



## Analyzing Risk of Student Hostel Investment: The Case of Private Investors

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### ABSTRACT

In recent times, there has been a rapid growth of private student hostel (PSH) in Bamahu an area in the Upper West Region, Ghana. This paper aims on ranking the risk types in student hostel investment (SHI) from the highest and commonest to the least and rarest. The study involved a sample size of 72 respondents from private student investors in Bamahu. A self-administered questionnaire was administered to respondents; in effect a 94% response rate was used for analysis. The findings indicate correspondingly from the highest to the lowest; management being the highest risk, environmental risk, inflation risk, legislative risk, liquidity risk, interest rate risk and financial risk being the lowest experienced risk. Among the recommendations are the need for professional student hostel managers, thorough market studies should be undertaken before embarking on this type of this investment. Educate private student hostel investors by GREDA on the risks involved in this kind of investors and the reduction of interest rates.

**Keywords:** Investment, Real Estate, Risk, Student Hostel.

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### 1.0 Introduction

Today, university education has moved from being only a vital qualification in the attainment of jobs to the provision of high level manpower needed for the socio-economic development of the country. This insight, coupled with the implementation of the educational reform programmes has resulted in an increase in enrollment of students in the major tertiary institutions in the country with its resultant accommodation obscurities. The expected expansion of residential facilities has not materialized and hence, has created the existence of two categories of students-resident and non-resident. Statistically, over 60 percent of students in most of the tertiary institutions are non-resident (Asare-Kyire, Appienti, Forkuoh, & Osei, 2012)

Student enrolment in higher institutions has been increasing in recent times, and it is anticipated that there has been about 160% increase in tertiary education globally (Sharma, 2012).

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Nonetheless, the enrolment rate in tertiary education in Ghana was estimated at 9.7%, though this may be low as compared to that of developed countries that stood above 50% (Nimako and Bondinuba, 2013). This clearly points out a vast increase in student intake in tertiary institutions. However, in many countries of the world, the provision of accommodation facilitates for tertiary students continues to remain a challenge for the government (ibid). In effect one of the vital issues of concern to education management is the issue of students' accommodation globally. In many developed and developing countries, governments are not able to adequately provide accommodation for students who successfully gain admission to pursue various programmes of study in higher institutions.

In responding to the accommodation problem and students demand for places of residence, the private sector has led to the springing up of hostels on and off the University campus. Some private student hostel investors in Bamahu have no in-depth knowledge about the risks associated in real estate investment. Risk is a measure of dispersion or spread of possible outcomes (Brealey et al, 2008: Copeland et al, 2005). This spread of possible outcomes could positively favour the real estate investor or negatively affect the investment. Positively favouring the investment here could mean an unexpected increase in returns.

Negatively, risk could also mean the unexpected decrease or fall in output or returns due to various unconsidered factors. Real estate investors consider the negative side of risk as an important issue since it poses much threat to an investment. A student hostel is defined as a student-housing facility built by private developers either alone or in partnership with the university to accommodate and cater for student needs (Badu and Amalov, 2006).

In this project work, our main research area is to identify the risks associated with real estate investment. The research objective is to identify the various risks associated with student hostel investment using Bamahu as our case study area.

### **1.1 Problem Statement**

The problem of this study is propelled by two important factors. The first is that there is the need to examine the types of risks faced by private student hostel investors in Bamahu. Second, there is the need to rank these risks, to know the most prevailing risk in the area of study. The current establishment of both public and private tertiary institutions has created opportunities for private investors to invest in student hostels. Some private investors have rushed into this venture without due diligence to the associated risks involved. The potential gains and lucrative nature of this investment tend to overshadow the consequences of the potential risks involved; as a result, these investors are competitively becoming more involved in this industry.

The identification of various risks in real estate investment is necessary because of the presence of the University for Development Studies (UDS) which has created an influx of investors in private student hostel facilities. Most of these investors have little or no knowledge on risk associated to with student hostel investment and how to manage them such risks.

The absence of adequate UDS residential facilities has led to the demand for more private student hostels. This leaves the private investors to cater for the huge percentage of the student population who are not in the University's residential facilities (school halls) to complement government's efforts. However, some of these private investors do not have the capacity to assess, avert and control risks associated with student hostels.

On the whole, most student hostel investors fail to undertake risk analysis in order to know the various risks likely to affect them and how they are managed. These investors may end up losing

their returns or even their capital completely. This study therefore seeks to bring to the fore the various risks and inherent risks associated with student hostel investment using the University for Development Studies, Bamahu, as the case study.

### 1.2 Research Objectives

The purpose of the research was to identify various risks in student hostel investment.

- To identify the various risks affecting student hostel investment.
- To find out the inherent risk in Bamahu Hostel market.

### 1.3 Scope of Study

The study focused on identifying the risks in student hostel investment encountered by private investors in Bamahu in the Upper West Region of Ghana. We considered private hostels in Bamahu. This study investigated the risks encountered by student hostel investors and focused on seventy two (72) private student hostels in University for Development Studies, Bamahu.

