



INVESTMENT OPPORTUNITY IN KUMASI UNIVERSITY STAFF HOUSING

1.0 EXECUTIVE SUMMARY

The Kwame Nkrumah University of Science and Technology (KNUST) was founded in 1951 to provide higher education with special reference to science and technology and to act as a catalyst for the technological development of Ghana.

The University, one of the largest in Africa, currently has a student population of over 31,000. The University campus is situated about eight kilometres from the Central Business District of Kumasi. The campus covers an area of about eighteen square kilometres.

The university recorded a staff strength of 3,698 in 2012 comprising of 1,010 senior members (senior lecturers, junior lecturers and senior administrators), 992 senior staff (non teaching support staff with first degree) and 1,696 junior staff (support staff with less than first degree). The university provides accommodation for 274 (27.13%) senior members, 92 (5.42%) senior staff and 300 (17.69%) junior staff. The rest are burdened with the task of finding suitable accommodation close to the university. Non-resident staffs resort to finding accommodation in communities surrounding the university.

There are two major challenges facing the non-resident staff members; the relatively high rent advance demanded by landlords and the lack of university provided security for those residents in the communities surrounding the university. An average three bedroom apartment or housing unit will cost an estimated USD1, 894 per annum, however landlords demand on average 3 years advance rent (*drawn down each month for the rent*) which cumulates to over USD5, 682. The second challenge which is more pertinent is the increase in armed robberies in communities around the university. Non-resident staff do not benefit from security and other services provided by the university. In the first week of 2012/13 academic year an estimated 5 armed robbery attacks and 2 theft cases affecting about 32 victims was recorded in the university's surrounding communities.

KNUST recognises the need to have on-campus staff housing facilities and is willing to partner with potential investors to undertake this project. The university in its 2005-2014 strategic Plan identifies on-campus staff housing as one of its key priorities, thus its initiative of promoting this investment opportunity. The university is willing to provide land and other technical support from its college of Architecture and Planning. The growing shortage of staff housing and the willingness of KNUST to provide land on campus present a promising investment opportunity for the project.

2.0 INTRODUCTION TO THE ASHANTI REGION AND KUMASI

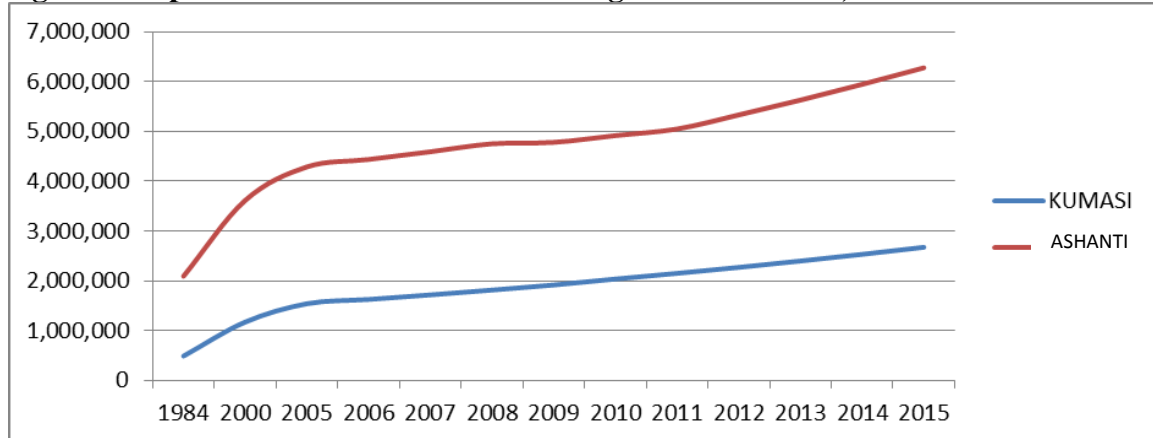


With some 5 million inhabitants (4,780,380 according to the 2010 national census), the Ashanti Region is the most populous region in Ghana. The region occupies a total land area of 24,389km² (approximately 10 percent of total land in Ghana) and has Kumasi as its regional capital.

