

INVESTING IN GHANA'S PROPERTY DEVELOPMENT SECTOR



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The significant national economic development recorded by Ghana in the past three years and registered on the global economic radar has positively imparted on the property development sector in Ghana.



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Akwaaba!

A space and place to live and prosper.

Visitors and investors who arrive on the shores of tropical Ghana, situated in a strategic position on the west coast of the Gulf of Guinea, are used to being greeted with "Akwaaba" - You are welcome!

This hospitable nation has a proud record of not only being one of the most important nations in the African continent for its independence in 1957, but is also credited with showing the way toward peace and the stability of democracy.

Apart from the largest artificial lake, Lake Volta, the country is also the proud home of the only tropical rain forest walkway in Africa, the Kakum canopy walkway.

The appreciation of the role of Ghana in the African continent can probably best be described by the fact that Ghana is the first and only African country to have welcomed the monarch of the United Kingdom, Queen Elizabeth, and three American presidents on state visits.

On March 23, 1998 over half a million people gathered in Independence Square to see former President Bill Clinton and in February 2008 the former President George W. Bush visited Ghana.

A rich cultural history

In July 2009, the President of the United States, Barack Obama visited Ghana on his first visit to sub-Saharan Africa to highlight Ghana as a beacon of democracy and progress on the continent.

More than 25 million inhabitants of Ghana with a rich cultural history live in ten regions, which extend from the warm and relatively dry south-east coast to the hot and humid south-west and hot and dry north.

The lively and bustling metropolis of Accra is home to Kotoka International Airport while Tema Port facilitates oil import and export operations, part of a flourishing international trade.

Kumasi, the second largest city in Ghana, is located in the vicinity of Lake Bosomtwi, a natural lake, in a rain forest region and is also called the "Garden City". It is the hub of exports of gold, hard wood and cocoa and is home to Guinness Ghana.

To the south-west of the twin city of Sekondi-Takoradi is full of seams with the development as a result of the discovery and marketing of substantial oil deposits.

Ghana has a well developed infrastructure as regards electricity, water, roads, airports and ports. Readily available and accessible services such as water and electricity add to a favorable climate for investment. In a developing country it is clear that much more needs to be done and the development of the infrastructure is one of the priorities of the national development strategy.

A global driver directing investments such as corruption perception and the perception of the ease of doing business is and will continue to be a high priority. As a developing country, we realise that much more needs to be done and infrastructure is high on the agenda of the national development strategy.

We invite you to Ghana as an investor.

There is a long list of small, local and global, large and medium-sized businesses that have decided to invest in Ghana and are still here and who are excited that they took that bold step.

We invite you to join them.



PROPERTY DEVELOPMENT

Sector Overview

Today, 54 per cent of the world's population live in urban areas, a proportion that is expected to increase to 66 per cent by 2050. Projections show that urbanization combined with the overall growth of the world's population could add another 2.5 billion people to urban populations by 2050, with close to 90 percent of the increase concentrated in Asia and Africa, according to a new United Nations report.

The real estate industry in Ghana over the past years has seen massive boom and growth. This is attributed over the rapid economic growth of the economy. With a vibrant economy, a growing population, a sophisticated and well-educated professional class, demand for all kinds of real estate development largely outstrips supply. Ghana is now classified as middle income with its cities increasing rapidly at 1.6million and 1.2 million respectively, the cities being Accra and Kumasi.

The construction sector has consistently registered double digit growth bolstered by investments in real estate, improved public infrastructure, investment in the mining and the oil and gas sector. The construction sector on average registered growth rates of around 14% over 2011 to 2014, and is poised to maintain the same pace of growth over the medium term to 2017.

The sector is on the rise, taking advantage of increased demand for residential and office accommodation, as well as hospitality services reflecting the growth of the middle-income class. Ghana is among those African countries with a sizeable middle-class population.

For a country widely acknowledged to have moved from low-income to lower middle-income status (according to World Bank classifications), with a reputation for economic and political stability, Ghana is slowly turning into the go-to investment destination and a springboard for investors from all over the world, seeking a safe haven to put their investment dollars on the African continent.

Ghana's property development industry is divided into three (3) areas:

- The Public Sector Real Estate Development
- Emerging Private Sector Real Estates Development
- Private individuals

The activities of these three groups are facilitated by the banks and the primary mortgage market which although at its early stages of development, has demonstrated enormous growth potential.

The Real Estate industry is however dominated by mainly

- Residential construction firms and private individuals
- Commercial real estate developers,
- Property management companies,

In the last ten years the residential market, undoubtedly the most vibrant in the industry, has registered about 85,000 and over transactions yearly. The commercial property segment includes office accommodation and retail space is the second largest segment in the industry after the residential construction firms with the industrial segment having a smaller portion. The property industry, especially the residential and commercial segments is dominated by private companies, which control over 90% of Ghana real estates and property markets.