### 1.4 Population and Study area

The population for a study is that group (usually of people) about whom to draw conclusions (Babbie, 2005). The target population for the study is all purpose-built student hostel private investors in Bamahu, a suburb of the Wa municipality. Bamahu is located in the north eastern part of Wa. A lot of hostels are located in this area this is because of the presence of UDS. There are about eighty five (85) purpose built hostel in Bamahu (Field survey, 2013). The major activity in this area is farming, building and letting out of space to students by some real estate investors. Some properties in the area owned by the indigenous people are built with clay and sand blocks. The community is topographically undulating with few hills.

All-purpose built private student hostel investors in Bamahu are the target population. With our confidence level of 95% and a margin of error of  $\pm 5$  a convenient sample size of 72 was chosen from a population of 85 purpose-built student hostel investors.

A purposive sample strategy was adopted to choose the kind of respondent needed for the study, thus investors of purposely built hostels. Also a convenient sample strategy was employed because it was easier to identify participants since the area has a high concentration of student hostels.

## 2.0 Literature Review

### 2.1 Real Estate Investment

Real estate involves the purchase, ownership, management, and rental and or sale of a real estate for profit. Growth of real property as part of a real estate investment strategy is generally considered to be sub-specialty of real estate investing called real estate development. Therefore, real estate investment involves the purchase of landed properties for various purposes such as residential, commercial, industrial, or even agriculture (Lambert et al, 2010). However, real estate as used in this context refers to the physical land and appurtenances including structures affixed thereto. This is sometimes referred to as real property. Yet, the goods traded in the property market are not physical units of land and buildings but rather, legal rights over land and buildings (Fraser, 1993).

Usually, decisions relating to real estate investment are different from other investment forms because of the huge sums of capital involved. This limits the number of real estate investors. Additionally, real estate has a long economic lifespan. As a result, money invested will be locked up in the property for a long period, over which incomes will be generated. Moreover, there is

the opportunity of debt financing, which is the opportunity to borrow money on a property at an interest rate lower than the rate at which the property earns. This is necessary because most people cannot afford to purchase real estate outright and this is desirable, because the use of credit provides the opportunity for financial leverage and the possibility of a higher rate of return on the money invested (Shilling, 2002).

One of the beneficial features of real estate is that it produces relatively consistent total returns that are a hybrid of income and capital growth. In that sense, real estate has a coupon-paying bond-like component in that it pays a regular, steady income stream, and it has a stock-like component in that its value has a propensity to fluctuate. Moreover like all securities, investors that have long positions in them would prefer the value to go up more often than it goes down (IanWoychuck, 2011).

The income returns from real estate is directly linked to the rent payments received from tenants, minus the costs of operating the property and outgoing mortgage or financing payments. So, investors must understand how important it is to keep your property always occupied. If you lose too many tenants, you won't have sufficient rent being paid by the other tenants to cover the building operating cost. The ability to keep a building fully occupied depends on the strength of the leasing market. That is, the supply and demand for space similar to the space available to lease. In weaker markets with oversupply of vacancies or poor demand, you would have to charge less rent to keep buildings fully occupied than in a strong leasing market. Unfortunately, if rents are lower, income returns are lower (ibid).

## 2.2 Income Producing Real Estates Investments

Generally, properties are capable of generating income. There are two types of income producing properties. These are residential properties and non-residential properties. Residential properties are properties that provide dwellings for individuals or families. Although hotels and motels can also be thought of as providing residence, they are considered to be transient or temporary residence and thus are not categorized as residential property (Brueggeman and Fisher, 2008).

A property is said to be residential if 50% or more of the floor space in the structures on the property properties consist of a group of rooms occupied by a family or persons unrelated but live together (CurrentConstruction Reports, 2012). Non-residential properties refer to properties other than housing. It includes a wide variety of property uses including commercial uses such as (offices, banks, retail outlets, restaurants, and hotels), industrial uses such as pipelines and railways right of way (Mcluskey et al, 2012).

## 2.3 The Nature of Real Estate Investment Risk

The capital committed to the acquisition of assets and the expected returns are exposed to risk. This implies there is no risk-free investment because investment is seen as the purchase of future earnings and between the time when the investment is actually made and when the returns are reaped; a lot could happen to change the expectations of the investor. All investments therefore involve a future which is unknown. Generally, the greater the exposure to risks the higher the rate of return expected by the investor as reward for bearing those risks. (Hargitay and Yu,1993) further observed that, the degree of variation of possible outcomes from a decision or action is usually associated with risk. Narrowing it down to real estate, its associated risks come from many sources. For example, a downturn in the economy will reduce the demand for real estate (Shilling, 2002).

Real estate investments have additional risks because they are fixed in location. Hence, changes in the relative attractiveness of a particular location or changes in the local economy may

adversely affect the use of real estate idiosyncratically (ibid). Again (Shilling, 2002) drew attention to the fact that property is a very risky investment. He also related failure to consider risks by investors to their inability to not only receive inferior returns, but also lose their invested capital. He also pointed out that investors need to identify their attitudes to risks since some investors are more inclined to accept risks than others. Most rational investors are not likely to take investments without careful identification and assessment of the risks involved.