Kumasi is located centrally in the Ashanti Region, forming an important transport and commercial hub for both domestic and international traffic. It is the key transportation link between the south and north of Ghana as well as the surrounding landlocked countries. It has a national airport with several flights a day to Accra, Tamale and Takoradi.

Kumasi's daytime population is estimated to reach 2.5million people because of its role as a commercial centre. Officially, Kumasi recorded 2,035,064 inhabitants in 2010. The city's population is growing fast; it has almost doubled since 2000, from a little over 1 million people.

Figure I: Population Trend: The Ashanti Region and Kumasi, 1984 to 2015



Source: KMA Statistics, 2012

Kumasi's strategic geographic location makes it a brisk commercial and administrative centre, and it is often regarded as the commercial capital of Ghana, with West Africa's largest open-area market, the Kumasi Central Market. Estimated market reachable within 1 day of ground travel is approximately 12 million consumers (Ashanti region and surrounding regions, approx. half of Ghana's population).

Kumasi has already proved attractive to a number of large foreign investors. Agro-processing giant Archer Daniels Midland (ADM) has been operating a cocoa processing facility in Kumasi since July 2009. Other major players with active presence include Coca Cola and Guinness which both have bottling plants in the City. Other international companies with offices in Kumasi include Maersk, Barclays Bank, Standard Chartered Bank and Unilever, which has been operating in Ghana for over 70 years.

Ghana is divided into ten administrative regions. Each region is headed by a Regional Minister appointed by the President. The principal units of local government are the district assemblies. There are three kinds of districts in Ghana – districts, municipalities and metropolis. Between the



district assemblies and the central government are the regional coordinating councils. The role of these bodies is to administer and coordinate policy implementation at the local level. Kumasi is administered by the Kumasi Metropolitan Assembly, with the Mayor serving as the city's chief executive officer. The Ashanti region as a whole is under the purview of the regional minister.

The institution of chieftaincy is very pronounced in the Ashanti region and plays a significant role in its management, especially in the area of land administration. Most land in the Ashanti is administered by the Asantehene (Ashanti King) and relatively small portions belong to the state under the administration of the Lands Commission. The Asantehene is assisted by a variety of chiefs ranging from paramount, divisional and sub chiefs, stool and clan elders who all play roles in land acquisition with the Asantehene playing the ultimate role.

Kumasi is home to numerous educational institutions, including the largest science and technology university in Ghana and in West Africa, the Kwame Nkrumah University of Science and Technology (KNUST), which has a student population of over 31,000 students comprising both undergraduate and postgraduate students.

Kumasi's location at the centre of the Ashanti Region and of Ghana, coupled with its good road network and airport, makes it the preferred trading centre for most of the surrounding regions and is an important commercial centre for West Africa. Kumasi serves as the commercial hub for the neighbouring Brong-Ahafo region, the three northernmost regions of Ghana, and parts of the Western and Eastern regions, creating a potential market of about 12 million people. An investor can access landlocked Burkina Faso, Mali and Niger with a total potential market of over 48 million people. Merchants from these landlocked countries trade at the Kumasi Central Market, West Africa's largest open air market — to the extent that a section of the market has come to be called the "French line".

Through Ghana's membership in the Economic Community of West African Countries (ECOWAS), Kumasi potentially serves an even larger market of over 250 million people.

