Cytonn
REAL ESTATE

Accra Real Estate Investment

'A Golden Investment Opportunity'

26 Nov 2017

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Table of Contents

I. Introduction to Cytonn Investments

What We Stand For

Our Mission

We deliver innovative & differentiated financial solutions that speak to our clients' needs

Our Vision

To be Africa's leading investment manager by consistently exceeding clients' expectations

Our Values

People
Passionate and self-driven people who thrive in a team context

Excellence
Delivering the best at all times

Client Focus
Putting clients' interest first at all times

Entrepreneurship
Using innovation and creativity to deliver differentiated financial solutions

Accountability
We take both corporate and personal responsibility for our actions

Integrity
Doing the right things

Strategy is straightforward – just pick a general direction and implement like hell

— Jack Welch

About Us

Cytonn Investments Management Plc is an alternative investment manager with presence in East Africa, Finland and the US. We provide investors with exposure to the high growth East Africa region. Our investors include global and local institutional investors, individual high net-worth investors and the diaspora. We also service retail investors through our Cytonn Co-operative

82 bn	Over Kshs. 82 billion worth of projects under mandate	**5**	Five offices across 2 continents	**250**	Over 250 staff members	**10**	10 investment ready projects

A unique franchise differentiated by:

Independence & Investor Focus

Focused on serving the interest of clients, which is best done on an independent platform to minimize conflicts of interest

Alternative Investments

Specialized focus on alternative assets - Real Estate, Private Equity, and Structured Solutions

Strong Alignment

Every staff member is an owner in the firm. When clients do well, the firm does well; and when the firm does well, staff do well

Committed Partners

Strong global and local partnerships in financing, land and development affiliate

Why We Exist

Africa presents an attractive investment opportunity for investors seeking attractive and long-term returns. Despite the alternative markets in Africa having high and stable returns, only a few institutional players serve the market. Cytonn is focused on delivering higher returns in the alternative markets, while providing the best client service and always protecting our clients' interests.

WE SERVE FOUR MAIN CLIENTS SEGMENTS:

- Retail segment through Cytonn Co-operative membership
- High Net-worth Individuals through Cytonn Private Wealth
- East Africans in the Diaspora through Cytonn Diaspora
- Global and Local Institutional clients

WE INVEST OUR CLIENT FUNDS IN:

- Real Estate
- Private Equity
- Fixed Income Structured Solutions
- Equities Structured Solutions

We collect funds from our clients → **We invest them in high growth opportunities** → **We deliver the best possible returns**

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Our Business

Where We Operate

Our Business Lines

Investments

Alternative investment manager focused on private equity and real estate

Real Estate

We develop institutional grade real estate projects for investors

Diaspora

We connect East Africans in the diaspora to attractive investment opportunities in the region

Technology

We deliver world-class financial technology solutions

Co-operative

Provides access to attractive alternative investment opportunities for members

Our Solutions

To unearth the attractive opportunity that exists in alternative markets in Africa, we offer differentiated investment solutions in four main areas:

HIGH YIELD SOLUTIONS

Our expertise in the alternative markets enables us to offer investors high yielding investments. Our robust credit analysis coupled with our quick dealing capabilities, our extensive research coverage and our innovative structuring helps to ensure consistent and above market returns to investors.

REAL ESTATE INVESTMENT SOLUTIONS

Our comprehensive real estate capabilities enable us to find, evaluate, structure and deliver world-class real estate investment products to our investors in the East African region. Our capabilities include fundraising, market research and acquisition, concept design, project management and agency and facility management.

PRIVATE REGULAR INVESTMENT SOLUTIONS

Attractive returns in the alternative segments have typically been accessible to institutional and high net-worth investors. Our regular investment solutions provide access to the alternative investments to members of the Cytonn Co-operative.

PRIVATE EQUITY

We seek to unearth value by identifying potential companies and growing them through capital provision, partnering with management to drive strategy and institutionalizing their processes. Our areas of focus are Financial Services, Education, Renewable Energy and Technology Sectors.

Our Products

We serve three main types of clients namely, high net-worth individuals, institutions and retail, each with diverse needs. Below are the suitability criteria for the various products.

	INSTITUTIONAL CLIENTS	HIGH NET WORTH INDIVIDUALS (HNWI)	RETAIL CLIENTS
Cash Management Solutions	●	●	
Regular Investment Plan • Education Investment Plan • Regular Investment Solution • Co-op Premier Investment Plan • Land Investment Plan	●	●	●
Real Estate Development • Real Estate Developments • Sharpland	●	●	●

Our People

If you could get all the people in an organization rowing the same direction, you could dominate any industry, in any market, against any competition, at any time.

— Patrick Lencioni

We are focused on one agenda:

THE CLIENT

Board of Directors

To ensure that we remain focused on the clients' interests, we have put in place proper governance structures. We have a board of directors consisting of 11 members from diverse backgrounds, each bringing in unique skill-sets to the firm.

