

WHY BUYERS ARE ULTIMATELY RESPONSIBLE FOR THE LACK OF QUALITY IN THE RESIDENTIAL PROPERTY MARKET

In this two part article we want to focus on quality, and the lack thereof in the real estate market. Our heading is by intention provocative but we feel there is a significant truth to this position and only by exploring this proposition can we move forward in alleviating the quality gap in the Ghanaian property market.

When taking an honest and impartial look at the residential offerings in Ghana, two facts are immediately apparent:

- There are a small number of world class developments, so it is clearly possible to deliver a quality product in this market; and
- The majority of product available to the market is of poor quality, and yet demand remains high.

Developers are not incentivised to focus on quality, because the market is not punishing substandard offerings. By continuing to buy product of poor quality, homeowners are allowing unskilled or unscrupulous developers to remain relevant and in business. Only when buyers refuse to spend their hard earned cash on inferior homes will most developers stop cutting corners and focus on quality.

In the UK, legislation affords buyers significant protection and the standard between developers seldom differs much. In Ghana however, buyers need to self-regulate which requires buyers to be more involved and switched on. This requires two things:

1. Correlation between Quality and Build Costs

First, buyers need to accept that there is a direct correlation between quality and build cost. That is not to say that one developer cannot build the exact same quality building for less than another; that is an important value add that a skilled developer has. But in general all things remaining equal, just like a Ferrari costs more than a

Mazda, the cost of a building differs significantly depending on the quality. The main areas that affect cost and quality are:

- Structural integrity: unscrupulous developers who are unconcerned with the safety of their buyers save costs by taking shortcuts in the design of structural elements which may result in collapse.
- Design: Developers can save costs by using less experienced and less qualified professionals or by shortening the design phase. Typically this results in sub-standard designs and poor solutions (electrical, heating & cooling, plumbing...). This may be a simple issue of aesthetics or a more complicated issue like natural ventilation. Good residential design requires a significant effort in ensuring that the built environment enhances the way people live.

While good design enhances the living experience, bad design detracts from it. These elements are often subtle and less obvious, but not having them, or having them placed incorrectly, would materially affect how people enjoy their space. Light switches should fall to hand; plug points should be positioned where they are going to be required; circulation space should be reduced and living space increased; provision of backup services (water and power) should be seamless; and running costs should be minimised.

This process requires creativity, detail, interrogation, co-ordination and many, many iterations to get it right.

- Quality of material: this typically refers to the actual quality of the finishes, for example the tiles, air conditioner, balustrades, fitted kitchens, sanitary wear, generator etc.
- Workmanship: This refers to the quality of the installation of both the wet and finishing trades. If quality control is not implemented constantly on site, it is almost impossible to deliver a quality project. The cost of supervision and better contractors adds to the cost of the development.
- Utilities: Costs are driven both by what utilities are being included and their individual quality. For example in Beaufort Ridge we have included, as do many

developers, back up water, a bore-hole, a generator and internet. Unlike other developments, at Beaufort Ridge, our back up water provides 72 hours of supply, our generators includes full redundancy (+ a second generator) and our internet provision is by way of a fibre optic backbone which is connected directly to the Vodafone fibre network. All of this comes at a cost.

- Amenities: amenities all drive up overall build costs and these costs need to be amortised over all the apartments. Amenities include underground parking, swimming pool, gym, club house etc
- Supervision: Having a skilled team with experience, giving attention to detail and overseeing all elements of the buildings is crucial for quality. The contractor, the professional team and the developer are responsible for this service. Good people cost money and many developers cut corners in this regard.

Last week we looked at the correlation between the quality of a structure and the associated build costs. This article we will look at what to keep in mind when choosing your home.

2. Detailed Approach to Choosing your Home

Second, buyers need to take a much more detailed approach to choosing the homes/apartments they buy. Buyers have a duty to research the market, ask detailed questions of developers and compare one development to another. Price must be a factor, but so must quality. Buyers must understand exactly what they are buying and what the price actually reflects. This may sound daunting for people who are not real estate “experts” but it does not need to be so. Buyers do not need to become builders or developers themselves to make the right decisions. A few key questions will give buyers the insights they need and will quickly highlight who the good developers are. The issues to look out for are:

- Is it all about the money or do they care about their customers and the product they are selling? Speak to the developer, try and understand their motives. Do

they understand their product? And can they clearly articulate its respective merits.

- How experienced is the developer and what technical skills do they have? Ensure the developers have both. Technical skills are important but it is really on jobs that people learn and gain practical skills. Remember, experience in itself is not enough; you want experience of doing a good job and working in the right way. The developers are the conductors - it is their brand and their product. They drive the standards of the product and they ensure the wider team is being asked the right questions and delivering. Ask to see what work they have done. Ask what they are doing differently on this job.
- Do not only speak to the sales team, ask to speak to some of the technical team and those directly responsible for design and project management.
- Who is the professional team? What is their experience? What work have they done before? All the professionals are important, not just the architects. Typically the best professionals work for themselves and not in-house for developers.
- Ask to see some of the architectural and electrical drawings. Ask for someone to explain the drawings to you. After looking at a few drawings from a few developers it will quickly be apparent who is being detailed and is thinking about the issues and who is not.
- Ask about the amenities on offer. This affects quality and how people live but also there is a cost associated with them. Why did they choose these amenities? How was the privacy of homeowners considered when designing the amenities?
- Back up utilities: who designed them? What is the redundancy they have been designed for? How much power can the generator produce? How much back up water can be stored? What is the internet solution?
- Ask some technical questions. For example how has the design and construction process taken into account the heat in Ghana? How energy efficient are the cooling solutions?

- Who are the major contractors and major sub-contractors (electrical and plumbing)? Are they experienced? How experienced are they in this type of construction?
- Quality of the finishing materials: what tiles, air conditioners, kitchens, sanitary fittings and fixtures have been chosen.
- Supervision: Who is responsible for supervision? Who checks the contractors work? How often does this happen?

Conclusion

Ghana sits with a massive under supply of homes. When you factor in the large growth in the economy and the difficulty for new supply to come to market this divergence should continue. When you then factor how little of the supply is quality, it highlights what massive opportunities exists for buyers who buy high quality assets in Ghana - they will get outsized capital appreciation and better rental yields than the average. To get this buyers have to be smart, do some work, ask questions and compare the products in detail. It should become very clear who you want to work with.

Good luck

Author: **Beaufort Properties team**

Website: www.beaufortghana.com