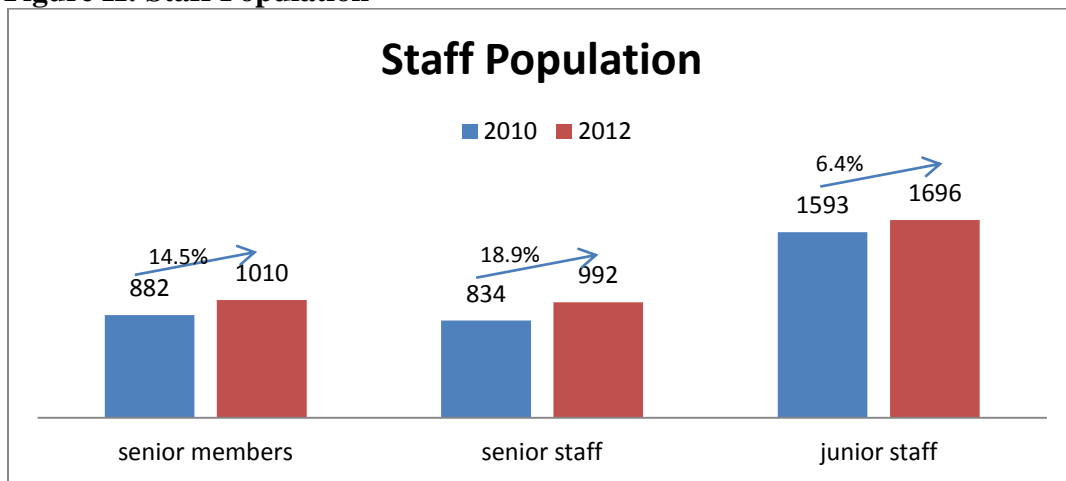
3.0 MARKET OPPORTUNITY

3.1 Staff Population

KNUST on the average has recorded a steady increase in staff numbers over the years. Between 2010 and 2012 the number of staff increased by 11.8% from 3,309 to 3,698. The total number of senior members, senior staff and junior staff increased by 14.5%, 18.9% and 6.4% respectively.



Figure II: Staff Population

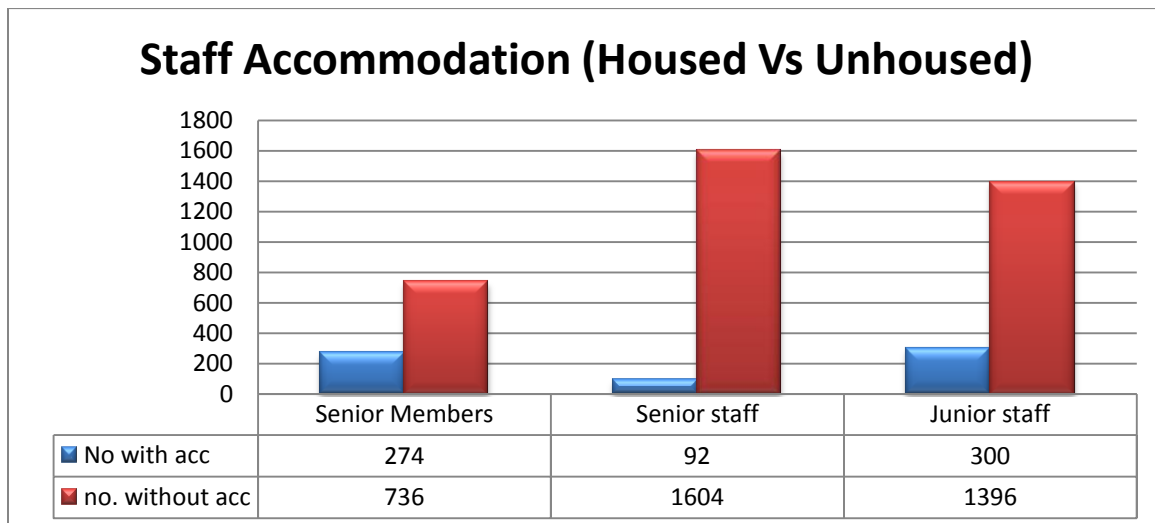


Source: KNUST Statistics

3.2 KNUST Staff Accommodation Status

The university recorded staff strength of 3,698 in 2012 comprising of 1,010 senior members, 992 senior staff and 1,696 junior staff. The university provides accommodation for 274 (27.13%) senior members, 92 (5.42%) senior staff and 300 (17.69%) junior staff. The rest are burdened with the task of finding suitable accommodation close to the university. The university however provides rent subsidy for staff without accommodation. The subsidy ranges from 40%-50% of staff's basic salary per month.

