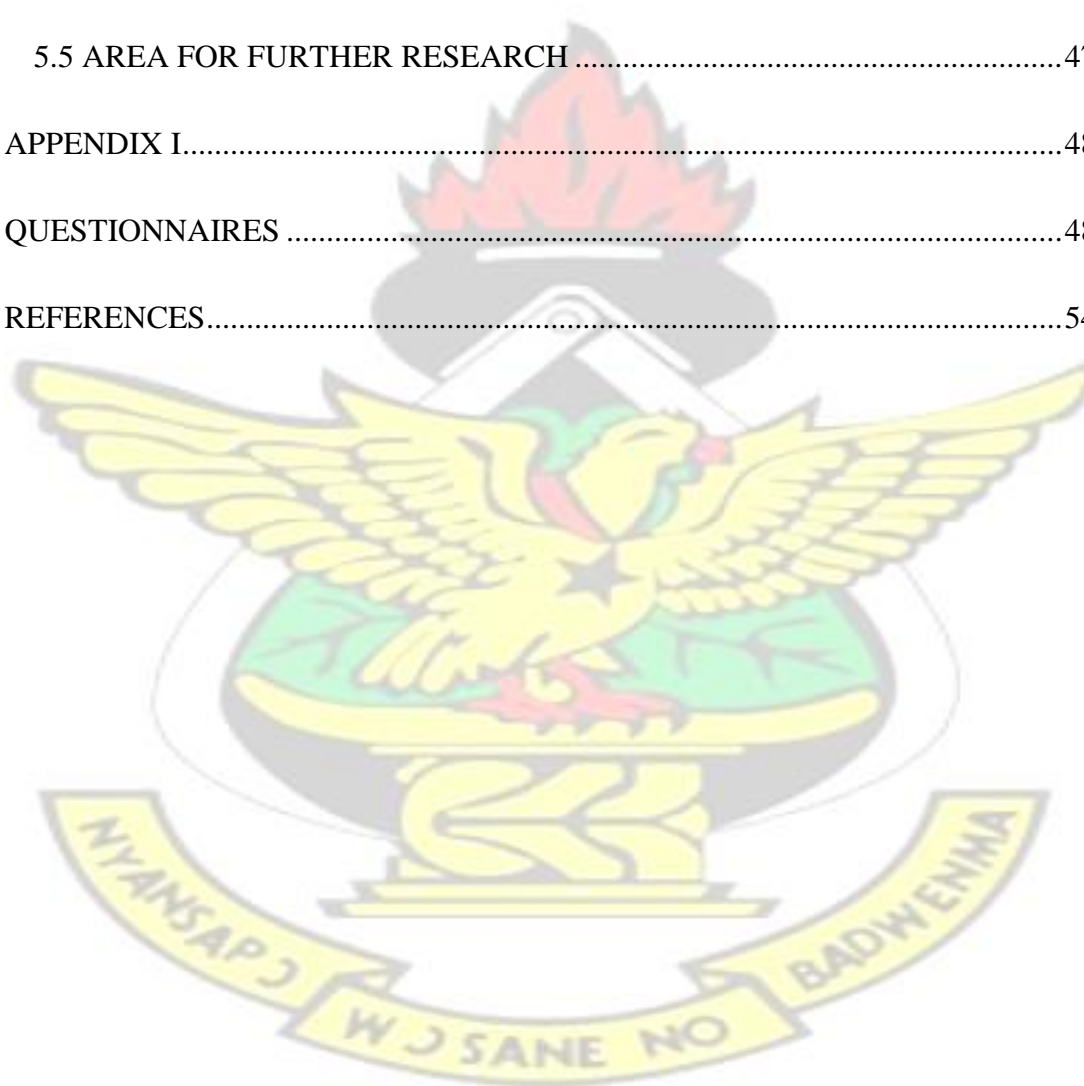
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CHAPTER ONE

GENERAL INTRODUCTION

1.0 INTRODUCTION

This introductory chapter gives an insight into what this study entails, how it will be conducted, and the benefit to the society. Specific headings are: background to the study, problem statement, research objectives, research questions, significance of the study, scope of the study, limitations of the study, and organisation of the study.

1.1 BACKGROUND

The real estate sector comprises a major component of the national economy and is closely linked with its financial markets (Miles 1994). Real Estate development in Ghana is changing in response to developments in its political and economic context. Real estate delivery systems are in transition, as a part of a more general trend towards privatisation and regulation of public tasks. The government of Ghana has made some interventions in the establishment of Home Finance Company (HFC) to provide secondary mortgage to individuals, companies and groups to purchase houses constructed by private real estate developers. Also, the government has introduced some incentives into the country's Investment Code for the benefit of those who want to invest in housing. They include tax holidays, zero rating of all equipment and machinery imported into the country and unrestricted transfer of loan and interest repayment, as well as dividends, fees and royalties (Corporate Ghana, 2005).

Globally, urban low-income housing units are repeatedly characterized as inadequate, lacking basic amenities and often found in inappropriate locations (Bramley et al.,

2010). Their localities are overcrowded and characterized by run-down facilities, poor quality buildings and inadequate environmental facilities (Addo, 2013; Arku, 2009; Yeboah, 2005). Yet, housing remains an essential basic needs in every society and serves as the cornerstone of household wealth for low-income households and progressively gaining prominence due to the surge in demand for ownership, acting as a source of protection against inflation and a form of saving (Di, 2001; Di et al., 2003; Bank of Ghana, 2007). It aids as collateral for borrowing by homeowners, generating funds for other investments and wealth creation.

Ghana's real estate market is largely based on informal sector activities — both for supplying and allocating housing units. The housing market currently appears to be experiencing significant investment and growth, arising from the country's economic growth, oil discovery and exploration, and remittances. The numerous construction cranes visible over major cities like Accra, Tema and Kumasi serve to reinforce this notion of a country on the up. Housing supply has undoubtedly enjoyed positive growth rates over the years. In 2008 supply was estimated at between 25,000 to 40,000 units per annum, representing a threefold increase on the previous decade (Sarfoh, Ayitio, & Kavaarpuo, 2016).

The housing market has become an important and strategic to policy makers in recent times due to its impact on output fluctuations and inflation. Generally, activities in the housing industry may affect the wellbeing of a person in terms of size and composition of household wealth, accessibility to credit, labour productivity, employment and other macroeconomic variables. When house prices rise, the expectation of further appreciation builds into market sentiments, and this expectation boosts demand for homes, which in turn stimulates new construction and aggregate demand. Also, higher

prices of residential housing tend to increase the wealth of households who provide these facilities, thus stimulating consumer spending which is a component of aggregate demand (Bank of Ghana, 2007).

When comparing the real estate sector to other sectors, it becomes clear that pricing strategies are just as important when selling housing units as when selling other goods. This is despite the fact that real estate comes with unique features that are very rare in other sectors, such as a fixed locational attribute and along product life-cycle. When realizing the values that are dependent on pricing strategies, it becomes important to examine how developers operate and how they set their prices (Gustavsson & Vahtola, 2014).

1.2 PROBLEM STATEMENT

Throughout history, the supply of housing has been essential for a well-functioning society. Over time, the market has taken on the task to deliver new supply and a prerequisite for the developer to do this is that it can be done in a profitable and time-efficient manner. In real estate development, as in other consumer markets, some of the largest challenges have always been pricing of the units and the time it takes to sell them. This is especially apparent in the housing market, where a large number of factors affect the final sales price and the fluctuations in demand (Gustavsson & Vahtola, 2014).

According to the Bank of Ghana (2007), house prices influence aggregate demand and resource utilization, and hence monetary policy must respond to innovations in house prices since the role of the central bank is to manage total demand in the economy so as to produce desirable outcomes for inflation and employment. The issue of house

prices and its impact on the economy has therefore attracted a lot of attention among central bankers in particular, as the debate rages on the appropriate policy response to asset price bubbles that might be detrimental to the economy. Indeed, the recent developments in the subprime mortgage market in the United States are ample evidence of the role of the housing sector in overall macroeconomic stability. Access to affordable housing in Accra has become a socio-economic problem and researchers have attempted to delve into the depths of this problem. It is however known that accessibility is a problem giving the scarce supply over the huge demand level (Yirenkyi, 2014). Smith-Asante (2018) in furtherance with reference to Ghana Real Estate Developers Association, explained that there is just 60 percent occupancy of upper tenants in Ghana. This affirms that there is a glut in housing. Some people bought housing properties because they saw them as worth investing in, but sales had slowed down because a lot of people do not want to buy properties due to their high cost.

According to Hindle (2018), the pricing of real estate houses for sale is one of the most difficult things to decide on when listing them. There are a lot of factors that come into play when deciding the price and determining the best pricing strategy. The homeowner will have to look at comparable properties, the overall market, trends in your neighbourhood, the type of buyers that would purchase the home, and much more. MeQasa (2016) emphasised that there are no guarantees that a homeowner will sell a home if it doesn't meet the buyer's criteria. Price plays a very important role, which is why it is important that the homeowner finds out what buyers are willing to pay before listing your home for sale.

This study therefore seeks to explore the strategies of pricing of houses in Ghana so as to discover the factors that contribute to the pricing, the challenges inherent in the pricing and the strategies that can be adopted for effective pricing of real estate houses in Ghana.

1.3 AIM OF THE STUDY

The purpose of this study is to critically examine strategies for pricing of real estate houses in Ghana.

1.4 OBJECTIVES OF THE STUDY

To achieve the purpose of this study, the following objectives are set:

To identify factors that contribute to the pricing of estate houses in Ghana;

To identify challenges in the pricing of estate houses in Ghana; and

To develop strategies for effective pricing of real estate houses in Ghana.