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Board of Directors, continued …

Governance Committees

We have four main board committees to ensure all of Cytonn's functions are done in a fair and transparent manner:

Investments and Strategy Committee

The committee oversees and provides strategic investment direction, including the implementation and monitoring process. The members are:-

- James Maina (Chair)
- Antti-Jussi Ahveninen, MSc
- Madhav Bhalla, LLB
- Edwin H. Dande, MBA
- Elizabeth Nkukuu,CFA

Audit, Risk and Compliance Committee

The committee establishes and oversees risk and compliance, including the implementation and monitoring process. The members are:-

- Madhav Bhalla, LLB (Chair)
- Nasser Olwero, Mphil
- Madhav Bhandari, MBA
- Dr. Nancy Asiko Onyango, DBA
- Patricia N. Wanjama, CPS

Governance, Human Resources and Compensation Committee

The committee establishes, oversees and implements governance structure, human resource policies and firm wide compensations. The members are:-

- Antti-Jussi Ahveninen, MSc (Chair)
- Prof. Daniel Mugendi Njiru, PhD
- Michael Bristow, MSc (Chair)
- Edwin H. Dande, MBA

Technology and Innovation Committee

The committee establishes, oversees and implements technical expertise and innovative processes as a driver towards competitiveness. The members are:-

- Nasser Olwero, Mphil (Chair)
- Michael Bristow, MSc
- Patricia N. Wanjama, CPS

II. Accra Investment Opportunity

Executive Summary

Real Estate sector in Accra has attractive rental yields with average yields of 7.9%, 9.5%, 10.1% and 14.3% in residential, retail, unserviced and serviced office sectors, respectively

- We carried out market research in Accra, the capital city of Ghana in August and September 2017. The research focused on the real estate performance in the residential, hospitality and commercial sectors thus providing us with a general overview of the market
- In terms of performance, Accra offers attractive rental yields. The average dollarized rental yield across all themes was 10.4% with 7.9%, 9.5%, 10.1% and 14.3% for residential, retail, unserviced and serviced office sectors, respectively
- In the residential sector, mid-end apartment units and high-end detached units had the highest returns to investors at 17.0% and 16.0%, respectively
- For commercial office, Grade A office space had the highest returns with average rental yields of 10.4% driven by high demand for high grade office stock
- In retail, the sector is fairly nascent with modern malls only present in Accra, with community malls having the highest returns with average rental yields of 10.5%
- The real estate sector has been largely affected by the budding oil and gas industry discovered in 2007, both positively and negatively. On one hand, it created demand for both office space and residential units due to incoming multinationals and also gained attention from international investors. On the other hand, the industry's potential was overestimated leading to unfit fiscal policies that have burdened the economy leading a steep decline in GDP growth rates, currency and thus, loss of investor confidence which has resulted in slower uptake in the residential and commercial sectors
- The opportunity in the sector is in:
    - Serviced offices in areas like Airport City, given the demand by multinational firms
    - 3, 4 and 5 star hotels given the promotion and rise of business tourism in the city

Accra Real Estate Investment – "*A golden investment opportunity*"

We expect increased investment in mid-end residential, retail sector, serviced offices and hospitality while there's likely to be reduced activity in commercial office sector due to increased supply and vacancy rates

Value Area	Summary	Effect
Demand	• Ghana has an approximate housing deficit of 1.7 Mn units as at 2015 mainly in the urban centres such as Accra, Kumasi, Takoradi. Demand is mainly for the mid and low-end market • There has been slowed demand for high-end residential and office space due to the decline in the oil & gas sector	• Developers are increasingly paying more attention to the middle end segment of the market. However, some have continued to focus on the high-end segment as it attracts high rents • Office occupancy rates are declining with an average occupancy of 78.3% as at 2017
Returns	• Real Estate sector in Accra has attractive rental yields with average yields of 7.9%, 9.5%, 10.1%, and 14.3% in residential, retail, unserviced office and serviced sectors, respectively with residential offering returns to investors of average 15.6% and 13.8% for apartments and detached units, respectively	• Increased attention from international investors leading to a rise in supply across the commercial office and retail sectors • This has resulted in real estate & construction growth evidenced by its contribution to the GDP growth rate which has continued to grow from 10.8% in 2000 to 17.8% in 2017
Opportunity & Outlook	• The opportunity in Accra is in serviced offices due to demand from short term international visitors as well as 3,4 and 5 star hotels to tap into business tourism • The retail sector is nascent, with modern malls being present only in Accra	• We expect increased investment in serviced and hotels offices prime office nodes such as Airport City and East Legon • We expect to witness increased development of retail in other urban areas in Ghana such as Takoradi and Kumasi

We expect reduced activity in the commercial office sector given the increasing supply stock against increasing vacancy rates with developers shifting their focus to retail and housing, due to high demand across the two themes

