

The Nascent Real Estate Investment Market in Ghana



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The research background

- Application of residential price and rent series for Ghana
 - the first real estate performance indicators of any kind for Ghana
 - constructed by hedonic modelling
 - An emergent residential investment market in Accra-Tema
 - existing / new build mid-upper income residential stock
 - rents and prices quoted in US\$, transacted in local Cedis
 - Primary data source – Land Valuation Division records
 - 3,250 capital & 1,130 rental transactions over period 1992-2007 inclusive
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- Construction of total return series

Accra-Tema and residential stock



This paper

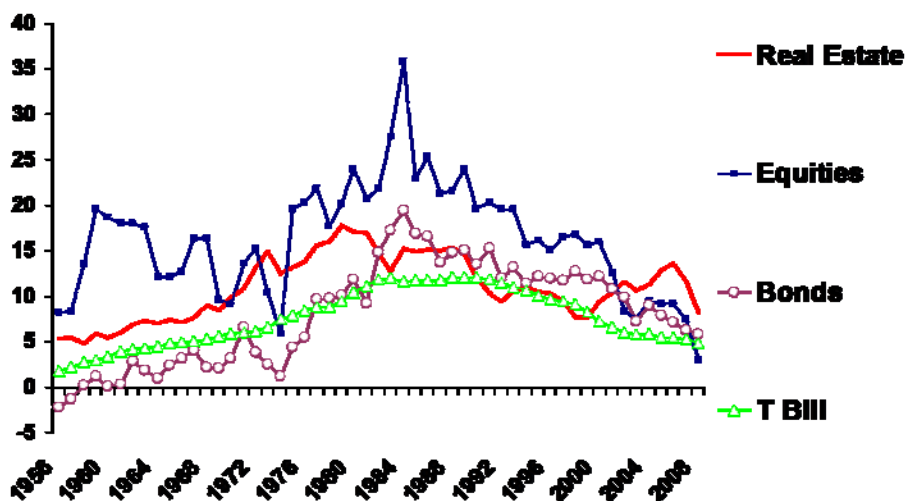
- What do we expect to find?
 - Real estate vs. other asset classes
 - specific features of residential
- Asset class comparisons for Ghanaian, inward US\$ investors
 - specific value for Ghana, indicator for other emerging economies
- What do we find?
 - in local currency, real estate returns vs. Ghana equities, T Bill
 - in US\$, returns vs. US equities, bonds, real estate & global equities, bonds

Expected & actual real estate vs. other assets

- Strong expectation
 - Real estate cash flow a blend of bond & equity
 - Real estate risks and therefore returns sit between bond & equity
- Evidence: Total Returns 20 years to 2007

	T Bills	Bonds	Real Estate	Equities
Australia	7.3	10.1	9.8	12.6
Canada	5.6	9.0	9.2	10.9
France	5.3	8.6	8.3	12.0
Ireland	5.9	8.2	16.3	9.6
Netherlands	4.7	7.2	10.2	12.8
Sweden	6.3	9.8	8.1	15.8
UK	6.8	8.6	10.1	10.3
USA	4.5	8.0	8.8	11.9

UK 10 year rolling total returns



Real Estate Market in Ghana

- Real estate is an investment vehicle...