1.5 RESEARCH QUESTIONS

This study seeks to answer these questions:

- What factors contribute to the pricing of estate houses in Ghana?
- What challenges are inherent in the pricing of estate houses in Ghana?
- What strategies can be adopted for effective pricing of real estate houses in Ghana?

1.6 SUMMARY OF METHODOLOGY

The study proposes to use a quantitative method of research to generate rich insight on the topic. The study will be exploratory to gather information and increase knowledge in the area of study. Together with analysis based on existing literature, questionnaires issued to home owners and prospective clients of real estate houses to gather sufficient data. A simple random sampling technique will be used.

1.7 SCOPE OF THE STUDY

The study focused on the Greater Accra Region of Ghana where data was gathered from various clients in selected estates in the Greater Accra to gather as much detail on the topic as possible.

1.8 ORGANISATION OF THE STUDY

This study is grouped into five chapters. The first chapter is a general introduction to the study. The background, statement of the problem, purpose of the study, questions the research sought to answer, the scope and limitation of the study, a summary of the methodology, and how the study is organised are all presented in this introductory chapter. In the second chapter, an extant review of literature is made to give the researcher a better understanding of the topic under investigation. This aspect of the study is done thematically in line with the objectives of the study. In the end, the researcher hopes to identify the gaps in the literature reviewed. These literatures include books, journals, and articles in periodicals, published and unpublished thesis reports, and conference papers. The third chapter logically presents the way the study was conducted from scratch to finish. This section will discuss the research design and techniques used in data collection and analysis. Justifications are also made for the

methods and techniques used as well as the sample population and sample size. Based on the methods, techniques and tools used, conclusions are drawn, and a decision made on the topic. In Chapter Four titled Results and Discussion the research finds and explains the results will be presented. It employs graphical representations as well as the use of descriptions. Chapter Five will be the concluding chapter. It will specifically comprise the Conclusion and Recommendations. This chapter gives a summary of the research findings and gives recommendations based on results. It also highlights some limitations experienced during the study.



CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter is designed to review literature on relevant concepts and theories relating to the research. It provides a theoretical structure of the research highlighting on the vital and relevant definitions, explanations and concepts. Among these concepts and issues are the overview of pricing strategy of real estate houses.

2.2 BACKGROUND

Housing, like food and water, is a need and necessity that makes the lives of human beings convenient. The need for individual families to acquire their own private accommodation which they can call home cannot be over - emphasized. A nation's labor force is enhanced and further developed if it has a safe, decent and affordable means of accommodation. It is also an established fact that, housing impacts positively on the social well-being of the people. People who are satisfied with their homes and neighbourhoods are more productive at work (Rohe et al, 2001). Housing represents a large proportion of a household's expenditure and takes up a substantial part of lifetime income (Von Rudolph, 2007). African cities have high growth rate and become home to over 40,000 people every day (UN-Habitat, 2011). The rate of urbanization is directly related to the demand for houses. It is expected that as a country becomes more urban, more houses will be needed to accommodate the increasing population in urban centres (Decardi-Nelson and Asamoah 2014). Rural–urban migration and population growth has undoubtedly increased the demand for housing and put severe pressure on existing infrastructure in most cities. Most

residents in cities in Ghana encounter serious accommodation problem as they desperately look for decent and reasonably priced houses to rent. In the rural areas, the problems are deteriorating physical characteristics of the housing stock and limited access to social services and amenities. The shortage of houses especially in the urban areas, has given rise to very high occupancy levels, exorbitant rental and capital values, unstable tenancies and poor living conditions (Songsore, 2003).

2.3 THE CONCEPT OF PRICING

UK Essay (2017) defines price as the amount of money at which a product or service is offered in the market. It is the exchange rate of a product or service in terms of its monetary value. The author added that pricing is an important decision area for an organization. The pricing and sales volume of the product put together to determine the profit of an organization. The sales volume depends on the type of pricing policy adopted by the organization. Profits too are dependent on the pricing policies. Pricing according to (Wikipedia 2019) is the process whereby a business sets the price at which it will sell its products and services, and may be part of the business's marketing plan. In setting prices, the business will take into account the price at which it could acquire the goods, the manufacturing cost, the marketplace, competition, market condition, brand, and quality of the product. Wikipedia further explains pricing as a fundamental aspect of financial modeling and is one of the four Ps of the marketing mix, the other three aspects being product, promotion, and place. Price is the only revenue generating element amongst the four Ps, the rest being cost centers. However, the other Ps of marketing will contribute to decreasing price elasticity and so enable price increases to drive greater revenue and profits. Price is the amount of money charged for a product or service. In other words it is the value, in money terms, that a

consumer exchanges for the benefits or satisfaction of having, or using, a product or service. In the marketing context, price is said to be one of the constituents of the 'marketing mix', which also includes quality, design, advertising, marketing and distribution as well as price. (The Student Room, 2017). Pricing strategy is the policy a firm adopts to determine what it will charge for its products and services. Strategic approaches fall broadly into the three categories of cost-based pricing, competition-based common factor among pricing strategies is that, in the end, the total revenue generated from the price set multiplied by the units sold has to cover the costs of operation and to allow a sufficient profit margin, which secures an acceptable return on investment. The process of doing this differs according to industry and market conditions, the underlying available competitive advantage, and in some cases regulatory constraints. Pricing strategy is a key variable in financial modelling, which determines the revenues achieved, the profits earned, and the amounts reinvested in the firm's growth for its long-term survival (Bonnici & Channon, 2015).

Furthermore, pricing is one of the major elements of the marketing plan. It helps differentiate a product or service from another one of similar characteristics. Pricing decisions derive from the underlying objectives and best-suited strategies. The elements of pricing objective include profit maximization, revenue maximization, quality leadership, quantity maximization and survival (Roth, 2007). Pricing objective is focused on three factors, i.e. nature, the desired level of attainment and the associated time horizon. Pricing objectives of service organizations are profit maximization, sales maximization, market share maximization, market share increase, return on investment (ROI), price differentiation, price stability in the market, sales stability in the market, discouragement of new competitors, maintenance of existing customers, long term survival (Avlonitis & Indounas, 2005). The underlying factors

that determine a company's price decisions can be categorized as internal factors and external factors. Internal factors include company's marketing objectives, marketing mix strategy, and costs; whereas external factors consist of market environment, demand, competition (Khosro, Ahmed, & Ahmed, 2014).

2.4 REAL ESTATE DEVELOPMENT IN GHANA

Real estate has different classifications called land uses. Real estate can be residential, industrial, commercial, hospitality, office, recreation, shopping malls, sports, medical, educational, tourism, transportation, urban, rural etc. (Oyedele, 2018). Investors generally tend to invest in a piece of real estate that generates higher rates of return on investment (ROI). Rates of return on investment in real estate depend on 'yield'. Yield is an important way of measuring the future income on an investment. Property yield is particularly important in real estate investment as capital growth rates are not usually the same for the same amount of investment on different land uses in the same property market. So the returns you get now and in the future are key factors in working out whether to invest or not in a type of real estate.

Real estate markets in developing nations are unorganised, underfunded and unprofessional (Agbola & Olatubara, 2003). The market welcomes every interested person into its mist. This is why there are so many abandoned projects, litigations and building collapses. The sector has a very high deficit performance with Nigeria having over 17 million housing deficit (Akpan, 2018) and 1.7 million housing deficit in Ghana (Centre for Affordable Housing Finance in Africa, 2017). Mortgage rates are very high with Nigeria having 21% as its lowest mortgage rate and 10% deposit by the mortgagee and Ghana having 29% as its lowest mortgage rate and 20% contribution by the mortgagee.

The real estate products in developing nations are expensive and unaffordable by many residents. Minimum wage per month in Nigeria is N18, 000.00 (about \$5.00 USD) and an average one-bedroom flat is N2.8 million (about \$777.78 USD). This means that it will take a minimum wage-earner, who does not spend his or her income, about 13 years to save to buy an average one-bedroom flat. This also means that the houses in the real estate market are unaffordable to an ordinary man. Demand and supply is the factor which determines real estate yields. The higher the demand for a type of house, for example, in a location without proportional increase in supply; the higher the cost of the house in the given area and the higher the supply of that type of house, without corresponding increase in demand, the lower the price of the house.

In general parlance, people tend to think that commercial, office and industrial land uses will have higher yield than residential or recreation land uses. This is not usually so as the yield regime for different real estate markets (different branded areas) and real estate products are different. Investors therefore, do a lot of financial analysis, especially payback periods, valuation and analysis of yields before deciding on which real estate investment type to embark upon. The political environment, economic environment, social environment, technological environment, legal environment, physical environment (investment location) and security and safety must be analysed.

The strengths, weaknesses, opportunities and threats of the investment must be considered. The project must be specific, measurable, achievable, reviewable and timely. Location of a property is a major factor considered in its investment decision. Also, there are magnets, that is, iconic features or structures that influence value of properties. For example, location to industrial area, office hub, city centre, schools, recreation parks, markets, police stations etc, may speed appreciation rate of

investment properties. Provision of infrastructures like tarred roads, pipe-borne water, electricity, security, convenience shopping and parks can also boost the yield of an area, while the existence of waste dump, landfill, bus station, cemetery and environmental hazards like swamp may discourage buyers.

Real estate development usually follows a pattern known as model. We have linear development especially along tarred roads in the outskirts of cities in Nigeria. In the cities, real estate development can be Concentric Circle (Burgess, 1925) or gridiron pattern. In 1939, Homer Hoyt expanded on the concentric zone model to create the Sector model (Hoyt, 1939), which is also called the Hoyt model after him. The Sector model proposes that zones in a city extend outward by transportation, such as railroads and highways.