He remarked that in practice, these assessments are crude as the more sophisticated theoretical approaches turn to be too difficult to understand for most investors. Moreover, before investigating alternative investments the investor must determine the desired levels of risks and returns. Determining risk and assigning a risk premium to an investment are highly subjective undertakings. Thus, a number of methods have been used to put risk in perspective. By using these risk-analysis methods, the investor can obtain better insight into the risks associated with an investment to aid their management in order to reduce their adverse consequence. Knowledge of the types and sources of risk is however needed in order to achieve this.

#### 2.4 Types of Real Estate Investment Risk

Most risks associated with real estate are either business risk or financial risk but other risks do exist (Shilling, 2002). The types of risks in real estate investments are given as; environment risk, financial risk, interest rate risk, legislative risk, liquidity risk and management risk, inflation risk (Brueggeman and Fisher, 2008). These different types of risk can however be classified as either systematic or unsystematic, or both, depending on whether all properties are affected simultaneously by that risk factor as in the case of economy recession, or whether the risk is peculiar to only a particular property as in the case where the change of land use of an adjoining property negatively affects demand for a property (Reilly and Norton, 2003).

#### 2.5 Student hostel Investment Risks

Student housing has become more prominent to investors in recent years for good reasons. We define student housing as housing primarily dedicated to undergraduate and graduate students where the leasing unit is often by room or bed and not an entire residential unit. Student housing is now a viable investment vehicle for institutional investors as it offers opportunities for strong cash flows and total returns, low volatility, generally higher yields than comparable multifamily product, and increasing investor choice with respect to assets and markets. Though not without distinct operating challenges, student housing investment is compelling and is likely to attract an increasing number of investors (Clarion Partners, 2012).

The student hostel is designed for multi-unit housing with quality life safety and quality management. Residential property is subject to many risks, several of which are unique to the sector. According to (Mackmin,2008), the risks associated with residential property also include risk to income, risk to capital and management risk. However, because property is fixed in location, the investor must be mindful of the effect that changes in the economy and the local environment may have on the investment.

### 3.0 Empirical Data

#### 3.1 Respondents' Background

Table 3.1 shows the sample size was 68(100%) respondents. Respondents for this data were mainly investors in student hostel. However 19(28%) respondents were office workers, 13(19%) were traders, 4(6%) were farmers, and 33(47%) of them had different occupations. Table 3.1 further indicates that 38(56%) of the respondents were the owners of the student hostel whiles 30(44%) were caretakers and answered on behalf of the landlords. Again out of 68 respondents,

3(4.5%) were JHS leavers, 5(7.5%) were SHS leavers, 40(59.7%) had their tertiary education and 11(16.4%) were illiterates.

**Table 3.1:**The Respondents information

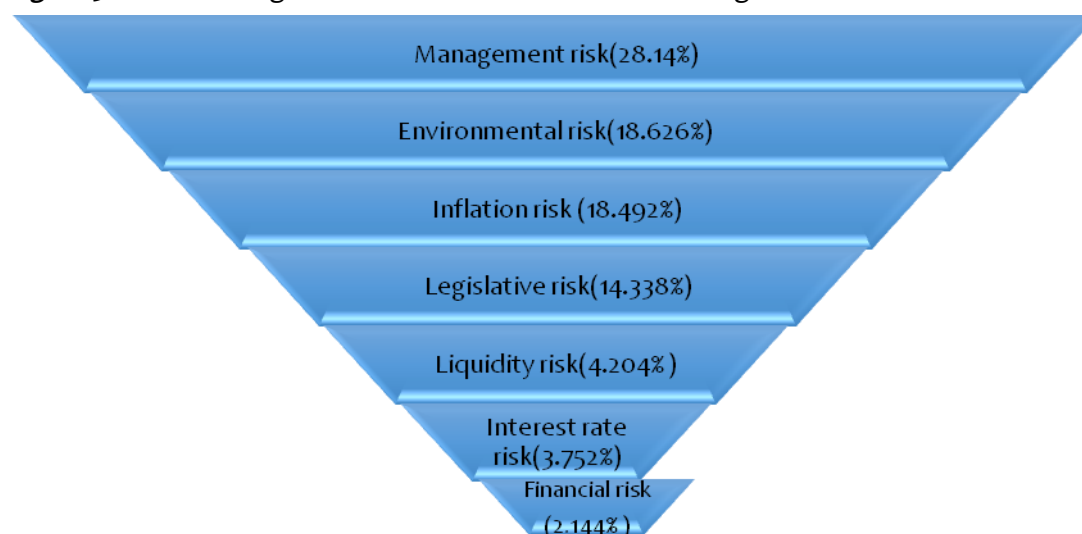
<b>Occupation</b>	Clerical	Trading	Farming	Others		<b>Total</b>
Frequency	19	13	4	33		68
Percent %	28	19	6	47		100
<b>Educational Level</b>	JHS	SHS	Tertiary	Illiterate	Others	<b>Total</b>
Frequency	3	5	40	11	8	68
Percent %	4.5	7.5	59.7	16.4	11.9	100
<b>Owner of the Hostel</b>	No	Yes	<b>Total</b>			
Frequency	44	38	68			
Percent %	44	56	100			

**Source:** Field Survey, 2013.

### 3.2 Risk Ranking

Pair-wise ranking was used identify the highest and lowest ranked risk type among student hostel investment as an income producing investment. It allows the comparison of different investors' risks to be made in a participatory way. Figure 3.1 shows the Pair-wise ranked risk of student hostel investment in Bamahu. It shows financial risk was the lowest encountered risk with 2.144% in Bamahu and management risk was the highest encountered with a percentage of 28.14%.