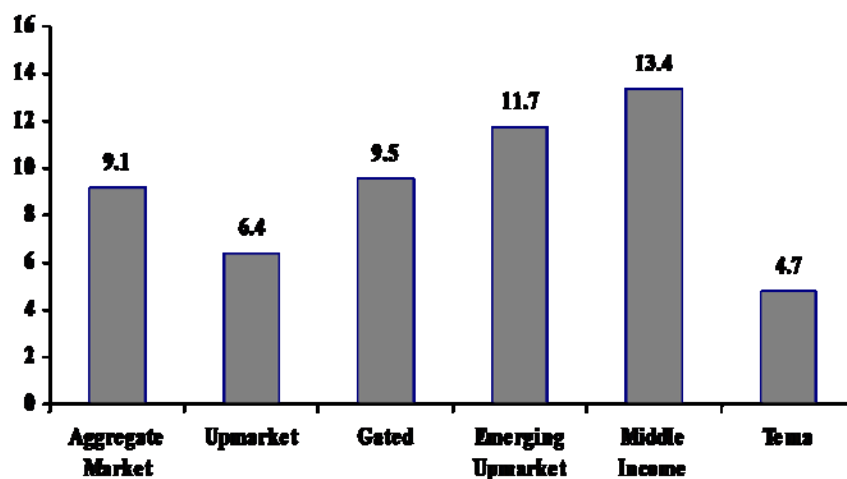
- *a perception*

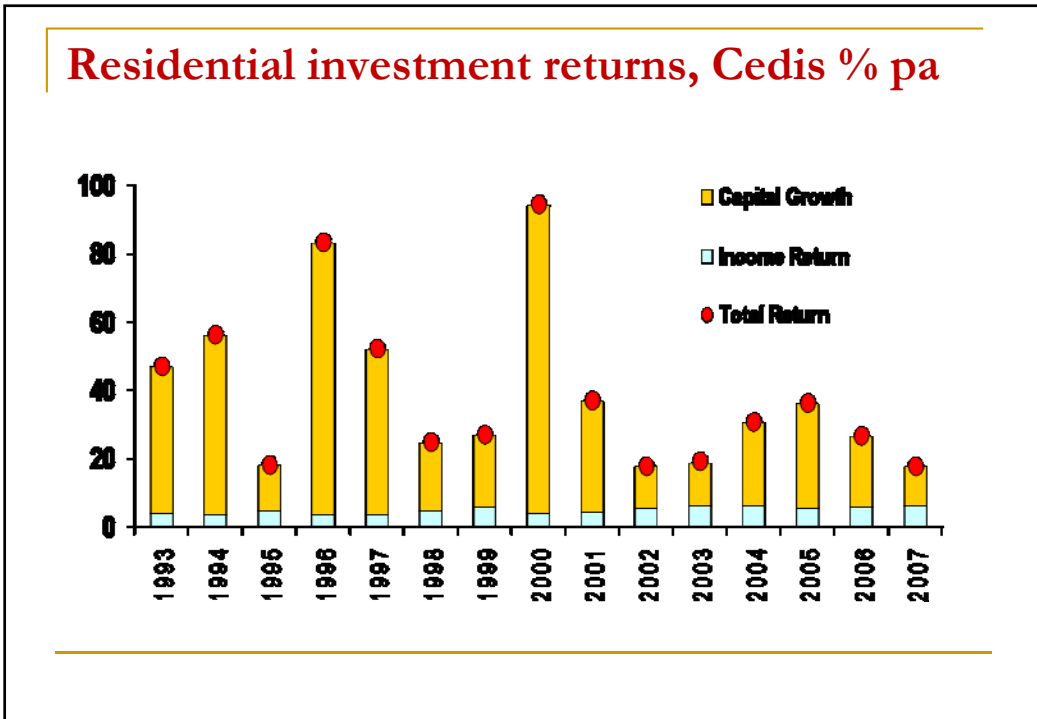
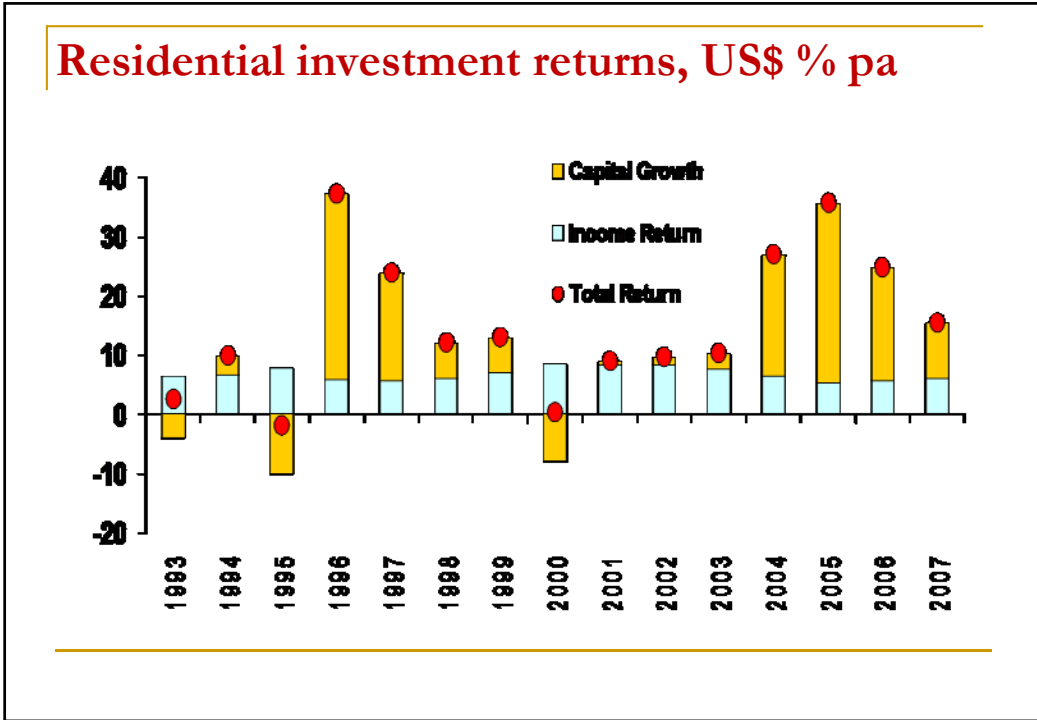