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III. Introduction to Ghana

Introduction to Ghana: Country Profile

Ghana, located in West Africa has an estimated population of 29 mn in 2017

Ghana Demographics and Systems	
Political System:	Multi-Party Democracy
Capital:	Accra
Other common cities:	Kumasi, Tema, Takoradi
Current President:	Nana Akufo-Addo (2016-2020)
Next Election:	2020
Population:	29 mn (53:47 urban rural mix)
Popn. Growth Rate:	2.2%
Total Dependancy Ratio:	73.0%
Literacy:	76.6% (all)
Currency	Ghanaian Cedi
National Language:	Akan & Ewe
Cash Crops	Cocoa, Palm Oil
Crude Birth Rate:	30.9%
Crude Death Rate:	8.1%
Life Expectancy at Birth	61 years
Religious Groups:	Christian, Muslim & Others
Country size:	239,460 sq. km.
Immediate Neighbors:	Ivory Coast, Burkina Faso, Togo

Source - African Development Bank Group, World Bank

Introduction to Ghana: Macro-Economic Environment

Ghana's GDP in 2017 is expected to grow by 6.3% in 2017, an improvement from 3.6% growth recorded in 2016

Factor	Details
GDP Growth	• GDP growth in 2016 declined to 3.6% from 3.9% in 2015 mainly due to a decline in industrial growth, following the adverse effects of the energy crisis and operational challenges in crude oil production • In 2016, the sectors with the highest contribution to GDP are agricultural crops at 14.5%, construction at 13.7%, and transport & storage at 13.3% • Ghana's 5-year average of GDP growth since 2012 is at 5.6% and is projected to grow by 6.3% in 2017 supported by a rebound in oil production, government's infrastructural projects and expected improvement in lending to boost private sector growth
Currency	• The Ghana Cedi in 2016 depreciated by 11.3% against the dollar due to elevated imports, lower than expected revenue from imports and fiscal balances • In 2017, the volatility has eased significantly and is expected to remain stable supported by the recovery of global oil prices, the new government and its pro-growth policies and IMF support through its 3-year programme in Ghana that has brought a reduction in the fiscal deficit
Interest Rates	• Interest rates in Ghana have been at 27.8% on average between 2012 and 2016 • The Bank of Ghana kept the monetary policy rate at 26.0% for the large part of 2016, due to elevated inflation levels • In 2017, the MPR has declined to 21% and is expected to decline further and result in loans growth especially in the private sector
Inflation	• The 5-year average inflation in Ghana is 14.2% • Inflation dropped to 15.4% in December 2016 following high levels experienced at the beginning of the year, due to a de-regulation process, which saw the removal of subsidies from petroleum products, electricity and water • Inflation is expected to decline and reach 11.2% by the end of 2017, supported by tight policy stance and currency stability, and trend downwards, towards the medium-term target of 6.0% - 10.0% in 2018

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IV. Overview of Real Estate in Ghana

Overview of Real Estate in Ghana

Real estate sector in Ghana has returns averaging at 18.0%, with average yields of 10.4% and appreciation of 7.6%

Macro-economic Contribution

- The real estate sector contributed to 4.0% of Ghana's GDP in 2016, having grown by 3.8% in 2016 compared to a 7.7% growth in 2015
- The construction sector contributed to 13.7% of Ghana's GDP in 2016, growing by 2.9% in 2016 compared to a 2.2% growth in 2016
- The decline in real estate has been due to reduced rental and sales income following the declined value of the Ghana Cedi from 2013 to 2016
- In addition, there has been a decline in uptake given the slowing performance of the oil and gas sector that previously created demand for residential and commercial real estate
- The growth in construction however shows the continued investment in the sector

Returns

- Real estate is Ghana has high rental yields averaging at 10.4% from 7.9%, 9.5%,10.1% and 14.3% for the residential, retail, office and serviced offices sectors, respectively making it attractive to investors
- Capital appreciation averages at 7.6%, bringing total returns in the market to an average of 18.0% which is higher than the 1-Year Treasury Note yield of 15% between September and October 2017. The return is however lower than the 5-year average treasury note yield of 21.3%
- The hotel sector in Ghana has been resilient despite the Ebola pandemic in Western Africa, maintaining occupancy of 61% between 2013 and 2016, driven mainly by business travellers

Key Players

- The real estate sector is dominated by informal market players taking up 90% of the market share
- There has been increased involvement of the private sector with firms such as Devtraco, Trasacco, Regimanuel Estates, Clifton Homes, Manet and CPL taking part in development
- The government has also partnered with firms that have financial muscle such as Regimanuel Estates, SSNIT (Social Security and National Insurance Trust) to provide affordable housing

Market Outlook

- We expect stagnation in the commercial office sector given the increasing supply and increasing vacancy rates as firms take up smaller spaces due to the high cost of office rentals
- Developers in the residential sector are likely to focus mainly on compound houses in the mid and lower end segments of the market for which uptake and demand is highest