**Figure 3.1:**The Ranking of student hostel Risks in descending order.



**Source:**Field Survey, 2013.

The table 3.2 out of 68 respondents, 62 representing 91.2% have title to their documents and 8.8% do not have documents indicating ownership of investment.

**Table 3.2:** The title to student hostel investment.

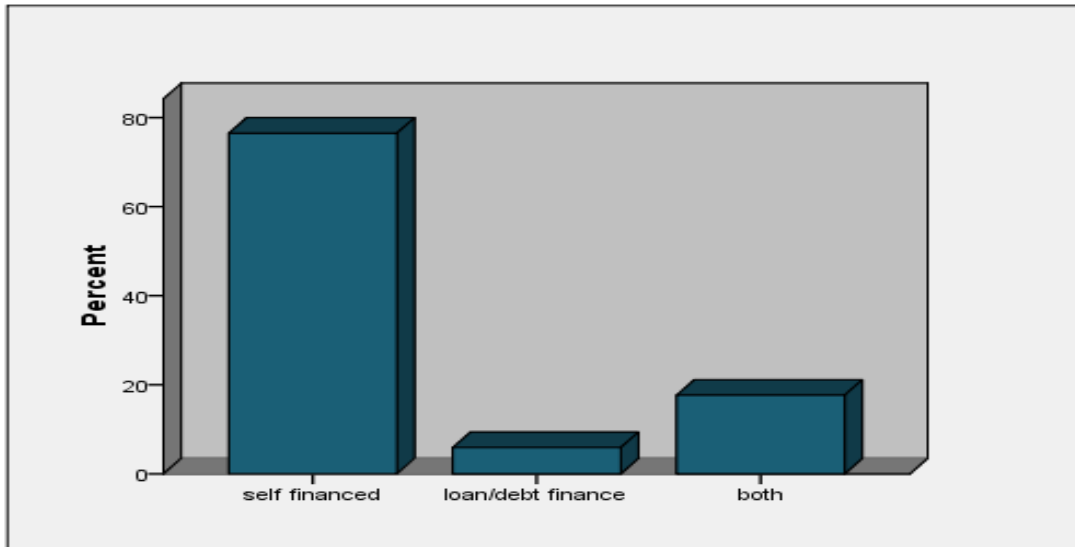
<b>Responses</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Yes	62	91.2	91.2	91.2
No	6	8.8	8.8	100.00
Total	68	100.0	100.00	

**Source:** Field Survey, 2013.

### 3.3 Student hostel financing

As a result of financial risk being the lowest encountered risk, figure 3.2 shows that 76.47% of the respondents self-financed their hostel and the use of debt was low which scored 5.88%. However some investors used both thus 17.65% of the sample used loan and saving.

**Figure 3.2:**Financing the Student hostel



Source: Field Survey, 2013

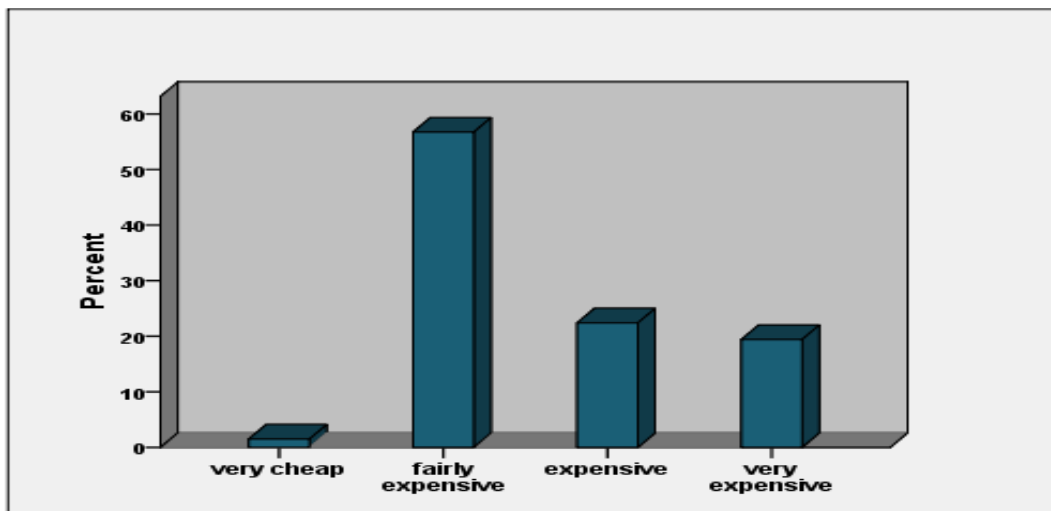
### 3.4 The Interest on Loans and Its Effects on Investment Returns

Figure 3.3 shows that 15(22.1%) investors used loans. 9% out of 22% said it affected them greatly, while 7% stated it was “just enough”. However 3% said it was not helping in any way because it was insignificant and not reflecting in their returns. Moreover, figure 3.4 indicates that 15% out of 22% stated interest on loans were very high. 4.4% stated it was just enough. 1.5% stated it was generally low.

