

# Unexpired Lease Terms and Land Values in Ghana

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## SUMMARY

The coming into being of Ghana's 1992 Constitution, which prohibits the grant of freehold estate in stool lands, effectively ended the era where one could purchase such estates in Ghana. Most land transactions in Ghana, therefore, involve transfer of leasehold estates. Regardless of the length of the lease, one fact remains; it would expire at a specific time in the future and the lessee would be required to hand over the land to the lessor together with the structures that are permanently attached thereto. Consequently, in purchasing property, buyers are expected to pay more for leases with longer unexpired terms than those with significantly shorter unexpired terms.

Researchers and practitioners have wondered whether the type of interest and the length of ground leases influence the value of properties. Asabere (1981) examined this issue within the broader context of the factors that affect land values in Accra but found no evidence to suggest that the type of interest (i.e., leasehold vs. freehold) affected land values. In a similar study, however, Asabere (2004) found that even though freehold estates sold at a higher price than leaseholds, unexpired leasehold term had no effect on the prices of properties. In a related study, Baffour Awuah and Gyamfi-Yeboah (2018) surveyed the views of professional valuers in Ghana and found that while majority of valuers considered unexpired lease terms as an important determinant of property values, there were others who viewed it as unimportant. Interestingly, the authors found that the views valuers held on the importance of unexpired lease term affected their opinions of value.

It is puzzling that despite the unambiguous theoretical predictions regarding the effect of unexpired lease terms on property values, there appears to be no compelling empirical evidence in support. In this study, we use recent land transaction data and examine whether the unexpired term of leases influence land prices.

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