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Overview of Real Estate in Ghana: Key Challenges

Communal land-ownership, high cost of construction and financing and inadequate infrastructure are main challenges facing real estate in Ghana

Land Regimes

- Ghana is faced with multiple land ownership issues and litigations mainly due to the communal–system of land ownership, which, is a hindrance to development as it makes the process of land acquisition cumbersome
- There is also inadequate land for development especially within Accra

Cost of Construction Material

- Like most Africa countries, Ghana is highly dependent on imported material for construction with almost 80% of construction material being imported and thus expensive
- There is inadequate knowledge, research and proper workmanship for local alternative building material

Inadequate Infrastructure

- There is lack of on-site infrastructure in most areas and thus developers have to incur the costs to provide services such as roads and sewer systems
- These costs are then passed to buyers increasing property prices

High Financing Costs

- The cost of debt in Ghana is high, with lending rates ranging from 19%-35% per annum on the Cedi and approximately 13%-16% on the USD
- This is a challenge to both development and purchase of real estate as it limits affordability. As of 2015, Ghana Home Loans, which has at least a 47% loans market share, had provided loans worth USD 97.1 mn to only 1,651 beneficiaries. The mortgage to GDP ratio stands at 0.25% as at 2010 compared to Kenya at 2.7% as at 2016.

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Overview of Real Estate in Ghana – RE Contribution to GDP

Real Estate and construction sectors contribution to GDP has been increasing from 10.8% in 2006 to 13.6% in 2011 to 17.8% in 2016