### 3.5 Structural risks

This is the risk of high repair and maintenance costs. Figure 3.5 indicates that 55.9 % of the respondents stated that maintenance cost was fairly expensive, 22.1 % said it was expensive, 19.1 % said it was very expensive and 1.5 % said it was very cheap.

**Figure 3.5:**The Cost of Maintenance of Student Hostel

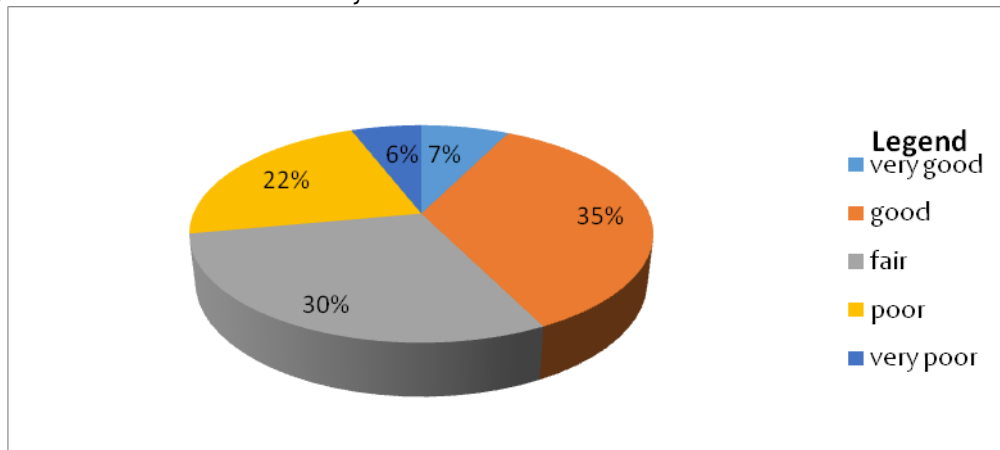


Source: Field Survey, 2013

### 3.6 The Rate of Damage and Maintenance of Student Hostel

Figure 3.6 illustrates that only 1.5% of the respondents never renovated. This was because they are new hostels a year old. 35.3 % had routine maintenance occasionally thus every two years and 54.4 % renovated frequently, thus yearly. Also, 8.8 % of the respondents had renovations very frequently thus every trimester. Student hostels in Bamahu Investors properties are therefore at the risk of high repair and maintenance costs because of their frequent and fairly expensive nature, making them open to this type of risk. Moreover, figure 3.7 indicates that 24% of respondents reported damage to their hostels are low, also 22% had very high damages on their hostels. 25% of respondents reported moderate damages to their hostel and 16% however had high damages to their properties. Although 23% reported damage to their hostels were low, 13.2% reported it was “very low”.