Figure III: Staff Accommodation (Housed Vs Unhoused)



Source: KNUST Statistics



3.3 Housing Rents

Un-accommodated staffs have to find accommodation in communities around the university. These communities include Kentinkrono, Bomso, Ahinsan and Ayiduase. However these communities do not provide adequate security. Staffs are also exposed to the relatively high rent advances charged by Landlords as a result the of the high demand.

The Rent Control Board under the Ministry of Works and Housing is mandated to supervise issues relating to rents and tenancy. They are however unable to undertake this responsibility because the Rent Act which was enacted in 1963 needs some amendments and additions to make it more functional.

Finding accommodation in Kumasi and most parts in Ghana is usually undertaken through an “Agent”. Agents are individuals with knowledge of vacant housing facilities. They would lead an individual to a vacant facility at a service charge of 10% of the rent advance. The Rent Act 1963 (225) prohibits any landlord from taking rent advance of more than 6 months, but due to poor regulation and supervision, landlords charge a minimum of 2 years and in most cases 3 years rent advance. A survey of 10 Agents indicates that rent rates have increased by an estimated 35% from 2006 to 2012.

Table I: Rent Rates for Property in communities around KNUST

<i>Rent Rates for Property in communities around KNUST</i>		
Accommodation Type	Average Rent Rate per annum (USD)	
	2006	2011
Two bedroom apartment	1,026	1,579
Three bedroom apartment	1,232	1,895
Four bedroom apartment	1,437	2,211

Source: Field Interviews

4.0 WHY BUILD RESIDENTIAL REAL ESTATE IN KUMASI?

Demand: The University does not provide accommodation for over 70% of senior members, 90% senior staff and 80% junior staff. Considering the growing security concern for housing facilities outside campus and the relatively high rent advance, a considerable number of these staff will be willing to relocate to on-campus housing facilities.

Security: Most off-campus hostel facilities, though close to the university do not offer adequate security.

Availability of Land: KNUST is willing to provide land on the campus for the development of the development of on-campus private hostels. The university is willing to lease land for 40 years to prospective investors at a one-time premium of GHC50,000.00 (USD 25,000) per acre and a ground rent of GHC1,000.00 (USD500.00) per year per acre of land.



Technical Support: The University's College of Architecture and Planning is available to offer technical support to a potential investor at a subsidised fee.

5.0 SUPPORT PROVIDED BY KUMASI MUNICIPALITY AND KUMASI REGIONAL ADMINISTRATION

The Kumasi City Investment Promotion Unit (KCIPU) of the KMA will assist potential investors to liaise with the university's officials. It will also assist potential investors in securing building permits for their projects

Building permits, issued by the KMA, grant a prospective developer permission to construct buildings or related structures in an approved location, within a set time frame and in line with local or national building regulations. The permit provides the necessary guarantee that a proposed building or related structure is to a large extent suitable for construction

6.0 INVESTMENT INCENTIVES

Availability of Land on campus for the development of the hostel facility.

The International Finance Cooperation (IFC) of the World Bank Group is also very active in providing support for the real estate sector in the country. Under the SECO IFC Ghana Primary Mortgage Market Initiative, IFC is providing partial credit guarantees and advisory services to local banks, to help them play an active role in the housing sector.

7.0 FURTHER INFORMATION AVAILABLE

Ghana Investment Promotion Centre: GIPC Act 418 (1994)

Kwame Nkrumah University of Science and Technology Strategic Plan 2005 to 2014

Kwame Nkrumah University of Science and Technology Basic Statistics 42nd – 46th Congregation

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- August, 2013

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