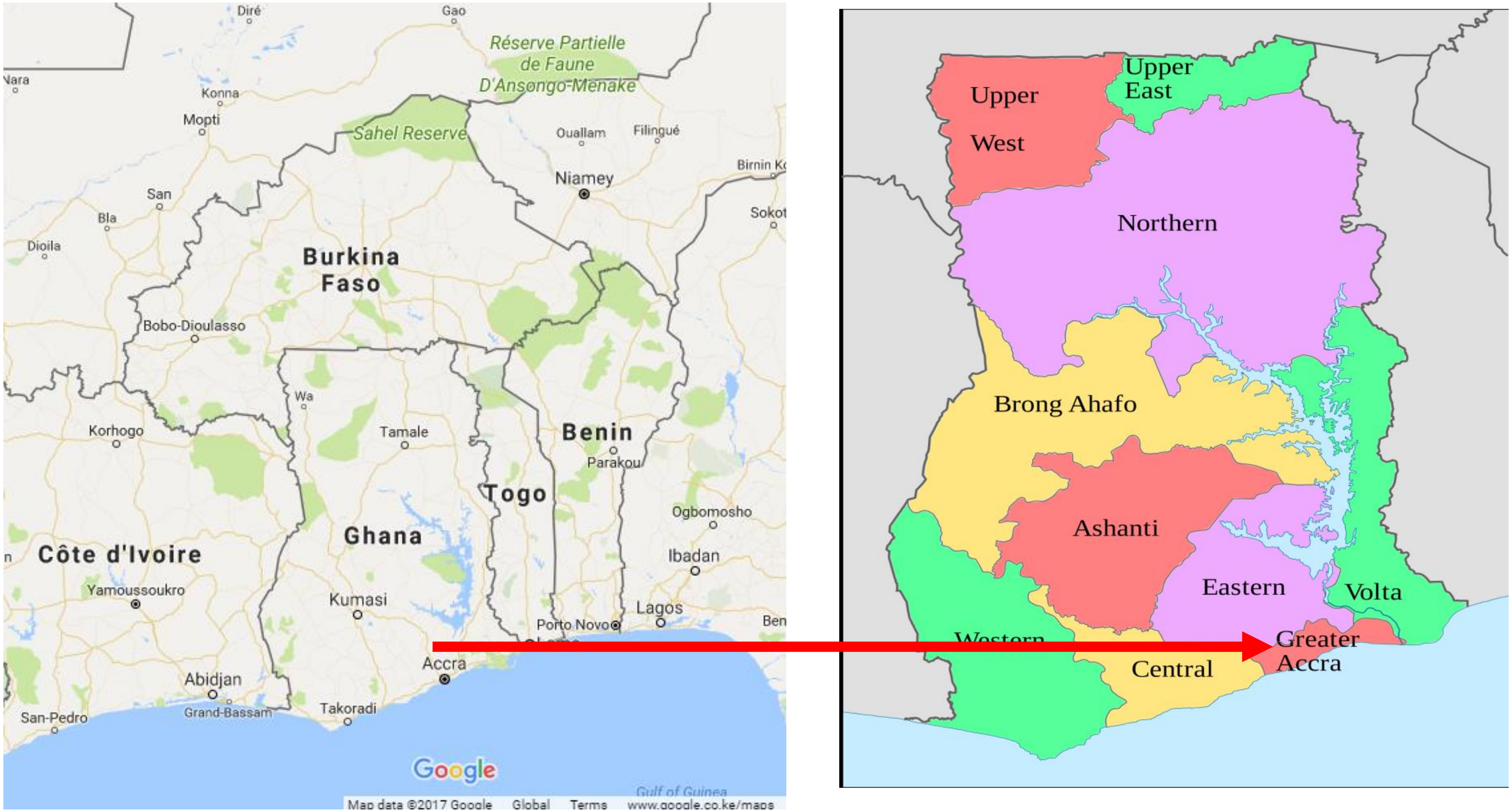


	2006	2011	2016
Agriculture	30.4%	25.3%	18.9%
Mining & Quarrying	2.8%	8.4%	4.2%
Wholesale & Retail Trade	6.4%	5.9%	6.4%
Hotels & Restaurants	5.0%	5.4%	5.9%
Real Estate & Construction	10.8%	13.6%	17.8%

Source: Ghana Statistical Services 2017

Subject Area: Greater Accra

Greater Accra is one of the regions of Ghana in West Africa



Subject Area: Greater Accra

Greater Accra comprises of towns such as Tema and Accra and borders the Atlantic Ocean

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Subject Area: Greater Accra Overview

Greater Accra has a population density of 1,400 persons per sqkm

- Greater Accra is the smallest of Ghana's 10 administrative regions with a total area of 3,245 Sq km
- It had the 2nd highest population with a projected population of 4.8 Mn persons as at 2017 after Ashanti region and thus has approximately 1,400 persons per sqkm
- It is home to the Capital City of Ghana- Accra which has a population of 2.4 Mn persons (2,685 persons per sqkm)

Services

- It is served by the Kotoka International Airport area for air travel
- 4 National Highways – N1, N2, N4 and N6 and 1 regional highway R40 pass through Greater Accra
- The main port is located at Tema allowing importation of goods by sea
- It is connected to Kumasi and Takoradi by a railway line
- Greater Accra lacks adequate centralized sewer system thus residents rely on septic tanks and bio-digesters
- It is served with electricity from the Electricity Company of Ghana
- It is well served with telecommunication lines with the main mobile service providers being Airtel, MTN and Vodacom

Economic Services

- It is well-served with schools at the primary, secondary and tertiary levels
- The main economic activities are in the financial, manufacturing, transport, trade and tourism sectors

Land Use and Zoning

- Zoning is overseen by the Accra and Greater Accra Metropolitan Assembly
- However, there is limited implementation of zoning regulation in developments especially in low end neighbourhoods

V. Residential Research

Residential Research: Factors Driving the Sector

Positive demographics, the involvement of the private sector, the government and multi-nationals are the main drivers of the sector

Key Drivers	
• **Demographics**	• Ghana has a population of 29 Mn people growing at 2.18%, compared to the global average of 1.2%. This translates to a density of 127 people per SQKM (Kenya has 87 people per SQKM) • 53.9% of its population is urban and growing at 3.4% annually compared to the global average of 2.1% • With an total supply of 3.4 mn units as at 2015 and an average household size of 4.4 persons, there is a deficit of 1.7 Mn units as at 2015 in Ghana mainly in the urban centres such as Accra, Kumasi, Takoradi
• **Private Sector Involvement**	• Approximately 90% of Ghana's housing stock is informal, ie, built by individual home-owners and small-scale contractors • However, there has been increased involvement of the private sector with firms such as Devtraco, Trasacco, Regimanuel Estates, Clifton Homes and CPL taking part in development • The government has also partnered with private firms that have financial muscle such as Regimanuel Estates to provide housing
• **Government Initiatives**	• The government through its parastatals such as SSNIT & National Housing Corporation have undertaken development of affordable housing in various parts of the country such as Kumasi, Tema, Motorway
• **Entry of Multinationals**	• The transport, construction, financial and oil & gas sector have attracted multi-national companies such as Huawei, Bloomberg, Sigma Gas & Co and Micro-soft to Ghana, who demand for institutional grade real estate including housing • Investors therefore purchase houses in the upper and mid-end segment of the market, furnish them and rent out to expatriates
• **Land Regime**	• Ghana is faced with multiple land ownership issues and litigations mainly due to the communal–system of land ownership. Prospective homeowners especially Ghanaians from diaspora therefore prefer to buy already built houses as they are more assured that the developer has done the necessary due diligence on the land

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Residential Research: Challenges Facing the Sector

The main challenges are in land-ownership, inadequate infrastructure, high financing and building costs