The types and level of infrastructures available in an area will determine the rate of appreciation of real estate in the area. People pay premium to invest in smart cities, resilient cities and sustainable houses. Security also plays a major role in real estate procurement in developing nations. Real estate is slow to adopt innovation and new developments in the industry due to its long gestation period. Mobility as a Service (MaaS) is still not adopted in real estate in developing nations. Mobility as a Service is also known as Transportation as a Service (TaaS) and places emphasis on shift away from personally-owned modes of transportation and towards mobility solutions that are consumed as a service and not as a product.

Real estate is a source of wealth accumulation as well as a primary factor in national development. A country with a higher saving rate is expected to experience faster growth rate. Singapore, for example, had a 40% saving rate in the period 1960 to 1996 and annual Gross Domestic Product (GDP) growth of between 5% and 6%; compared

with Kenya in the same period which had a 15% saving rate and annual GDP growth of just 1% (World Bank, 2008). Few previous studies have quantitatively analysed real estate performance in Ghana. For example, Antwi (1995 and 2002), Antwi and Omirin (2006), Asabre (1981, 2004 and 2007), Hammond (2006), Anim-Odame et. al. (2009) and Anim-Odame et. al. (2010a and 2010b) have to a limited extent examined the real estate market in the country to establish key market drivers as well as differentiated informal market from formal market. It is possible to assess real estate performance in relation to other investment vehicles such as equities and Treasury Bills or bonds. The Ghana Stock Exchange (GSE) though characterized as thin and illiquid has been examined quantitatively. Yartey and Adjasi (2007) in appraising the economic importance of stock markets in Africa address the low liquidity of the stock market in Ghana. Broadly, the study suggests African stock exchanges face the challenge of integration and need better technical and institutional development. It finds the GSE in the same position as most stock markets in Africa. The market is small with few listed companies, characterised by low market capitalisation. The base of only 32 listed companies in Ghana contrasts with much higher figures in other African markets in countries such as Egypt (792), Nigeria (207), South Africa (403) and Zimbabwe (79). Nonetheless, market capitalisation in Ghana amounts to 31% of GDP, above the average (27%) for the continent, excluding South Africa and Zimbabwe, though lower than in other emerging economies such as Malaysia where the capitalisation ratio is 161%. Consistent with Yartey (2006), the study also reveals that the stock market in Ghana is a significant source of company capital, financing 12% of total asset growth of listed companies between 1995 and 2002.

2.5 FACTORS THAT CONTRIBUTE TO THE PRICING OF ESTATE HOUSES IN GHANA

According to (MeQasa, 2016), buying a property is a process that comes with a lot of questions, especially for those seeking long-term investments. One of the biggest questions people have when buying real estate is how will the value of the property they are acquiring appreciate over time.

The appreciative value of a property is determined by a number of factors in Ghana and three of the most common factors that influence a property's appreciative value includes the location, the reputation of property developers and high quality properties. When it comes to location, in Ghana for instance, location is the number one factor that determines a property's price and its appreciative value. Most properties located near good road networks with access to social amenities and the central business district have higher appreciation values compared to those located on the outskirts of the town, with little or no infrastructure. The houses, offices and land in such areas have lower property value when you compare them to areas which are developed like Cantonments, Osu, East Legon and others. With the reputation of property developers, there are many property development companies in Ghana; up-and-coming ones and those that are already established. The already established ones are those who have been successful in the business for many years. They are known for the quality materials they use and delivering properties on time. These real estate developers have made a name for themselves and their properties generally have higher prices and appreciative values. Last but not least, Developments which are built using high-quality materials will have a longer lifespan, which means that they will

deteriorate more slowly and have higher prices and appreciate values compared to properties built using inferior materials.

(Modern Ghana 2015) also shared some thoughts on this issue explaining that The importance of housing cannot be overemphasized. With socio-economic benefits attributed to individuals and a country as a whole, housing has become an integral component for many developed economies.

A study by Keith Wardrip, Laura Williams and Suzanne Hague shows that housing has profound effects on stimulating an economy. In Ghana, a high percentage of individuals fall on other means of accommodation in comparison with home ownership. This is due to a number of reasons, including the price of a home. Property expert Lamudi Ghana also highlighted other factors that influence the price of a home in Ghana. One great factor he mentioned was land availability which is one of the most pressing issues in Ghana, land availability has the propensity to affect the price of a home. With Ghana's cumbersome land tenure system, access to lands has been made all the more difficult. Actors in the real estate industry have been calling on the government to grant them land banks in order to make homes more affordable. A land bank is the aggregate parcels of land for future sale or redevelopment. One of the key benefits derived is the clearance of land titles, making it easier for real estate developers to gain access. Cost also plays a huge factor since Building materials also affect the price of a home. In Ghana, the most widely used material is cement. The positive aspect is that Ghana has a cement manufacturer, Ghacem. The drawback is that most of the components used in the making of cement are imported. The high cost of construction becomes even more apparent in the face of importing an estimated 70 percent of building materials. These imported materials are linked to foreign

currencies and a depreciation of the national currency means higher cost of materials. A reliance on local materials however will lead to a positive effect on prices.

For developing countries like Ghana, foreign exchange can also be a crucial factor that affects the price of commodities. This is because the country's imports outstrip its exports, thereby leading to an over reliance of foreign currencies such as the US Dollar. The instability of the Ghana Cedi has led many property owners to fall on the US Dollar as a way of hedging against value depreciation. This means home prices move up when the Cedi depreciates and conversely drops when the local currency outperforms the US Dollar. Most estate developers and individuals resort to bank loans to construct properties which can also play a serious factor in the pricing of estate housing. These loans carry interest and invariably affect the price of a property. The high interest rates in Ghana raise the cost of construction and this ultimately passed down to a prospective homeowner. Conversely, lower interest rates would mean a stability in housing prices. A more stable Cedi culminated with low interest rates is likely to lead to lower housing prices.

(MeQasa, 2016) further elaborated that the price of real estate in Ghana can be accounted by the interest rate on loans from banks, prices of lands and the cost of building materials. According to the Executive Director of Ghana Real Estates Developers Association, Sammy Amegayibor, the price of the real estate is dependent on the level of appreciation of the Ghanaian currency, "If you are a business-minded developer, you will include the cost of the property, your profit margin and the interest rates charged from the bank to make up the selling price of the property."

(Nguyen, 2019) wrote that another key factor that affects the value of the real estate is the overall health of the economy. This is generally measured by economic indicators.

However, the cyclical nature of the economy can have varying effects on different types of real estate. For example, if the REIT has a larger percentage of its investments in hotels, they would typically be more affected by an economic downturn than a REIT that had invested in office buildings. Hotels are a form of property that is very sensitive to economic activity due to the type of lease structure inherent in the business. Renting a hotel room can be thought of as a form of short-term lease that can be easily avoided by hotel customers should the economy be doing poorly. On the other hand, office tenants generally have longer-term leases that can't be changed in the middle of an economic downturn. Thus, although you should be aware of the part of the cycle the economy is in, you should also be cognizant of the real estate property's sensitivity to the economic cycle.

2.6 TO IDENTIFY CHALLENGES IN THE PRICING OF ESTATE HOUSES IN GHANA

Most developing countries have failed to systematically provide adequate housing for its populace. Housing has been a major problem for the country as most public housing policies and programs initiated by successive governments over the years have failed. Lack of commitment to raise the needed funds, mechanisms for systematic coordination among the various sectors which were not clearly defined, and lack of rationalization of the various housing programs in the sector were some causes for the failure (Ministry of Works and Housing, 2000; Opoku - Boateng, 2011). The private sector notably through the efforts of the private real estate developers are at the forefront of housing production in the country. The housing stock in the country has not improved much over the years as it has been increasing by a slight margin whereas the housing deficit increases by substantial margins. Ghana's housing requirement by

2020 stands at 5.7 million new rooms, requiring 3.8 new rooms in every minute of the working day for ten years to meet this deficit (UN Habitat, 2011). Although the participation of the private sector through real estate development companies in housing provision is laudable, and should be further encouraged and promoted, there is still acute shortage of housing in Ghana especially in the urban areas. Besides, most of the houses offered by private real estate developers are still beyond the reach of most Ghanaians (CHF, 2004). With the huge housing deficit Ghana faces, a lot of opportunities and prospects exist for the real estate development industry; however, the complexity of the development process and numerous challenges has limited the supply of houses, making it extremely difficult to produce enough houses to meet a greater portion of the population. Due to rapid population growth, increasing urbanization and constraints in the housing delivery system, the supply of housing especially for low to moderate income households has become one of the most crucial problems currently in Ghana (Amos, Gadzekpo, & Amankwah, 2015). Major aspects of the housing delivery system, including the institutional capabilities, the provision of serviced land, finance, infrastructure, materials and skilled labor, have experienced severe constraints resulting in the very acute housing problem especially in the regional capitals (UN habitat, 2011; Boamah, 2010). The housing sector in Ghana can broadly be described as; sub - standard housing in the rural areas, deteriorating physical characteristics of the housing stock, lack of social amenities, finance and shortage and poor sanitation (Ministry of Works and Housing, 2000). About half of the country's population lives in urban areas. High property prices particularly in the urban centers such as Accra, Tema, Takoradi and Kumasi fueled by a rapidly growing middle-class, as well as rapid and uncontrollable urbanization have turned the housing industry into one of the critical developmental issues facing policy makers (Bank of

Ghana (BOG), 2007; Quayson, 2007). With the slow pace of housing development over the years, housing demand has constantly outlived supply. The rental market at the moment is the most active property market in Ghana considering the fact that more than 75 % of the urban population relies on rental accommodation or that provided at a minimal cost by friends and relatives (UN Habitat, 2011). Most rental accommodation shares services with other households in the house or use public taps and toilets. Majority of households in urban Ghana occupy rooms in compound houses (about 55%) or other forms of multi-occupied residential buildings (24%) and about 60% of the urban population also occupies single rooms. Only the rich and middle class households occupy a dwelling of their own and have full services in the dwelling (UN Habitat, 2011).