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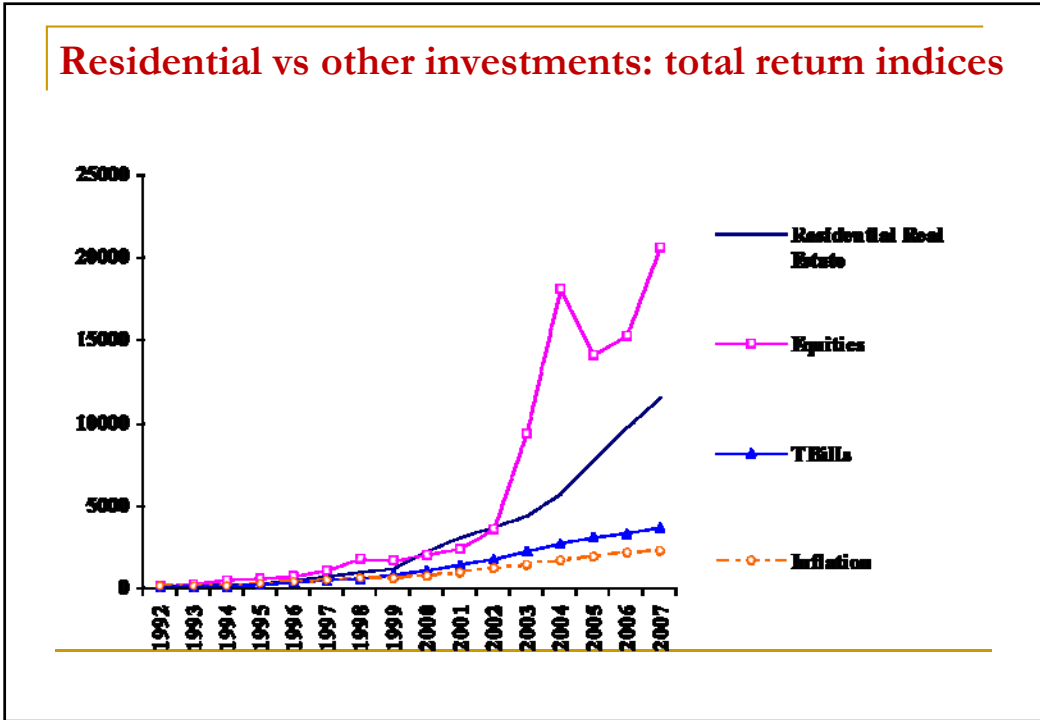
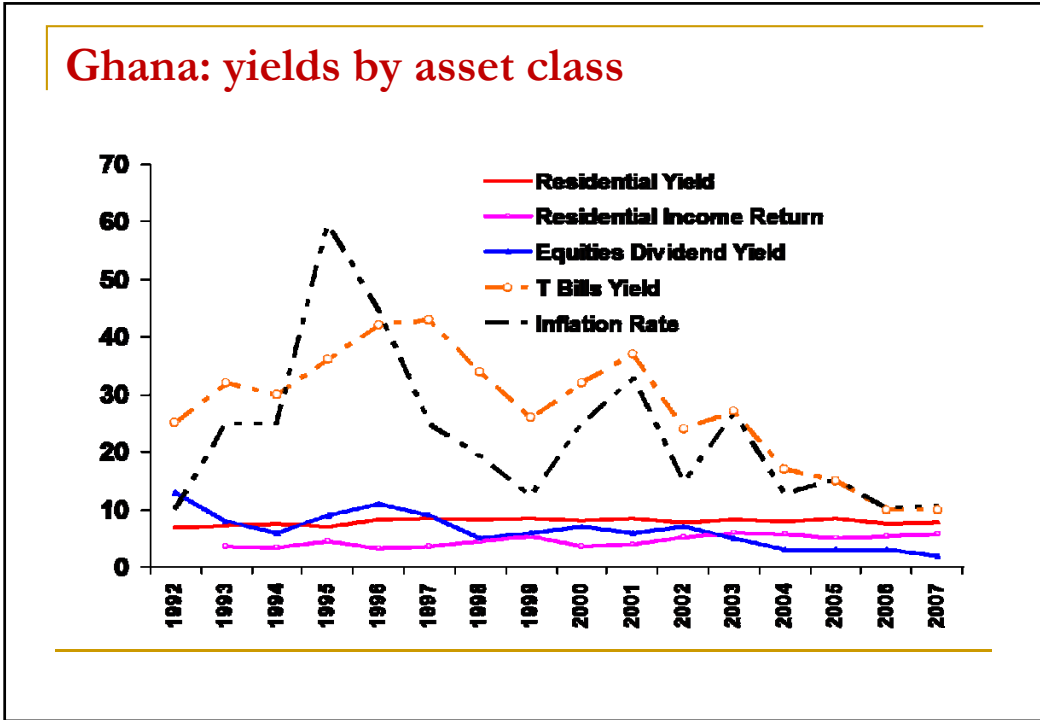
- *a fact?*