Key Challenges	
• **Land Issues**	• High land acquisition and transaction costs, representing 15% of the total development costs • Insufficient land for development especially within Accra • Multiple land ownership claims and litigations due to communal land-ownership system
• **Inadequate Supporting Infrastructure**	• There is lack of on-site infrastructure in most areas and thus developers have to incur the costs while developing • Accra lacks a centralized sewer system hence properties rely on septic tanks and bio digesters
• **Cost of Building Materials**	• Ghana is highly dependent on imports, with around 80% of material being imported • Inadequate knowledge, research and proper workmanship for local alternative building material
• **Financing Costs**	• Costs of borrowing are high ranging from 19%-35% per annum on the Cedi and approximately 13%-16% on the US dollar • The main lender in Ghana is Ghana Home Loans had provided loans worth USD 97.1 Mn to only 1,651 beneficiaries as at 2015. GHL had a 47% market share as at 2013 • The Mortgage to GDP ratio stands at 0.25% as at 2010 compared to Kenya at 2.7% as at 2016
• **Foreign Exchange Volatility**	• Currency volatility especially between 2013 and 2015 resulted in depreciation of the Ghana Cedi. Rental rates therefore declined so that people would pay the same amount of rent in Cedi • Property owners now charge on the US Dollar as a way of hedging against value depreciation
• **Poor Governance**	• Fragmented policies and regulatory environment has resulted in uncontrolled development especially in urban centres such as Accra • Lack of adequate research on housing with only Broll Ghana producing research

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Residential Research: Accra

The residential sector in Accra comprises of high end areas, mid end and lower middle income areas

- The residential sector in Accra is divided into the following segments;
  - **High End-** Estates in Accra such as Cantonments, Osu, Ridge, Airport Residential, Dzorwulu and parts of Legon
  - **Mid End-** Estates in Accra such as East Legon, Ringway, Shiashi, Spintex, Madina, Oyibi, Teshie and Klagon
  - **Lower Mid End-** Estates in Greater Accra such as Tema, Kwabenya, Adenta, Madina, Katamanso, Dansoman, Darkuman, Ablekuma, James Town and Afienya

- The main market players include;
  - **Devtraco** started 24 years ago focusses on the High-End, Middle and Lower Mid End Market
  - **Trasacco** started 18 years ago focusses on the High End Market
  - **Regimanuel Estates** started 26 years ago focusses on the Middle and Lower Mid End Market
  - **Clifton Homes** started 6 years ago focusses on the High End Market
  - **Social Security and National Insurance Trust (SNNIT)** in the Middle and Low End Market

Residential Research: Accra

The residential sector in Accra is characterised with diversity, semi-furnished kitchens and limited zoning regulations

- The main notable factors in the residential segment include;
  i. **Land Use-** Own-compound houses are mainly developed on 40*80 ft , 65*45 ft and 70*80 ft (0.125 acre) plots. The largest plots are in older estates such as Trasacco Valley with 240*100 plots (0.6 acre)
  ii. **Diversity-** Developers are keen on diversity through provision of various sizes for one unit typology, expandable houses and different colours of houses. In addition, developers such as Adom Gate construct the shell and core then furnish the house to the buyer's taste once payment is made. This also enables saving on costs for the developer
  iii. **Semi-furnished kitchens**- Houses for sale in the high and mid-end segment are mostly fitted with a fridge, cooker, extractor, a microwave, AC and washing machines
  iv. **In-house Construction-** Majority of the developers e.g. CPL, Trasacco, Regimanuel have an in-house construction company thus do not outsource contractors
  v. **Prevalence of compound houses-** Ghanaians like to own land hence 70% of the houses are own-compound houses
  vi. **1-3 years rent in advance-** In the mid-end and high end segments of the market, it is common to found land-lords charging 1 to 3 years of rent in advance