The real estate development process is generally complex and cumbersome. The development process is also subject to changes overtime as the economic performance at both national and local levels influences it. Due to the longevity of the development process, the assumption made at the outset may have changed dramatically by completion. Success very often depends upon the attention to the detail of the process and the quality of the judgments that guides it (Cadman and Topping, 1995). In the general context, real estate development is usually dynamic, with rapid changes occurring in the link among construction, technological advances, regulation, marketing, finance, and property management (Mike et al., 2000).

The real estate industry of Ghana is growing younger generations realize that capital gains made from property is a fast path of wealth accumulation in these times of inflation. The problems of real estate development are many and varied. There is restricted access to land in the face of rising demand for housing resulting in high

property prices (Opoku-Boateng, 2011; Owusu and Boapeah, 2003; Mahama and Adarkwa, 2004). The market for land in Ghana is highly unorganised. According to Owusu and Boapeah (2003), information about who owns what piece of land is not readily available and the legal and administrative systems for transferring titles are very cumbersome. Mahama and Adarkwah (2006), asserts that the uncertainty that surrounds the use, development and title to land has led to great insecurity in the urban land market. Besides, land prices are soaring, among the various cost components; the price of land is the most expensive with some being quoted in foreign currencies (Decardi-Nelson and Solomon-Ayeh, 2011).

Adding to the land problem is the high cost of building materials both local and imported (Ahadzie and Badu, 2011). This has resulted in increased cost of buildings within the past decade, making it difficult for the average Ghanaian to acquire a house before retirement (Edusei, 2003; Opoku -Boateng, 2011). The rising cost of buildings in most developing countries is also due to over reliance on imported building materials. This state of affairs to a large extent is as a result of the low production at the local level, lack of adequate mechanization, and lack of finance (Decardi-Nelson and Solomon-Ayeh 2011). Development and building permits are prerequisite for housing development in Ghana. Delays, high submission cost, improper checks and partial examination of designs are problems besieged with permit acquisition. Improper siting of building structures, the use of unapproved drawings, building on waterways, floods and demolishing of unauthorized buildings are the effects of the problem. A conflict situation therefore results between planning authorities and developers (Botchway et al., 2014; Almer, 2005). Based on these constraints, people purchase land, and for fear of encroachment develop without recourse to the laid down process of acquiring the necessary development approvals. Consequently, a

considerable number of developed properties have no permits (Ministry of Local Government and Rural Development, 2010).

2.7 STRATEGIES FOR EFFECTIVE PRICING OF REAL ESTATE HOUSES IN GHANA

CHF (2004) concludes that, despite the dual nature of the economy, land tenure, and housing, a significant opportunity exists for the government and private financial sector to collaborate to ensure that low-income households have sustained access to housing microfinance over the last three years, the Government of Ghana has made remarkable progress towards achieving a stable macroeconomic and political climate. The economic environment holds the possibility of greater institutional investment in housing and other economic development activities. The net effect of macro measures undertaken by the government is that budget deficits, inflation, and interest rates are at their lowest points now than in the past several years and trending downward. The next shift in investor diversification may be in real property development. In the short term, the greatest risk to the generally positive macroeconomic picture will be the market response to the strategy employed by government to adjust and eventually eliminate subsidies underpinning the price of petroleum products. In the mid-to-long term, the benefits of sound economic management must be felt at the household level in the form of improved income and job prospects as well as improved basic services that support the growth and productivity of the informal sector on which 80% of the active working population survive. Based on an analysis of poverty, household incomes, and expenditure, CHF estimates that 35% of the economically active population will not be able to afford housing credit of any kind. Other shelter related investments in infrastructure and settlement upgrading will be required to assist those

living in extreme poverty. CHF found no comprehensive policy towards the informal sector to harness its dynamism for housing and economic development. On the political front, Ghana is a maturing democracy with numerous, relatively strong forces of pluralism in the society. The country has experienced successive peaceful presidential and parliamentary elections, including in December 2004. A significant political risk, however, is the slow pace of decentralization, particularly to the municipalities and metropolitan areas, which must manage the increasing challenges and opportunities presented by urbanization and both rural and urban poverty (CHF International, 2004). Hindle (2018) and Baerg (2017) separately enumerated three (3) strategies for pricing real estate homes:

- Pricing home at market value
- Pricing below market value
- Pricing above market value

Sun-Tan (2018) shared the following six (6) strategies:

- Start with a free online home value estimate, but don't stop there
- Set your price based on an analysis of comparable sales, not your emotions
- Set your price below the competition to start a bidding war
- Adjust price to account for online pricing benchmarks
- Price your home based on the seasonal shifts of your market
- set a strict time frame around it based on how fast homes are selling in that particular neighborhood

MeQasa (2016) advised home owner to consider the following strategies:

- Be objective about the state of your property

- Review similar ads
- Start by listing an ad as “Best Offer”
- Ask your most honest friends first
- Emphasise amenities
- Cold call local real estate agencies

Abraham (2019) explained four key approaches to valuing real estate houses to be the sales comparison approach, the capital asset pricing model, the income approach, and the cost approach.

The sales comparison approach (SCA) is one of the most recognizable forms of valuing residential real estate. It is the method most widely used by appraisers and real estate agents when they evaluate properties. This approach is simply a comparison of similar homes that have sold or rented locally over a given time period. Most investors will want to see an SCA over a significant time frame to glean any potentially emerging trends.

The capital asset pricing model (CAPM) is a more comprehensive valuation tool. The CAPM introduces the concepts of risk and opportunity cost as it applies to real estate investing. This model looks at potential return on investment (ROI) derived from rental income and compares it to other investments that have no risk, such as United States Treasury bonds or alternative forms of investing in real estate, such as real estate investment trusts (REITs).

The income approach focuses on what the potential income for rental property yields relative to initial investment. The income approach is used frequently for commercial real estate investing. The cost approach to valuing real estate states that property is only worth what it can reasonably be used for. It is estimated by combining the land

value and the depreciated value of any improvements. Appraisers from this school often espouse the highest and best use to summarize the cost approach to real property. It is frequently used as a basis to value vacant land.

Chowdhary et al (2016) highlighted the following strategies:

- basic sales price plus margin and tax,
- basic sales price plus Preferential Location Cost

Subvention scheme: In the subvention scheme initially, the buyer will have to pay a small (10% of the total value of the property) booking amount. This amount will include registration fee, stamp duty, and GST. After that bank will pay 80% to the developer at various stages of construction. Once 80% payment is completed buyer will have to pay 10% at the time of possession. Buyer's EMI will start after possession (Flatnoida, 2019). In other words, an equated monthly instalment (EMI) is a fixed payment amount made by a borrower to a lender at a specified date each calendar month. Equated monthly instalments are used to pay off both interest and principal each month so that over a specified number of years, the loan is paid off in full. With most common types of loans, such as real estate mortgages, the borrower makes fixed periodic payments to the lender over the course of several years with the goal of retiring the loan (Kagan, 2019).

Pay plan model

Competitor based pricing: Also called strategic pricing, competition based pricing is a pricing method that involves looking at the prices set by other businesses in the same sector, and then adopting a price similar to theirs. The competition based pricing

method focuses solely on the public information competitors put out, not customer value (Guo, 2019).

Market based pricing model: A market-based pricing strategy is also known as a competition-based strategy. In this pricing strategy, the company will evaluate the prices of similar products that are on the market. It is important to only consider those products that are similar to the product being offered. Depending on if the product has more or less features than the competition, the company sets the price higher or lower than the competitor pricing (Anthony, 2019).

Thompson (2019) enumerated the following six pricing strategy:

Premium Pricing Strategy: businesses use a premium pricing strategy when they are introducing a new product that has distinct competitive advantages over similar products. A premium-priced product is priced higher than its competitors.

Penetration Pricing Strategy: Marketers use penetration pricing to gain market share by offering their goods and services at prices lower than those of the competitors. Marketers want to get their products out in the market so that the products raise consumer awareness and induce buyers to try the products.

Economy Pricing Strategy: An economy pricing strategy sets prices at the bare minimum to make a small profit. Companies minimize their marketing and promotional costs. The key to a profitable economy pricing program is to sell a high volume of products and services at low prices. Large companies, such as Walmart, are able to take advantage of this low-price strategy, but small businesses will have difficulty selling enough products at low prices to stay in business.

Price Skimming Strategy: Price skimming is a strategy of setting prices high by introducing new products when the market has few competitors. This method enables businesses to maximize profits before competitors enter the market, when prices then drop.

Psychological Pricing Strategy: Marketers use psychological pricing that encourages consumers to buy products based on emotions rather than on common-sense logic. The best example is when a company prices its product at \$199 instead of \$200. Even though the difference is small, consumers perceive \$199 as being substantially cheaper. This is known as the "left-digit effect."

Bundle Pricing Strategy: Businesses use bundle pricing to sell multiple products together for a lower price than if they were purchased separately. This is an effective strategy to move unsold items that are simply taking up space. Bundling also creates the perception in the mind of the consumer that he's getting a very attractive value for his money.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

In order to help in achieving the research aims and objectives, this chapter examined research methods with the outlook of finding the best methodology to answer the research questions raised. The drive of any research methodology and research design as recognized globally is to provide direction in the planning and implementation of the study in a manner most likely to attain the intended goal.