Currently, there is a list of affordable housing projects in Ghana. These are spread across Ghana. They include the :

- Affordable Housing project at Borteyman (1478 units), Kpone (1526 units), Asokore Mampong (1030units), Koforidua (342units), Tamale (200units) and Wa (144units)
- The Saglemi Housing project has 5000 units with 1502 to be completed at the phase 1 of the project.
- Constrction of 5000 housing units at Nyame Dua Estates at Kpone under the Private Partnership agreement

The government participation in the property market is minimal, compared to the private sector. The Tema Development Corporation (TDC), State Housing Corporation (SHC) and the Social Security and National Insurance Trust (SSNIT) are the only public sector-controlled agencies involved in the property market.

The Ghana Real Estate Developers Association (GREDA), an organization of private real estate developers, has played an active role in property development in the country. They mainly service the middle, upper income and expatriate demand for housing, especially in Accra and Tema.

Regimanuel Gray, Parakuo Estates, NTHC Properties Ltd, ACP Estates Ltd and Manet Housing Company Ltd account for about 75% of the GREDA group's residential property development.

Other real estate companies include Trasacco Ghana Limited, Vanguard properties, Devtraco and Buena Vista Homes to mention but a few provide homes for the upper class whiles Sethi properties, BlueRose, Lakeside Estates, GHS Properties are few companies that provide homes for the middle class population.

Few Ghanaians can afford to acquire their homes and most of them lack access to home loans facilities. Most banks neglect the home loans market and focus instead on short-term lending and investment such as risk-free government bonds and trade finance facilities that can offer higher returns while consuming less capital.

Only four(4) of Ghana's 28 banks officially offer home loans as a product. The total home loans book in Ghana is around USD\$ 180 million and the number of borrowers just under 6,000



Affordable Housing In Ghana

With the upsurge of rapid urbanization and increasing population, the housing sector has become a very important concern for public policy. The United Nation's Habitat estimated over 2million houses will be needed to curb the Ghana's rapidly housing demand and in its report stated the pace at which Ghana would have to meet its required 5.7 million new homes by 2020. The Construction sub-sector, however, registered a robust growth of 12.8 percent in 2014, with the Water and Sewerage sub-sector recording a marginal growth of 0.1 percent in 2014

Ghanaian Market

Ghana's property market is dominated by residential and commercial development. The residential market is the most active, registering an estimated 85,000 and over transactions per annum over the past decade, with an estimated value of about US\$1.7 bn.

Returns on commercial property are steady but real growth opportunity lies in the provision of affordable housing to the urbanized middle -income earners.

Rental In Ghana

Ghana is clearly on the ascendency to becoming predominantly urbanized with Accra, Kumasi and Takoradi standing out with population above 1million. Rapid property costs coupled with low mortgage and high construction cost make renting the widely used form of tenure though it is fraught with many difficulties. Middle income rent averagely ranges from between US\$500 -1000 per month for a two or three bedroom apartment depending on the cities they are found.

Investment Opportunities

Ghana has immense opportunity in property development and construction. A potential investor interested in the Real Estate sub-sector would be looking at the construction of residential houses, industrial and commercial houses as well as shopping centres. Residential accommodation, particularly hotels and hostels for tertiary institutions are in significant demand.

- Although the country's infrastructural base is being improved, there exists deficit level of infrastructure with a total deficit of 1.5 million units and an annual demand of 400,000 units:
- Opportunities exist in
- Residential (low cost housing, high rise luxury apartments, retirement villages)
- Industrial (light industrial parks, warehousing facilities)
- Commercial (regional shopping centres/malls, office accommodation, storage)
- Production and marketing of construction equipment and building materials

BENEFITS OF DOING BUSINESS IN GHANA

- Customs duty exemptions
- Graduated and reasonable corporate taxes
- Location incentives
- Tax holidays
- Automatic immigrant quotas
- Repatriation of dividends and net profit
- Transfer of funds in respect of servicing of foreign loans

- Guarantee against expropriation
- Remittance of proceeds in the sale or liquidation of investment
- Double Taxation Agreements (DTAs). Some have been signed and ratified with the United Kingdom, France, Germany and concluded with Belgium

POTENTIAL SOURCES OF FUNDING

Viable companies and projects can easily attract financing both on the local and international financial markets. The main sources of funding are:-

- 28 Banks
- 53 non-bank financial institutions
- About 140 rural banks with 136 fully operational.
- The Ghana Stock Exchange – note that in the last four years, many issues of shares on the GSE have been oversubscribed by 100% - 300%, meaning that there is a lot of money for investment purposes
- Ghana Venture Capital Fund
- International development finance institutions based in Ghana, such as the International Finance Corporation (IFC),Ecowas Bank for Investment and Development(EBID) and the African Development Bank (AfDB)

A number of foreign financial institutions also provide off-shore financing directly to companies in Ghana.

Ghana's Competitive Advantages

With plans far advanced towards the establishment of a land bank to assist investors with land acquisition, coupled with the local availability of cheap but quality construction materials, the foreign investor within the real estate sub-sector has virtually no difficulty establishing in Ghana. Also, if current economic strides being chalked by the country continue, then opportunities in the sub-sector are good for prospective foreign investors.