**Figure 3.8:**The treatment of hostel by student

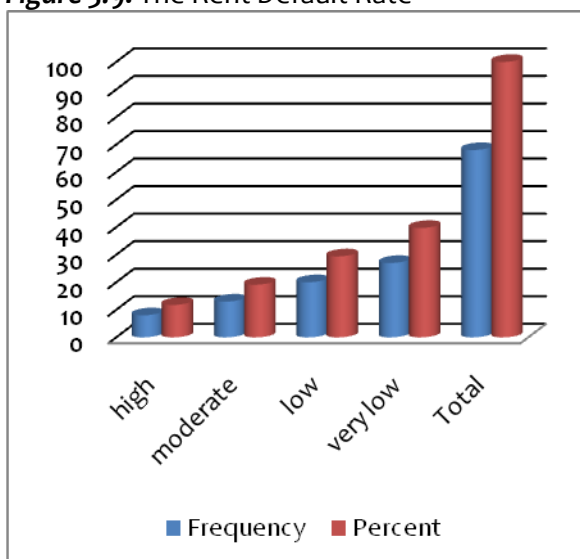


Source:Field Survey, 2013

### 3.7 The Rent Default and Payment Rate

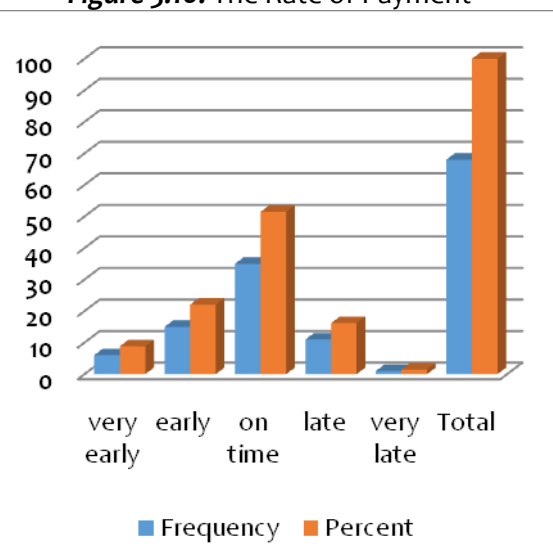
Figure 3.9 shows that 40% of respondents stated that rent default was very low, while 30% stated it was low. However, 19% stated it was moderate although 11% stated it was high. Also, figure 3.10 indicates that 51.5% of the landlords stated that students paid their rent on time, 22.1% stated that mostly rents were paid early while 8.8% stated rents were paid very early. 16.2% of respondents received rents late and 1.5% received rents very late.

**Figure 3.9:** The Rent Default Rate



Source: Field Survey, 2013

**Figure 3.10:** The Rate of Payment



Source: Field Survey, 2013

### 3.8 Tenant-Landlord Disagreement Rate and Tenant Improvement Rate



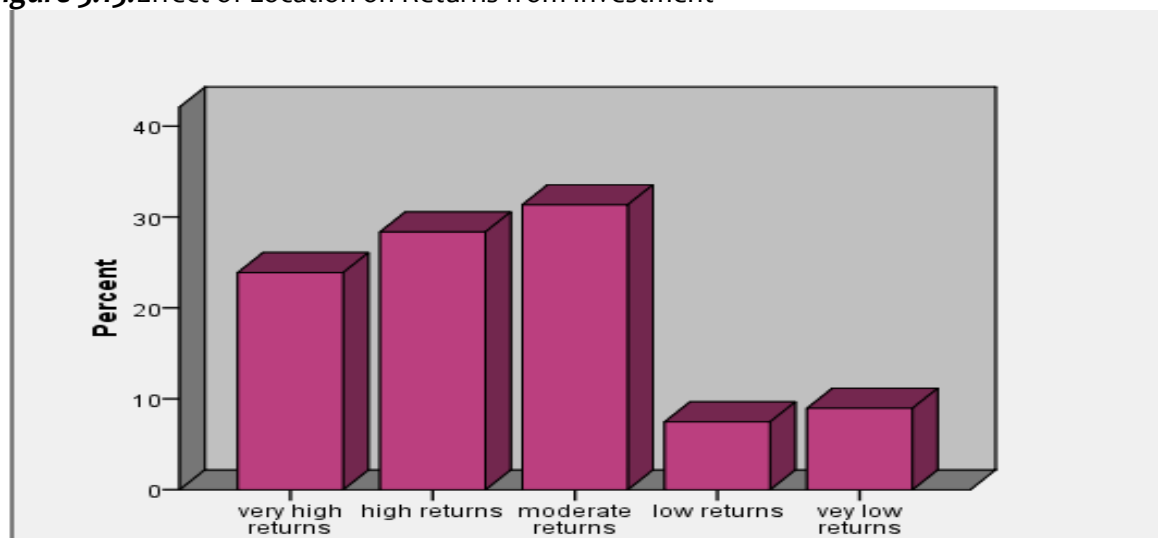
Figure 3.11 shows that 12% of respondents have very high disagreements with tenants. 18% stated that disagreements with students were moderate. On the other hand 19% stated tenant-landlord disagreement was high in their hostels. Moreover, 26% stated disagreements with tenants were low but 25% stated it was very low. Figure 3.12 also shows that tenant improvement rate is very high in their hostels, while 18% stated it was high. Although 28% stated tenant improvement was moderate, 15% stated it was low. 3.1% also said it was very low.

**Source:**Field Survey, 2013

### 3.9 Sector Risks

Figure 3.13 elaborates that based on the location of these hostels 31% of the hostels obtained moderate returns, while 28% obtained high returns. 25% had very high returns and 7% had low returns and 9% very low returns.

**Figure 3.13:**Effect of Location on Returns from Investment



**Source:** Field Survey, 2013

### 3.10 Legislative risks

Figure 3.14 illustrates that, approximately 36% of the respondents strongly agreed that new laws or decisions made by the central administration of the university, like the increase of student intake in the university affect them positively. On the contrary 27% also strongly disagreed to that statement. However 19% decided that their course of action neither affects them positively nor negatively. The rate at which respondents agreed was 8% and disagreed 10%. Figure 3.14 shows that 53% of the respondents strongly agree that the cut down of intake in admission negatively affect investors returns. Also, 21% agreed to that statement and 10% were neutral in the sense that government policies didn't really perk up or trim down their investment returns. 3% disagreed and 13% strongly disagreed to this statement.