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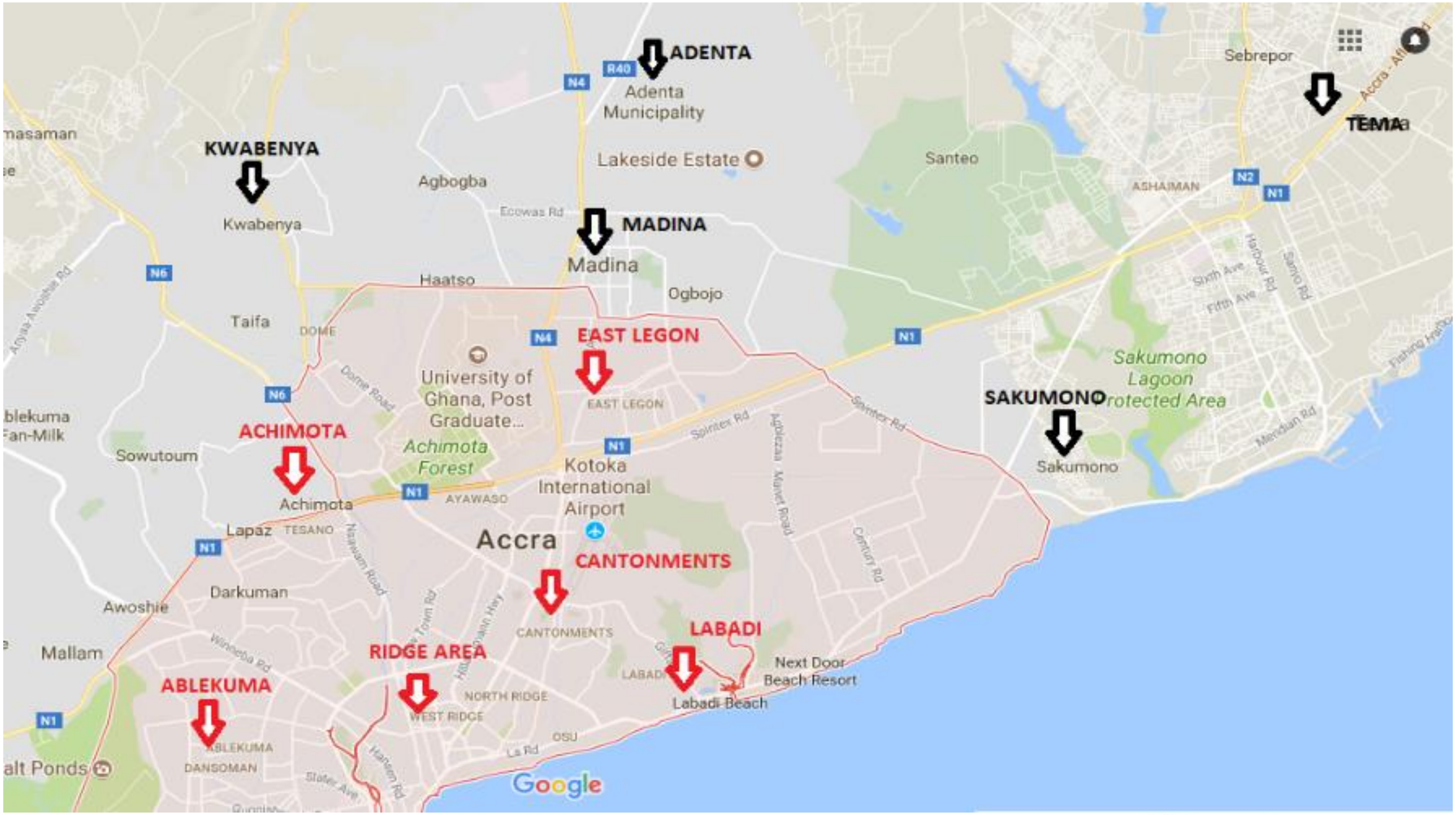
Residential Research: Accra

The map shows the main residential areas such as Ridge, Achimota, Tema, Madina and Sakumonu



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Performance Summary: High End

High End apartments and detached properties have average returns to investors of 15.5%

Apartments										
Typology	**Unit Plinth Area (SM)**	**Price 2017 USD**	**Price in Kshs**	**Price per SM (USD)**	**Rent in USD**	**Rent in Kshs**	**Rent per SM (USD)**	**Rental Yield**	**Capital Appreciation**	**Total Returns**
1-Bed	78	211,500	21.9 mn	2,753	1,560	161,460	20.0	9.7%	10.0%	19.7%
2-Bed	136	351,259	36.4 mn	2,701	2,380	246,330	17.5	8.7%	6.4%	15.1%
3-Bed	181	515,297	53.3 mn	2,822	3,435	355,561	19.0	8.3%	5.2%	13.5%
4-Bed	271	824,860	85.4 mn	3,027	4,000	414,000	14.7	6.7%	5.3%	12.0%
Average				**2,844**			**17.8**	**8.4%**	**6.7%**	**15.1%**

Detached										
Typology	**Unit Plinth Area (SM)**	**Price 2017 USD**	**Price in Kshs**	**Price per SM (USD)**	**Rent in USD**	**Rent in Kshs**	**Rent per SM(USD)**	**Rental Yield**	**Capital Appreciation**	**Total Returns**
3-Bed	335	550,000	56.9 mn	2,187	4,000	414,000	12.9	8.7%	3.5%	12.2%
4-Bed	418	894,444	92.6 mn	2,140	4,164	430,936	10.0	6.9%	6.9%	13.8%
5-Bed	463	1,376,667	142.5 mn	2,973	4,500	465,750	9.7	6.5%	12.9%	19.4%
6-Bed	696	1,750,000	181.1 mn	2,531					11.1%	
Average				**2,557**			**10.5**	**7.4%**	**8.6%**	**16.0%**
Grand Average				**2,700**			**14.2**	**7.9%**	**7.7%**	**15.5%**

- 1-bed apartments have the highest total returns to investors as they continue to gain traction in Accra mainly due to the young urban elite population and expatriates, and charge the highest rents per square metre

Source: Cytonn Research 2017

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Performance Summary: Mid End