Other Attractions to Investors

Ghana is one of the most attractive locations in Africa to invest and do business in. To make the Ghanaian environment more business friendly, there are efforts to reduce the occupancy costs for commercial and industrial properties and the general cost of doing business in the country.

There is a liberal investment environment in Ghana that offers a number of special benefits such as foreign investor ownership of local companies, participation in joint ventures with the minimum required equity of \$200,000 and companies wholly-owned by non-Ghanaians at \$500,000.

The other factors that make Ghana a favourable place for investors in Africa and among developing countries in general, include the following:

1. STABLE POLITICAL ENVIRONMENT

Ghana is a politically stable country. This is recognized with former leaders such as US President Barack Obama and British Prime Minister David Cameron who have expressed appreciation for the political stability in Ghana.

2. MACRO-ECONOMIC POLICIES

The Government of Ghana has initiated a number of sound macroeconomic policies designed to accelerate the process of growth and transformation of the economy under competitive conditions. The rate of inflation is 19% as of January 2016. The management and access to foreign exchange in Ghana continues to get better.

3. FOREIGN OWNERSHIP

Hundred per cent (100%) foreign ownership is permitted.

4. ACCESS TO ECOWAS MARKET

Ghana is easily accessible to the markets of all the member states of the Economic Community of West Africa (ECOWAS) with its population of approximately 300 million people.

5. GOOD PHYSICAL INFRASTRUCTURE

Ghana possesses well developed seaports, airports and road networks capable of meeting the needs of business in the 21st century. There is an effort to upgrade the rail network to make it easy to get to the ports from the inlands. Telecommunication facilities in Ghana are excellent with more private service providers offering telephone, internet and other telecommunication services. Basic utilities such as water and electricity are readily available.

6. EXCELLENT LABOUR FORCE

The country has some of the best teachers, lecturers and research-

ers in the continent, who have excelled not only in Ghana but in the African continent and other parts of the world. There is also a large human resource base of both skilled and unskilled labour which can be sourced at relatively low rates. The minimum wage in Ghana is GH¢7.00 (approximately US\$ 2.35) per day as at January 2016.

7. ACCESS TO INTERNATIONAL MARKETS

Ghana has easy access to the USA and European Union Markets. The flight time to almost all European Union countries is about 6 hours and 10 hours to the USA.

8. AVAILABILITY OF FUND SOURCES

Ghana has a large number of fast developing financial institutions available to raise long-term capital at competitive rates. These institutions include banks, insurance and venture capital companies and a stock exchange market (Ghana Stock Exchange).

9. HIGH SAFETY STANDARD

There are high standards of health and safety measures in the country.

10. WARM AND FRIENDLY PEOPLE

Ghana is internationally acclaimed for her hospitality to her investors and foreigners as a whole.

11. HIGH QUALITY OF LIFE

The quality of life of Ghanaians is fairly high.

12. AVAILABILITY AND OWNERSHIP OF LAND

Ghana has a wide expanse of land around the country that can be acquired with little difficulty through appropriate agencies and owners.

We look forward to discussing Ghana's potential with you.





Other profiles available include:

INVESTING IN GHANA'S FOOD PROCESSING SECTOR • INVESTING IN GHANA'S FORESTRY SECTOR

INVESTING IN GHANA'S TEXTILES & GARMENTS INDUSTRY • INVESTING IN GHANA'S MINERALS PROCESSING SECTOR

INVESTING IN GHANA'S FISHING INDUSTRY • INVESTING IN GHANA'S AGRICULTURE & AGRO-PROCESSING SECTOR

INVESTING IN GHANA'S CASH CROPS • INVESTING IN GHANA'S TOURISM SECTOR

INVESTING IN GHANA'S ENERGY SECTOR • INVESTING IN GHANA'S HEALTH SECTOR

INVESTING IN GHANA'S EDUCATION SECTOR • INVESTING IN GHANA'S HORTICULTURE INDUSTRY

INVESTING IN GHANA'S INFORMATION AND COMMUNICATION TECHNOLOGY SECTOR

INVESTING IN GHANA'S PETROLEUM SERVICES SECTOR





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These successful companies have invested in Ghana:

Anadarko • AngloGold Ashanti • Archer Daniels Midland • Baker Hughes • Barclays Bank
Barry Callebaut • British American Tobacco • Cargill • CFAO • Coca-Cola Bottling Co • Dizengoff • Ecobank •
Ericsson Radio Systems General Electric • Globacom • Gold Fields • Guinness • Hess • Holiday Inn • IBM • Interplast •
Kosmos Energy • Kraft Food • Movenpick • MTN • Nestle • Newmont Mining • Olam • PricewaterhouseCoopers
Procredit Savings and Loans Company • Provident Life Assurance Company • PZ Cussons Ghana Industries
Sandvik Tamrock • Scancom • SG-SSB • Shell • Stanbic Bank • Standard Chartered Bank • Total Petroleum
Toyota • Tullow • Unilever • Vanco • Vodafone • Wienco • Woolworths • Xerox