

PROPERTY VALUATION IN GHANA: CONSTRAINTS AND CONTRADICTIONS

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INTRODUCTION

- Property valuation is an estimate of the worth of landed property
- It involves the identification and assessment of the characteristics of a given property
- It is done for various purposes - insurance, compensation payment, taxation, rent/lease, sale, mortgages, etc.
- Important component of the land administration
- Necessary for policy decisions, investments and viable property

PROPERTY VALUATION CONCEPTS

According to Dale (2000), valuation is one of the essential pillars of a property/land market. It must be based on:

- market prices,
- accepted and used as a basis for calculation of asset values,
- provide a clear mechanism for offering real property for sale,
- support and make available mortgage advice and
- provide quality data

METHODS OF PROPERTY VALUATION

- Investment Value
- Comparative Cost Value
- Income Capitalization Value
- Latent Value
- Replacement Value
- Open Market Value



PROPERTY VALUATION – OPEN MARKET VALUE

The open market value – ‘the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion’ (RICS, 2003).

Dale (2000) states:

- Open market value requires adequate records of transactions
- Depends on the comparative method
- Local knowledge
- Data accessibility and dissemination
- Excludes special value

OPEN MARKET VALUE METHOD - FACTORS

- Use
- Location/neighbourhoods
- Building quality
- Planning regulations and controls
- Open market prices
- Time



PROPERTY VALUATION IN GHANA - OPEN MARKET VALUE CONSTRAINTS

Main method of valuation - open market value

Constraining factors influencing the use of this method are:

- Inadequate comparable property data
- Lack of a well developed formal property market
- Influx of unqualified estate agents
- Variance in demand – foreign and local demand
- High inflation and interest rates

OTHER CONSTRAINTS

- Landownership tenure systems which lead to:
 - ✓ unclear legal titles and to land
 - ✓ uncertainties in the legal institution of land title registration.
- Social factors:
 - ✓ Prestige
 - ✓ Relationships i.e. fraternity, family and tribal sentiments
- Other factors:
 - ✓ Inadequate knowledge on planning regulations
 - ✓ Lack of an addressing system for properties
 - ✓ Heterogeneity in construction of properties (residential properties)

Difficulty in quantifying some of these factors are a constraint on property valuations

CONTRADICTIONS – PROPERTY VALUATIONS IN GHANA

- High inflation and interest rates - difficulty in determining yields for capital investment in properties
- Land tenure systems – communal land ownership
- Social behaviors – Prestige and fraternity attached to property values
- Influence from foreign currency market,
- Inadequate formal data on properties
- Improper application of planning regulations

CONTRADICTIONS - SAMPLES



PRICE: \$65,000 (BORTINOR)



SAMPLE – Plot Sale

NTHC Properties (Crown Estates) - Located towards the eastern end of Accra's most prestigious East Lagon Residential Area and to the north of the Accra-Tema motorway.

Size: Acreage: 0,286
Total: Sq. Ft: 12,439
Selling Price: ~~12,439,432~~
Selling: 90 Years Lease from 2005
Well Laid-Out Bituminous Surfaced Roads Covered Drains Electricity, Water and Street-Lights Walled and Gated with Security

CONTRADICTIONS - SAMPLES

PRICE: \$45,000

Uncompleted building,
poor access, no address



Big un-inhabited residences



Beautiful first class
residential building with
undeveloped street

FINDINGS

- Inadequate formal data on property values affect capital investments in properties
- Influx of untrained real estate agents outside professional regulations affects property valuations
- Informal property market – difficulty in regulating property market
- Inadequate statutory controls on valuation practices

EFFECTS OF CONSTRAINTS & CONTRADICTIONS

- Real estate appraisals – mainly subjective and based on experiences due to constraints
- Hindrance to full exploitation of capital generation through investments in land resources for economic development
- Estate agents activities leads to distorted and unrealistic property values
- Inadequate statutory regulations and informal property market - attempts by Ghana Institution of Surveyors on regulating property valuations unsuccessful

CONCLUSION REMARKS

Need for:

- Formal property data system – data quality and accessibility
- Formalization of functions of the land/estate agents
- Formalization of the property market
- Statutory controls, strong institutional and legal support
- Clear legal title to land/property

THANK YOU