3.2 RESEARCH DESIGN

The function of a research design is to ensure that the evidence obtained enables you to effectively address the research problem logically and as unambiguously as possible. In social sciences research, obtaining information relevant to the research problem generally entails specifying the type of evidence needed to test a theory, to evaluate a program, or to accurately describe and assess meaning related to an observable phenomenon (Creswell & Creswell, 2018). According to Bhat (2019.), the design of a research topic is used to explain the type of research (experimental, survey, correlational, semi-experimental, review) and also its sub-type (experimental design, research problem, descriptive case-study).

3.3 RESEARCH METHOD

The question of research method cannot be answered without careful consideration of the nature of the objects under study (Labaree, 2009). The review of the previous research methodologies above reveals that the most topical and regularly strategies

adopted by most researchers in real estate and finance researches were survey methods and interviews. The choice of research methodology must not be influenced by more popularly or regularly adopted scientific approaches, but rather careful consideration should be given to the relevance and usefulness of the research and the researcher must select the most appropriate methodology to realize his goal (Bryman, 2004). Quantitative research methodology will be adopted for this study regarding the nature of this research, which is based on quantitative approach. Consequently, the data collection method to be used will incorporate the integration of published data and survey questionnaires. Qualitative and triangulation are also methodologies that are used by researchers. Each of the strategies has its own strengths and weaknesses. “it is these strengths and weaknesses that lie behind the rationale for integrating them” (Bryman, 2004). However, the nature of this study influences the researcher to use only the quantitative strategy to address all the objectives of this study.

3.4 POPULATION OF THE STUDY

The population of this study is the members of the Ghana Real Estate Developers Association (GREDA) in good standing. GREDA is an Association of Real Estate Developers established under the Laws of Ghana (Company Code, Act 179 of 1963) as a Private Company limited by guarantee (Business Ghana, 2018). Kwadwo (2018) published that GREDA is the main private sector organisation championing housing development. GREDA’s vision is to assist all Ghanaians gain access to the housing of their choice and the opportunity to own their dream home. Founded in October 1988, GREDA has been the focal point for housing policy initiation, advocacy and public-private partnerships in the country. According to the association, it has over the years, played a pivotal role in housing Ghanaians. Amongst its achievements, GREDA takes

particular pride in the GREDA Estate at Nungua, comprising some 500 units; the Tema Communities 18, 19 and 20 and the Dunkona Estates, which are a partnership with SSNIT (Ghana Web, 2018).

3.4.1 Sample Size

Riley (2019), explained sample size to mean part of the population chosen for a survey or experiment. The sample size is an important feature of any empirical study in which the goal is to make inferences about a segment from a sample. Information gathered from GREDA official website indicate a total membership of two hundred and forty (240) real estate developers (GREDA, 2014). This study is however interested in members in good standing with the association. As per the list provided by GREDA, there are seventy (70) members in good standing, out of which fourteen (14) are new members. This study therefore proposes to sample all seventy (70) members of GREDA currently in good standing with the association.

3.4.2 Sampling Techniques

Empirical data will be collected to identify the pricing strategy for real estate houses over the past years. The real estate firms to be considered for this study will be selected by adopting census approach due to the relatively sizable number of targeted respondents, being only the active members of GREDA. The use of census approach however, requires no statistical calculation to determine the sample size (Israel, 1992). According to Australian Bureau of Statistics (2013), a census is a study of every unit, everyone or everything, in a population. It is known as a complete enumeration, which means a complete count. The advantages of this sampling method are that it provides a true measure of the population (no sampling error), benchmark data may be obtained for future studies, and detailed information about small sub-groups within the

population is more likely to be available. This study therefore adopts a census sampling technique.

3.5 DATA COLLECTION

3.5.1 Secondary and Primary Information

Secondary data is the data that have been already collected by and readily available from other sources. Such data are cheaper and more quickly obtainable than the primary data and also may be available when primary data cannot be obtained at all (Juneja, 2015). The advantages of secondary data according to Juneja (2015) are that It is economical; It saves efforts and expenses; It is time saving; It helps to make primary data collection more specific since with the help of secondary data, the researcher is able to make out what are the gaps and deficiencies and what additional information needs to be collected; It helps to improve the understanding of the problem; and It provides a basis for comparison for the data that is collected by the researcher. Sources of secondary data include sales report, financial statements, customer details, company information, reports and feedback from a dealer, retailer, and distributor, management information system, government censuses, business journals, social books, business magazines, libraries, and the internet, where wide knowledge about different areas is easily available.

According to Crossman (2019), primary data is collected by a researcher or team of researchers for the specific purpose or analysis under consideration. Here, a research team conceives of and develops a research project, decides on a sampling technique, collects data designed to address specific questions, and performs their own analyses of the data they collected. In this case, the people involved in the data analysis are familiar with the research design and data collection process.

3.5.2 Questionnaire Design

A booklet type of questionnaire was used as proposed by Dillman (1978). Additionally, as suggested by Dillman (1978), the questionnaire started with salient and non-threatening questions. Threatening questions were asked towards the end of the questionnaire. The subsequent step focused on the design of the actual questions that were asked to solicit for the requisite information for the study, having identified the respondents for the questionnaires and their characteristics. Questionnaires were prepared for all the 69 registered members of Ghana Real Estate Development Association (GREDA). The questionnaires were divided into four sections:

Section A: Background of respondents

Section B: factors that contribute to the pricing of estate houses in Ghana

Section C: challenges in the pricing of estate houses in Ghana

Section D: strategies for effective pricing of real estate houses in Ghana

Some of the questions in the previously reviewed works like Meziane Lasfer (2007) were utilised in designing the questionnaires. Specific principles with regards to asking relevant questions (Sudman, Bradburn & Schwarz 1996; and Converse & Presser 1982), wording of questions (see Belson 1981; and Sudman, Bradburn & Schwarz 1996), and questionnaire format (see Fowler 1995; and Jenkins & Dillman 1993) were utilised. The contents of the questionnaires (in appendix 2) incorporated all variables developed from the Literature Review.

3.6 DATA ANALYSIS

Data was collected and gathered from literature review and administration of questionnaires. The responses obtained from the distribution of questionnaires were analysed using the Relative Important Index (RII) approach. Responses were then ranked from highest to lowest. Factors with the highest RII were slated first. Also, raw data was processed and put into a form suitable for presentation. bar charts and pie charts were used to make pictorial illustrations.

3.7 ETHICAL CONSIDERATION

Ethical considerations in research are critical. Ethics are the norms or standards for conduct that distinguish between right and wrong. They help to determine the difference between acceptable and unacceptable behaviors (Quadri, 2019) . Ethical standards prevent against the fabrication or falsifying of data and therefore, promote the pursuit of knowledge and truth, which is the primary goal of research. Ethical behavior is also critical for collaborative work because it encourages an environment of trust, accountability, and mutual respect among researchers. This is especially important when considering issues related to data sharing, co-authorship, copyright guidelines, confidentiality, and many other issues. Researchers must also adhere to ethical standards in order for the public to support and believe in the research.

Ethical issues related to research subjects with reference to Makau (2016) are anonymity, confidentiality and privacy; beneficence; deception; non-maleficence; voluntary and informed consent; and exploration of vulnerable groups/ special populations. The researcher has strictly considered and adhered to the tenets of research with respect to ethics.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATIONS

4.1 INTRODUCTION

This chapter contains findings of the study on exploring strategies of pricing of real estate housing in Ghana at various real estate agencies across the country. The findings have been discussed under thematic areas and subsections corresponding to the variables and objectives of the study. The thematic areas include: demographics of respondents and their firms, factors that contribute to the pricing of real estate houses in Ghana, challenges in the pricing of real estate house in Ghana and strategies for effective pricing of real estate houses in Ghana.

4.2 QUESTIONNAIRE RESPONSE RATE

Table 4.1: Response Rate

	Questionnaires distributed	Questionnaires received	Valid questionnaires	Valid Percentage (%)
Respondents	70	61	61	100%

Source: Authors construct, 2019

Table 4.1 above indicates that seventy (70) questionnaires were distributed. Out of the lots, sixty-one (61) of the questionnaires were returned. Upon preliminary review of the questionnaire, all the sixty-one (61) of the questionnaires were declared valid and therefore utilised for the study.

4.3 DEMOGRAPHIC INFORMATION

4.3.1 Respondents Role

Table 4.2 indicates that 15(24.6%) respondents (professionals) who received the questionnaires are architects, 25(41%) are project managers, 10(16.4%) are engineers and 11(18%) are quantity surveyors.