**Figure: 3.14** The increase in student intake.  
Improves Tenant Rate

**Figure: 3.15** The down of student intake.  
Reduces Investment Returns.

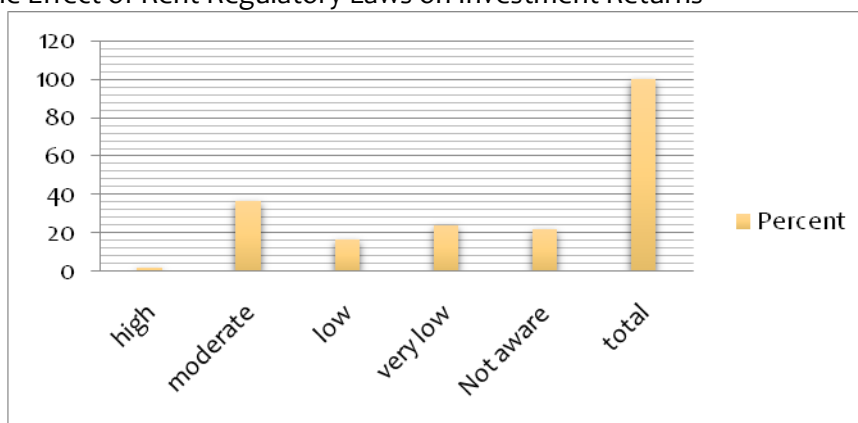
**Source:** Field Survey, 2013

### 3.11 The Rent Regulatory Laws

However, figure 3.16 illustrates that 22% of investors are not aware of any rent regulatory body and 37% of respondents are moderately affected negatively when laws by these bodies are

passed. On the other hand, 16% stated that these laws affect them in a low manner. Although 23% stated laws passed did not decline their returns, but 2% stated laws passed reduced their returns greatly.

**Figure 3.16:**The Effect of Rent Regulatory Laws on Investment Returns



**Source:** Field Survey, 2013.

### 3.12 Taxation risks

Table 3.3 shows that 32.4% of the respondents reported imposition of tax has moderately affected their returns positively. 25% said they had low returns after tax impositions and 10.3% said they had very low returns. 1.5% was attained for respondents that attained high and very high returns after tax impositions. It can therefore be noticed that imposition of tax did somewhat affect investors returns. Also 29.4% of the respondents are not affected by tax impositions, this because they for some reasons do not pay tax.

**Table 3.3:** The Effects of tax on Investment

Rating scale	Frequency	Percent
very high returns	1	1.5
high returns	1	1.5
moderate returns	22	32.4
low returns	17	25.0
very low returns	7	10.3
Non-tax payers	20	29.4
Total Response	68	100.00

**Source:** FieldSurvey, 2013

### 3.13 Vacancy Risks

Table 3.4 shows rate of vacancy, monthly vacancy during vacation and the tenancy renewal rate in hostels in bamahu. For the vacancy rate section, 2.9% of respondents experience high vacancy rate. 10.3% experience low vacancy in their hostels however 23.5% seldom experience vacant rooms. Moreover, 63.2% experience a very low vacancy rate. Table 3.3 also shows a very high monthly vacancy rate during vacation. This is because investors do not let space during vacations to other tenants. However, the same table shows that tenancy renewal rate is moderate this was stated by 48.5% of the respondents. 29.4% stated renewal was very high while 14.7% stated it was high. Also, 4.4% said it was low and 2.9% stated this was very low in their hostels.

**Table 3.4:**The Vacancy Rate of Hostels in Bamahu

Vacancy Rate	Frequency	Valid Percent	Cumulative percent
High	2	2.9	2.9
Seldom	16	23.5	26.5

Low	7	10.3	36.8
Very low	43	63.2	100
<b>Total</b>	<b>68</b>	<b>100</b>	
<b>Monthly vacancy rate (during vacation)</b>			
Very high	68	100	100
High	0		
Very low	0		
<b>Total</b>	<b>68</b>		
<b>Tenancy renewal rate.</b>			
Very high	20	29.4	
High	10	14.7	
Moderate	33	48.5	
Low	3	4.4	
Very low	2	2.9	
<b>Total</b>	<b>68</b>	<b>100</b>	

**Source:** Field Survey, 2013

### 3.14 Environmental Risk

Figure 3.17 shows that 17.65% strongly agree that their hostels are prone to rainstorm. 27.94% agree and 8.82% are neutral to the fact that their hostels are prone to rainstorms. However, 22.06% of respondents hostel are not prone to rainstorm also, 23.53% strongly disagree that their hostels are prone to rainstorm. Moreover figure 3.18 also indicates that 11.76% of respondents strongly agreed that their properties are prone to environmental risk, while 27.94% also agreed to this statement. Also, 23.53% strongly disagreed and 19.12% disagreed to that statement. However, 17.65% were neutral they stated it was nothing serious they couldn't handle.

## 4.0 Recommendations and Conclusion

Management risk is the risk associated with ineffective, destructive or underperforming management, which hurts funds being managed. From the survey, this type of risk is the most common and prevalent risk in Bamahu. Most real estate investments require management to keep the space leased and maintained to preserve the value of the investment. The rate of return that the investor earns can depend on the competency of the management, known as management risk (Brueggeman and Fisher, 2008). However, most hostels in Bamahu are run by students or relatives who have little or no knowledge about this type of investment. Management of the hostel covers refurbishment, making sure tenant improvement is high as well to increase returns. It also includes paying cleaners of the hostel. In general making sure the hostel is well maintained. On the whole cost of renovations was fairly expensive and most investors generally had routine maintenance every academic year. On the whole, student treatment towards private hostels is fair. 42% of respondents rated it good and 28% said it was poor and the 14% rated it fair. Moreover 83% of respondents said payments of rent were done on time which is not very good since rent default rate in general was 31%.