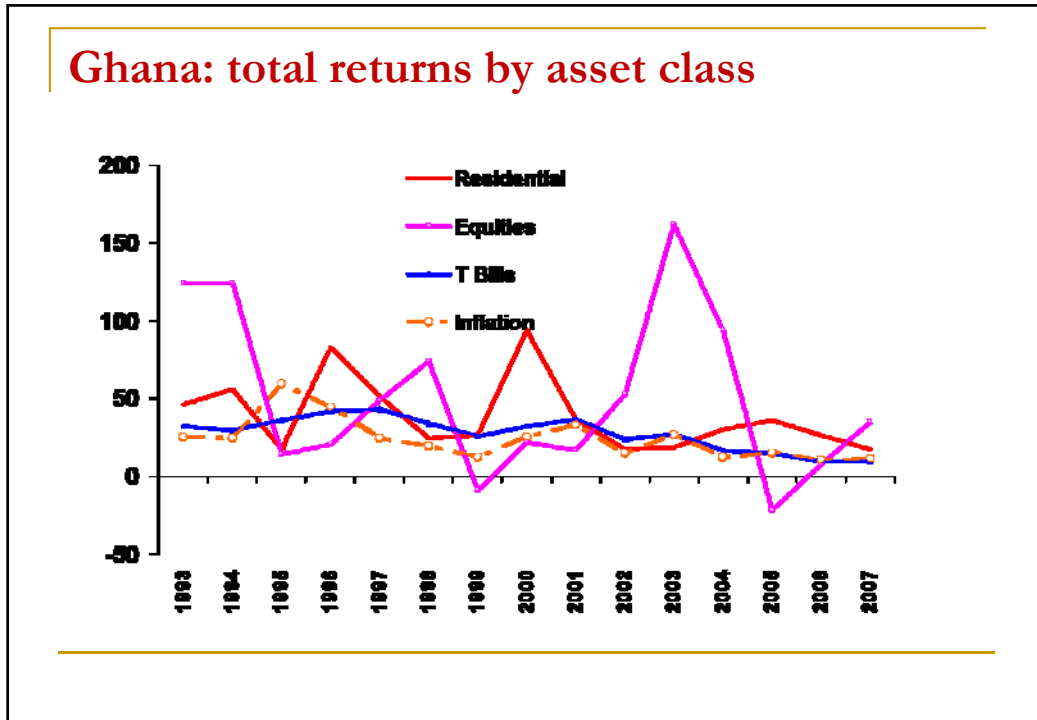


Submarkets annualised rental growth (%)





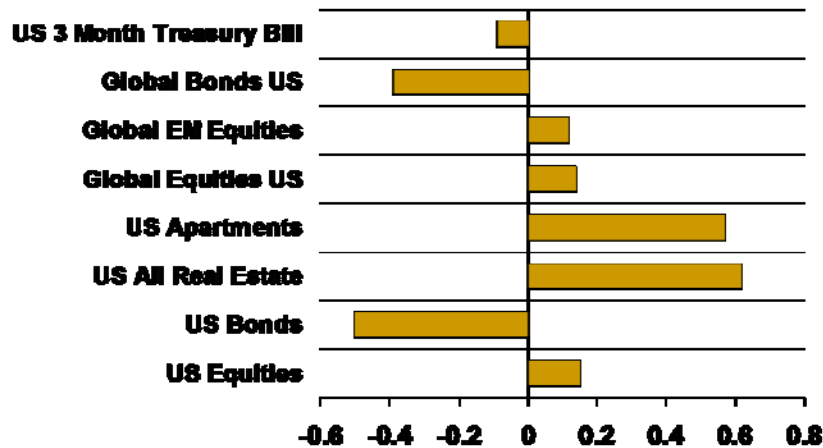




Ghana asset class performance 1992-2007, Cedis

	Residential Real Estate	Equities	T Bills
Nominal Total Return % per year			
Annualised	37.2	42.7	27.2
Mean	38.9	51.1	27.7
Standard Dev	22.9	52.1	10.3
Correlations			
Residential Real Estate	1.00		
Equities	-0.08	1.00	
T Bills	0.48	0.12	1.00

Correlations: Ghana residential vs global assets



Conclusions

- ❑ Residential investments in Ghana have shown a good historic performance track record with returns and risk in the “expected” space between those for TBills and equities
- ❑ Residential investments have also proved to be a good diversifier for the two other asset classes
- ❑ Real estate market in Ghana plays a significant role in its own right in national economy and also as a competitive investment vehicle

Final words

- Thank you very much for your time



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