Table 4.2: Role of Respondents

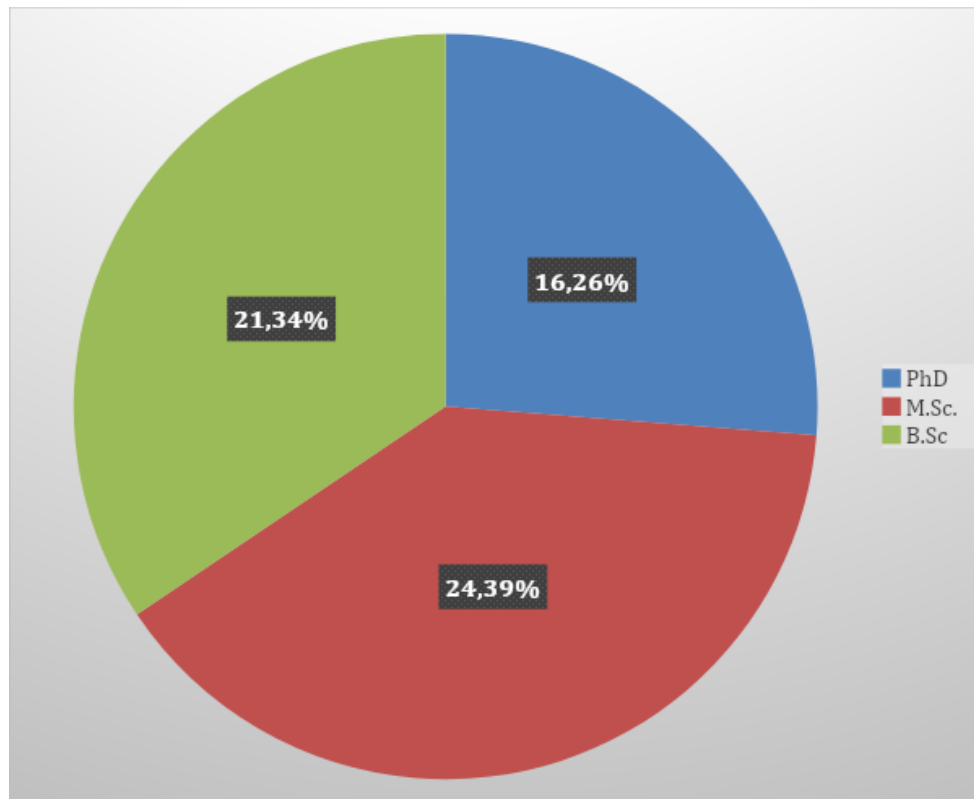
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Architect	15	24.6	24.6	24.6
	Project Manager	25	41.0	41.0	65.6
	Engineer	10	16.4	16.4	82.0
	Quantity Surveyor	11	18.0	18.0	100.0
	Total	61	100.0	100.0	

Source: Fieldwork 2019

4.3.2 Respondents Education

Figure 4.1 shows the level of education of all respondents or professionals reached out to. The chart points out that 16 respondents making up 26% of the population had acquired PhD degrees, 24 respondents who also make up 39% of the population had acquired masters (M.Sc.) degrees and 21 professionals who received and answered the questionnaire had acquired bachelors (B.Sc.) degrees representing 35%.

Figure 4.1: Respondents' level of Education



4.3.3 Working Experience

Figure 4.2: Respondents' Working Experience



Source: Fieldwork 2019

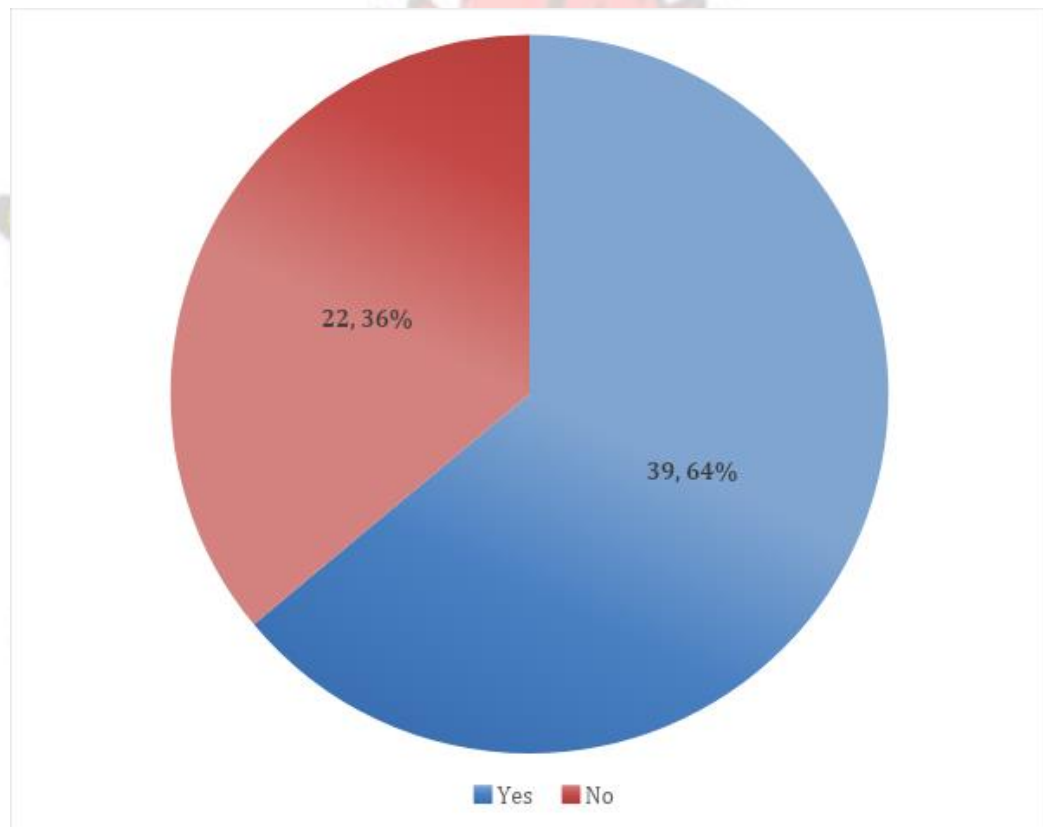
Figure 4.2 indicates the working experience of respondents to the questionnaire. Out of the 61 respondents, 21(34.4%) of them have had within 4 years of working experience in their organisational roles, 32(52.5%) of t respondents have had 5-10

years of experience and 8(13.1%) have had 11-15 years of working experience in their respective organisational roles.

4.3.4 Decision Making

Figure 4.3 represents the involvement of respondents in the material selection decision making in their respective organisations. 39 out of the 61 respondents are involved in decisions making in their firms representing 64% whilst the remaining 22 representing 36% are not involved in their organisations decision making.

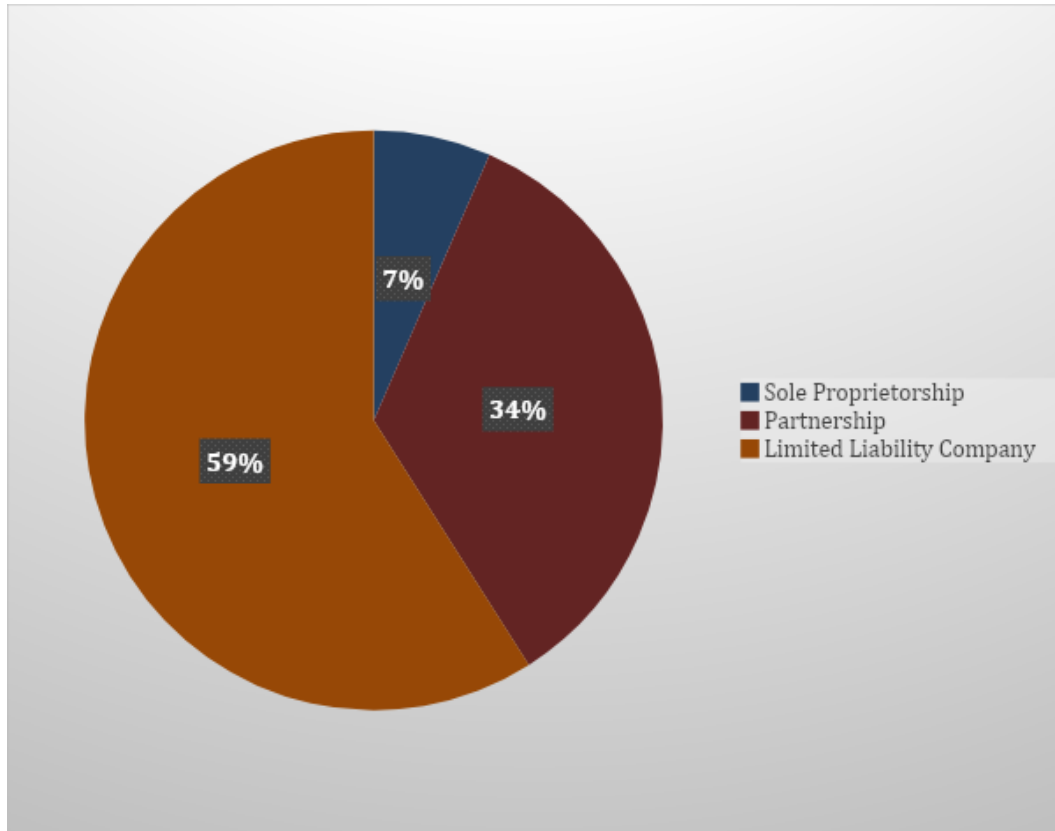
Figure 4.4: Respondents' involvement in organisational decision making