Financial risk is the rarest and least risk type faced by investors in this area. This is because most investors do not resort to loans because of the high interest rates associated with them. It is essential to note that 77% of the respondents self financed their investments, while 6% used loan and 17% used both loans and personal savings. It can be said the use of loan in this sector is very minimal. In general 23% use loan and out of this 15% answered the interest on these loans are very high.

Also, environmental risk is the second leading risk type in Bamahu. Most properties in Bamahu are prone to environmental risk. Soil erosion in the area is high. Moreover this area has a poor layout. The nature of soil which is clayey in some parts of Bamahu makes it waterlogged. Again termites in the area destroy facilities made of wood such as; doors, closets, beds. On the other hand the presence of the clinic in this area pollutes the air when disposing of chemicals and burning items.

The frequent rise in the general level of prices of goods and services in the country over a period of time makes the currency buy fewer goods and services. This affects investors' returns on their investment, making inflation risk the third (3rd) highest risk in the area. Meanwhile, the introduction of new laws or changes in case laws and statute law can directly affect investment returns (Baum and Crosby,2007). The passage of laws in this area affects private investors return thus; laws passed by central administration of the university can affect them negatively when there is a reduction in admitting students for a particular year. This makes them prone to legislative risks. Liquidity risk is the 5th highest risk in the area. Most respondents reported it was part of their least risks since some hostels will liquidate easily when put on the market within a year. Example of such hostels include Pam hostel, Ish hostel among others. Debt financing is necessary because most people cannot afford to purchase real estate outright and this is desirable, because the use of credit provides the opportunity for financial leverage and the possibility of a higher rate of return on the money invested (Shilling, 2002). However, Interest rate risk is the 2nd least risk. This is basically due to the fact that private student hostel investors shy away from loans because of the interest rates on them. The Vacancy rate in Bamahu was generally low and tenant improvement rate was high. This is because approximately 68% of respondents associated their returns with the proximity of the hostels near UDS campus in Bamahu. Most Students prefer staying near campus for easy access to school facilities. Also, Tenant landlord disagreement rate in this area is low with a rate of 51% however, 31% of respondents said it was high. It is sad to note that 29.4% of landlords do not pay tax on their properties hence does not affect their returns.

#### **4.1 Conclusion**

This study investigated and ranked the risks involved in student hostel investments, using a community near University for Development Studies, Bamahu, as case study. It identified the various risks faced by student hostel investors in Bamahu as tenant, financial, management, legislative, inflation, environment, interest rates, inflation, liquidity risk. Thus, investors may not be making maximum returns as these risk factors do negatively affect returns obtainable from the investment.

#### **4.2 The Need to Manage Student Hostels Professionally**

Student hostels, like any other real estate, could do with professionals for effective management especially in the area of risks. Professionals would maintain and keep space leased to preserve value of investment. They will also be able to undertake technical assessments which are beneficial to risk management. Professional managers for example, establish and monitor operational hostel budget on a regular basis and also maintain accurate records of bookings, revenue and costs. Moreover, manage hostel as a commercially viable social enterprise. Investors will be informed as to yearly expected revenues and will make adjustment to that effect instead of expecting a certain outcome which might not occur.

#### **4.3 Education by GREDA**

Ghana Real Estate Developers Association, GREDA, which is an organization which coordinates real estate developers in Ghana, should play a role in educating risk involved in student hostel investment. One main objective of this group is to provide a united front in making

recommendations to government on ways of promoting real estate development and in seeking solutions to the practical problems in the property market. It can do this by organizing workshops to bring together, real estate development companies, insurance firms, construction firms and hostel investors, for ideas to be shared concerning risk and how it can be managed. As research revealed, there are measures used in the management of risks such as location, market, etc, by real estate development companies and construction firms which hostel developers are unaware of. Such workshops will therefore enlighten hostel investors and their managers on techniques unknown or not employed by them, as well as improving upon already employed techniques.

#### 4.4 Forecasting and Planning

Private student hostel investors should do thorough market studies before putting up hostels. Forecasting is essential and must be based on a time, long term, medium, or short term. It is vital for budgeting and financial planning particularly in areas of repairs to cater for medium and long-term capital expenditures. This factor will guide management in making decisions about the likely level of student population. For a student hostel to run smoothly there is the need to plan ahead. This entails deciding what to do and practical ways of carrying them out.

#### 4.5 Reduction of Interest Rates

The government should consult with domestic financial institutions to help reduce the interest rates on loans for the good of all the parties. It is therefore, incumbent on the government to implement prudent fiscal and monetary policies that would result in a further reduction of the existing interest rates.

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