Source: Fieldwork 2019

4.3.5 Legal Form of Business

Figure 4.5: Legal form of Respondents' Firms

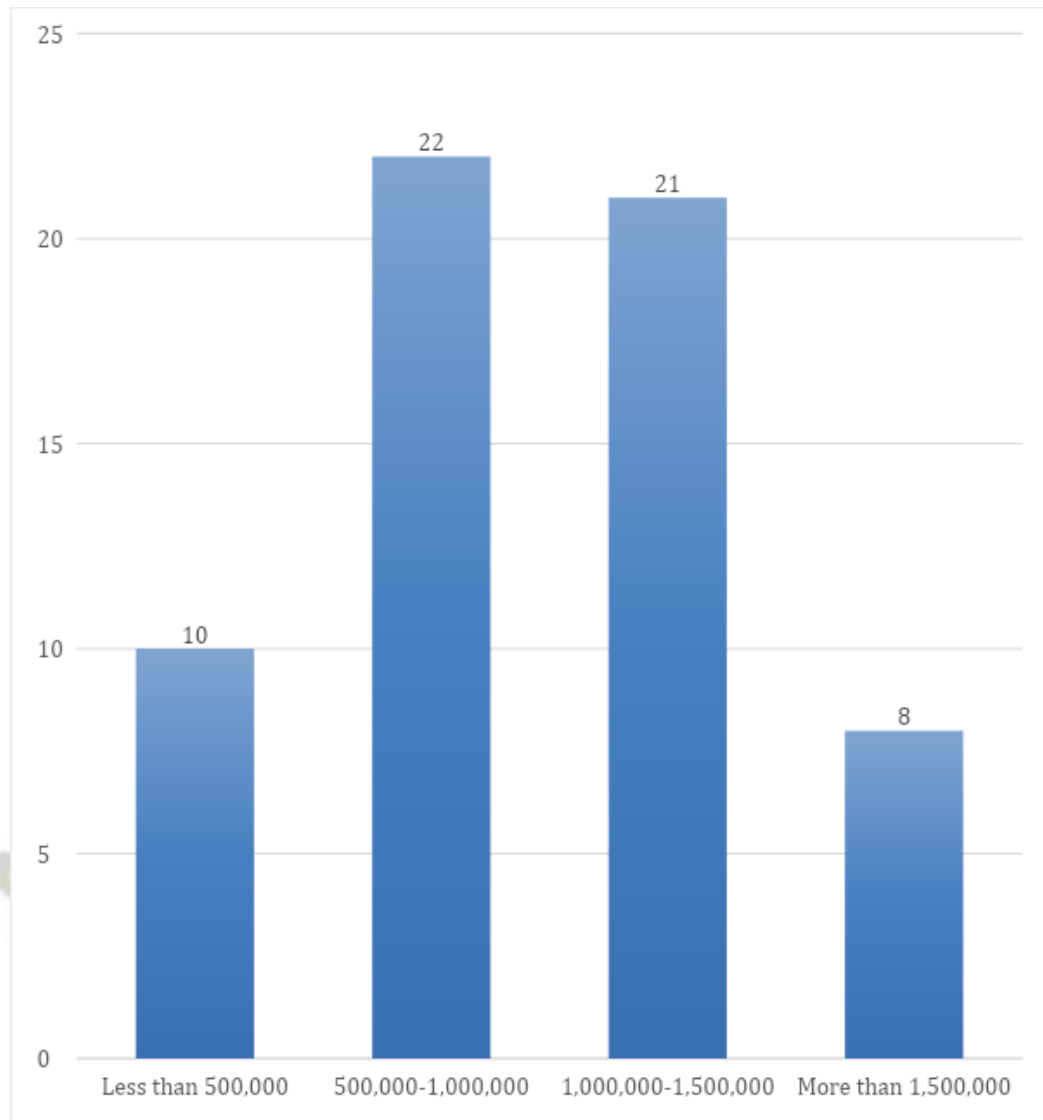


Source: Fieldwork 2019

The study revealed that 59% of the respondents belong to real estate firms that are limited liability companies and 34% are in partnership firms. 7% also belong to sole proprietorship firms. The low percentage of the sole proprietorship is as a result of high capital required to be able to survive in the real estate market. The firms operating with the sole proprietorship and partnership are struggling to survive. They find it extremely difficult to raise the needed working capital for their operations. These firms are mostly new in the industry.

4.3.6 Annual Expenditure

Figure 4.6: Annual expenditure on real estate of respondents firms in GH¢



Source: Fieldwork 2019

Pricing strategies varies from firm to firm therefore differentiating the expenditure of firms. The study revealed that 10 respondents are employed in firms with an annual real estate expenditure less than GH¢500,000, 22 belong to firms with an expenditure within GH¢500,000 and GH¢1,000,000, 21 in firms with expenditure within GH¢1,000,000 and GH¢1,500,000 and only 8 belong to firms with real estate expenditures more than GH¢1,500,000. This shows on average real estate firms spend GH¢1,000,000 annually considering factors such as repairs, refurbishments, renovations and even the purchase of new property.

4.4 FACTORS THAT CONTRIBUTE TO THE PRICING OF REAL ESTATE HOUSES IN GHANA

Since the objective of this section was to determine factors that contribute to the pricing of real estate houses in Ghana with respect to the sample considered, the data was first weighted from which the Relative Importance Index of data from each of the group was calculated by dividing the total weight multiplied by the number of respondents, sixty-one (61) multiplied by the total number of statements. Through this, the researcher was able to determine the dominating contributing factors.

The analysis indicated that the three most contributing factors to Ghanaian real estate house pricing were Construction Cost with an RII of 0.889, Land Price with an RII value of 0.866, and Availability of Building Materials with an RII of 0.862

Table 4.3: factors that contribute to the pricing of real estate houses in Ghana

CONTRIBUTING FACTORS	1	2	3	4	5	ΣW	RII	Rank
Construction cost	1	1	0	27	32	271	0.889	1st
Land price	1	1	5	24	30	264	0.866	2nd
Availability of building materials	0	1	0	39	21	263	0.862	3rd
Interest rate on loans	1	0	4	32	24	261	0.856	4th
Location of the land	2	2	0	30	27	261	0.856	5th
Reputation of the housing company	2	3	1	30	25	256	0.839	6th
The cedi exchange rate	2	4	2	29	24	252	0.826	7th
Cost of labour	1	2	9	30	19	247	0.810	8th
The strength level of the economy	2	4	6	29	20	244	0.800	9th
Cost of building materials	2	5	18	14	22	232	0.761	10th

Source: Fieldwork 2019

4.5 CHALLENGES IN THE PRICING OF REAL ESTATE HOUSES IN GHANA

Table 4.4: challenges in the pricing of real estate house in Ghana

PRICING CHALLENGES	1	2	3	4	5	ΣW	RII	Rank
Inadequate financial capability	2	2	2	20	35	267	0.875	1st
Transfer of land ownership problems	1	1	3	25	31	267	0.875	2nd
Increasing demand for cheap houses	0	1	0	36	24	266	0.872	3rd
Insufficient skill labour	0	1	5	27	28	265	0.869	4th
High cost of building materials	0	0	0	45	16	260	0.852	5th
Lack of proper delivery system of houses	1	1	4	30	25	260	0.852	6th
High poverty level	3	3	0	25	30	259	0.849	7th
Failure of government housing policies	2	5	3	30	21	246	0.807	8th
Restricted access to land	5	9	2	15	30	239	0.784	9th
Complicated housing regulations	3	4	10	24	20	237	0.777	10th
Inadequate new technology	2	4	11	28	16	235	0.770	11th
High cost of living	3	7	3	34	14	232	0.761	12th
Lack of good mechanisms for systematic coordination	2	5	17	23	14	225	0.738	13th
Lack of rationalization of some housing programs	6	10	13	28	4	197	0.646	14th

Source: Fieldwork 2019

Table 4.2 shows Inadequate Financial Capability which was ranked first with an RII of 0.875, followed by Transfer of Land Ownership Problems; ranked second with the same RII of 0.875 as the latter, Increasing Demand for Cheap Houses ranked third with an RII value of 0.872, Insufficient Skilled Labour ranked fourth with an RII of 0.869 and the High Cost of building materials ranked fifth with an RII value of 0.852 were the five biggest challenges in the pricing of real estate houses in Ghana.

4.6 STRATEGIES FOR EFFECTIVE PRICING OF REAL ESTATE HOUSES IN GHANA

Table 4.5: strategies for effective pricing of real estate houses in Ghana

PRICING STRATEGIES	1	2	3	4	5	ΣW	RII	Rank
Psychological Pricing Strategy where buyers are encouraged to buy products based on emotions rather than on common-sense logic. For example, GH¢19,999 instead of GH¢20,000.	0	0	1	39	21	264	0.866	1st
Pay plan model	1	0	5	30	25	261	0.856	2nd
Premium pricing strategy where houses that have distinct competitive advantages over other real estate houses are priced higher to introduce a new product.	2	5	0	22	32	260	0.852	3rd
Market based pricing model	1	2	4	30	24	257	0.843	4th
Subvention scheme where the buyer only pays an initial deposit of 10%, the banker gives the builder 80% to complete the house at an agreed interest rate, and the buyer pays the remaining 10% followed by equated monthly instalment (EMI) till possession	0	1	10	35	15	247	0.810	5th
Considering basic sales (construction cost, land cost, and marketing expenses) price plus preferential location cost	1	5	9	28	18	240	0.787	6th
Price skimming strategy where price is set high by introducing new products when the market has few competitors.	3	4	6	29	19	240	0.787	7th
Penetration pricing strategy where real estate developers set to gain market share by offering their houses at prices lower than those of the competitors.	3	5	10	20	23	238	0.780	8th
Considering basic sales price (construction cost, land cost, and marketing expenses) plus margin and tax	2	6	11	31	11	226	0.741	9th
Bundle pricing strategy to sell multiple products together for a lower price than if they were purchased separately	4	2	13	34	8	223	0.731	10th

Competition based pricing model	5	9	15	19	13	209	0.685	11th
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Source: Fieldwork 2019

Eleven factors were presented to respondents in the fourth section of the questionnaire concerning the effective pricing strategies of Ghanaian real estate houses. Based on the relative importance index calculation, the best strategy for pricing is Psychological Pricing Strategy where buyers are encouraged to buy products based on emotions rather than on common-sense logic. For example, GH¢19,999 instead of GH¢20,000; ranked first with an RII of 0.866, the second best pricing strategy is Pay plan model with an RII of 0.856, third best strategy is Premium pricing strategy where houses that have distinct competitive advantages over other real estate houses are priced higher to introduce a new product(RII = 0.852), the fourth ranked strategy is Market based pricing model (RII = 0.843), the fifth ranked strategy is Subvention scheme where the buyer only pays an initial deposit of 10%, the banker gives the builder 80% to complete the house at an agreed interest rate, and the buyer pays the remaining 10% followed by equated monthly instalment (EMI) till possession(RII = 0.810), other strategies include Considering basic sales (construction cost, land cost, and marketing expenses) price plus preferential location cost(RII = 0.787), Price skimming strategy where price is set high by introducing new products when the market has few competitors.(RII = 0.787), Penetration pricing strategy where real estate developers set to gain market share by offering their houses at prices lower than those of the competitors (RII = 0.780) and Competition based pricing model ranked eleventh with an RII value of 0.685.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

The aim of this study was to explore strategies of pricing real estate housing in Ghana; this chapter therefore concludes the study by first reviewing the research objectives and questions. It presents a summary of the findings based on the research objectives. A few recommendations are offered based on the findings.

5.2 REVIEW OF RESEARCH OBJECTIVES AND QUESTIONS

This study sought to explore strategies for pricing of real estate housing in Ghana. The specific objectives were to identify factors that contribute to the pricing of estate houses in Ghana, to identify challenges in the pricing of estate houses in Ghana and to develop strategies for effective pricing of real estate houses in Ghana. In order to achieve these objectives, the following research questions were asked:

1. What factors contribute to the pricing of estate houses in Ghana
2. What challenges are inherent in the pricing of estate houses in Ghana
3. What strategies can be adopted for effective pricing of real estate houses in Ghana

5.3 SUMMARY AND CONCLUSION OF FINDINGS

5.3.1 Factors that contribute to the pricing of estate houses in Ghana

This research set out to assess the factors that are considered in the pricing of Ghanaian real estate buildings. Analysis of the questionnaire results show that the three most contributing factors to Ghanaian real estate housing pricing were Construction Cost

with an RII of 0.889, Land Price with an RII value of 0.866, and Availability of Building Materials with an RII of 0.862. Other factors include cost of building materials, interest rate on loans, and location of the land, reputation of the housing company, the cedi exchange rate, and cost of labour and strength level of the economy.

5.3.2 Challenges in the pricing of estate housing in Ghana

It can be concluded from the findings of this study that inadequate financial capability, Transfer of land ownership problems, Increasing demand for cheap houses, Insufficient skill labour, High cost of building materials, Lack of proper delivery system of houses, High poverty level, Failure of government housing policies, Restricted access to land, Complicated housing regulations, Inadequate new technology, High cost of living, Lack of good mechanisms for systematic coordination, Lack of rationalization of some housing programs are some of the factors that make the pricing of Ghanaian real estate houses difficult.

5.3.3 Strategies for effective pricing of real estate houses in Ghana

On the effective pricing of real estate houses, strategies that can be adopted include psychological pricing strategy where buyers are encouraged to buy products based on emotions rather than on common-sense logic. For example, GH¢19,999 instead of GH¢20,000, using a pay plan model, using a premium pricing strategy where houses that have distinct competitive advantages over other real estate houses are priced higher to introduce a new product, market based pricing model, Subvention scheme where the buyer only pays an initial deposit of 10%; the banker gives the builder 80% to complete the house at an agreed interest rate and the buyer pays the remaining 10% followed by equated monthly instalment (EMI) till possession, Considering basic sales (construction cost, land cost, and marketing expenses) price plus preferential location

cost, Price skimming strategy where price is set high by introducing new products when the market has few competitors, Penetration pricing strategy where real estate developers set to gain market share by offering their houses at prices lower than those of the competitors, Considering basic sales price (construction cost, land cost, and marketing expenses) plus margin and tax, Bundle pricing strategy to sell multiple products together for a lower price than if they were purchased separately and competition based pricing model. These strategies are believed to make pricing of Ghanaian real estate housing flexible and encourage patronage.

5.4 RECOMMENDATION

Based on the findings of the study, it is recommended that to help enhance pricing of real estate housing in Ghana education and training must be introduced on what to watch out for in pricing a real estate property. The following are however recommended; psychological pricing strategy where buyers are encouraged to buy products based on emotions rather than on common-sense logic, using a pay plan model, using a premium pricing strategy where houses that have distinct competitive advantages over other real estate houses are priced higher to introduce a new product, market based pricing model, Subvention scheme where the buyer only pays an initial deposit of 10%; the banker gives the builder 80% to complete the house at an agreed interest rate and the buyer pays the remaining 10% followed by equated monthly instalment (EMI) till possession. furthermore, proper agencies should be created to address, Transfer of land ownership problems and Lack of proper delivery system of houses, good labour training must be implemented to solve the problem of Insufficient skill labour, effective and reliable government housing policies should be initiated and implemented and Complicated housing regulations should be abated.

5.5 AREA FOR FURTHER RESEARCH

The researcher proposes that further studies should be conducted on the impact of real estate pricing strategies on the cost of living of residents in the urban areas. This will help assess the positive and the negative effects of real estate pricing strategies in the urban areas and how it affects the standard of living of those in the cities.



APPENDIX I

QUESTIONNAIRES

QUESTIONNAIRE FOR ROAD SECTOR STAFF IN ACCRA

RESEARCH TOPIC: EXPLORING STRATEGIES FOR PRICING OF REAL ESTATE HOUSING IN GHANA

INTRODUCTION

The researcher is a final year student of Kwame Nkrumah University of Science and Technology-Kumasi and from the Department of Building Technology. He intends to execute this research as part of the university's academic requirement for the completion of his degree of Master of Project Management. Your objective response to this questionnaire is an invaluable aid to this research work. All information provided will be treated as confidential and for academic purposes only. There are no right or wrong answers.

In case of any doubt/s or need for clarification, please contact any of the addresses given below.

Thank You.

Supervisor

Prof. Nana Edward Badu

Student

Richmond Nana-Kusi

0244 575 313

richmondnanakusi@gmail.com

SECTION A – DEMOGRAPHIC QUESTIONS

Below are some demographic questions. Kindly respond appropriately by ticking.

1. What is your professional role in your organization?

Architect ☐ Project Manager ☐ Engineer ☐ Quantity Surveyor ☐ Other,
Please Specify.....

2. What is the highest level of education you have attained?

☐ PhD ☐ M.Sc. ☐ B.Sc. ☐ Diploma

Others, Please Specify.....

3. Years of experience?

☐ 0-4 yrs ☐ 5-10 yrs ☐ 11-15yrs ☐ Above 15 yrs

4. Are you a member of a professional body / bodies

Yes ☐ No ☐

5. Are you involved in the Material Selection decision making process in your Firm?

Yes ☐ No ☐

SECTION B – FACTORS THAT CONTRIBUTE TO THE PRICING OF ESTATE HOUSES IN GHANA.

Below are the factors that contribute to the pricing of estate houses in Ghana. From your experience, kindly express your opinion on (how important) they are by ticking the appropriate cell. Use the following likert scale:

1 Not Important 2 Fairly Important 3 Not Sure 4 Important 5 Very Important

factors that contribute to the pricing of real estate houses in Ghana	1	2	3	4	5
Cost of building materials					
Availability of building materials					
Interest rate on loans					
Location of the land					
Reputation of the housing company					
The cedi exchange rate					
Construction cost					
Land price					
The strength level of the economy					
Cost of labour					
Others (Please specify)					

SECTION C – CHALLENGES IN THE PRICING OF REAL ESTATE HOUSES IN GHANA.

Please from your experience; express your opinion on the extent to which you agree or disagree with the following challenges in the pricing of real estate houses in Ghana.

Use the following likert scale:

1 Strongly Disagree 2 Disagree 3 Not Sure 4 Agree 5 Strongly Agree

CHALLENGES IN THE PRICING OF REAL ESTATE HOUSE IN GHANA	1	2	3	4	5
Failure of government housing policies					
Inadequate financial capability					
High cost of building materials					
Insufficient skill labour					
High cost of living					
High poverty level					
Complicated housing regulations					
Lack of good mechanisms for systematic coordination					
Lack of rationalization of some housing programs					
Increasing demand for cheap houses					
Lack of proper delivery system of houses					
Inadequate new technology					
Transfer of land ownership problems					
Restricted access to land					
Others (Please specify)					

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SECTION D - STRATEGIES FOR EFFECTIVE PRICING OF REAL ESTATE HOUSES IN GHANA

Below are some strategies for effective pricing of real estate houses in Ghana. From your experience, kindly express your opinion on (how important) they are by ticking the appropriate cell. Use the following likert scale:

1 Not Important 2 Fairly Important 3 Not Sure 4 Important 5 Very Important

Strategies for effective pricing of real estate houses in Ghana	1	2	3	4	5
Considering basic sales price (construction cost, land cost, and marketing expenses) plus margin and tax					
Considering basic sales (construction cost, land cost, and marketing expenses) price plus preferential location cost					
Subvention scheme where the buyer only pays an initial deposit of 10%, the banker gives the builder 80% to complete the house at an agreed interest rate, and the buyer pays the remaining 10% followed by equated monthly instalment (EMI) till possession					
Pay plan model					
Competition based pricing model					
Market based pricing model					
Premium pricing strategy where houses that have distinct competitive advantages over other real estate houses are priced higher to introduce a new product.					
Penetration pricing strategy where real estate developers set to gain market share by offering their houses at prices lower than those of the competitors.					
Price skimming strategy where price is set high by introducing new products when the market has few competitors.					

Psychological Pricing Strategy where buyers are encouraged to buy products based on emotions rather than on common-sense logic. For example, GH¢19,999 instead of GH¢20,000.					
Bundle pricing strategy to sell multiple products together for a lower price than if they were purchased separately					
Others (Please specify)					



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