Mid End residential property offer average returns to investors of 15.7%

Apartments										
Typology	Unit Plinth Area (SM)	Price 2017 USD	Price (Kshs)	Price per SM (USD)	Rent in (USD)	Rent (Kshs)	Rent per SM(USD)	Rental Yield	Capital Appreciation	Total Returns
Studio	36	82,050	8.5 mn	2,279	896	92,751	24.9	13.6%	4.6%	18.2%
1-Bed	55	111,885	11.6 mn	2,034	1,242	128,636	22.6	13.4%	1.5%	14.9%
2-Bed	102	201,808	20.9 mn	1,979	1,746	180,747	17.1	9.7%	5.7%	15.4%
3-Bed	147	262,094	27.1 mn	1,783	2,114	218,854	14.4	9.1%	13.0%	22.1%
4-Bed	167	438,900	45.4 mn	2,828	2,926	302,841	17.5	8.0%		
Average				**2,181**			**19.3**	**10.8%**	**6.2%**	**17.0%**

Detached										
Typology	Unit Plinth Area (SM)	Price 2017 USD	Price (Kshs)	Price per SM (USD)	Rent in (USD)	Rent (Kshs)	Rent per SM (USD)	Rental Yield	Capital Appreciation	Total Returns
2-Bed	90	190,000	19.7 mn	2111	1,200	124,200	13.3	7.6%		
3-bed	237	306,250	31.7 mn	1617	1,817	188,025	7.7	9.2%	5.9%	15.1%
4-bed	276	386,250	40.0 mn	1662	2,387	247,091	8.6	7.2%	6.9%	14.1%
Average				**1,640**			**9.9**	**8.0%**	**6.4%**	**14.4%**
Grand Average				**1,910**			**14.6**	**9.4%**	**6.3%**	**15.7%**

- Apartments in the mid-end segment have the highest total returns to investors at 17.0% and highs of 22.1% from 3-bedroom typologies and 18.2% from studio apartments which attract a high rent per square metre

Source: Cytonn Research 2017

Performance Summary: Lower Mid End

Low Mid End residential property offer average returns to investors of 12.9%

Apartments										
Typology	Unit Plinth Area (SM)	Price 2017 USD	Price in Kshs	Price per SM (USD)	Rent in USD	Rent in Kshs	Rent per SM (USD)	Rental Yield	Capital Appreciation	Total Returns
1-Bed	45	26,896	2.9 mn	597.7					13.5%	
2-Bed	77	66,484	4.9 mn	639.7	204	21,077	2.8	4.8%	11.1%	15.9%
3-Bed	92	56,517	5.8 mn	666.2	242	25,042	2.6	4.9%	5.3%	10.2%
Average				**737.1**			**2.7**	**4.9%**	**10.0%**	**14.8%**

Detached										
Typology	Unit Plinth Area (SM)	Price 2017 USD	Price in Kshs	Price per SM (USD)	Rent in USD	Rent in Kshs	Rent per SM (USD)	Rental Yield	Capital Appreciation	Total Returns
2-Bed	103.3	105,384	10.9 mn	1,193	860	89,010	8.3	10.8%		
3-Bed	179	165,326	17.1 mn	1,028	1028	105,800	5.7	7.4%	1.6%	9.0%
4-Bed	292	261,667	27.1 mn	905	1,100	113,850	3.8	5.2%	4.9%	10.1%
Average				**1,042**			**5.9**	**7.8%**	**3.3%**	**11.1%**
Grand Average				**889.5**			**4.3**	**6.3%**	**6.6%**	**12.9%**

- Compared to mid and High end properties, low end market has the least returns to investors with an average of 12.9% with apartments performing better at 14.8% due to their high capital appreciation
- The low returns are due to low uptake especially for apartments in this segment as investors mostly target the expatriate market in the high and mid-end segments. The lower mid end population of Accra prefer to build their own houses

Source: Cytonn Research 2017

Research Summary: Returns

Apartments generate higher returns for investors at 15.6% compared to detached units at 14.7%

Apartments

Type	Price Per SQM (USD	Rent Per SQM (USD)	Rental Yield	Capital Appreciation	Total Returns
High End	2,844	17.8	8.4%	6.7%	15.1%
Mid End	2,181	19.3	10.8%	6.2%	17.0%
Lower Mid End	737.1	2.7	4.9%	10.0%	14.8%
Average	**1,920**	**13.3**	**8.0%**	**7.6%**	**15.6%**

Detached

Type	Price Per SQM (USD	Rent Per SQM (USD)	Rental Yield	Capital Appreciation	Total Returns
High End	2,557	10.9	7.4%	8.6%	16.0%
Mid End	1,640	9.9	8.0%	6.4%	14.4%
Low Mid End	1042	5.9	7.8%	3.3%	11.1%
Average	**1,746**	**8.9**	**7.7%**	**6.1%**	**13.8%**
Grand Average	**1,833**	**11.1**	**7.9%**	**6.9%**	**14.7%**

Source: Cytonn Research 2017

Cytonn REAL ESTATE

Research Summary: Uptake

Mid to low end compound houses and 1 & 2 bed apartments have the highest uptake

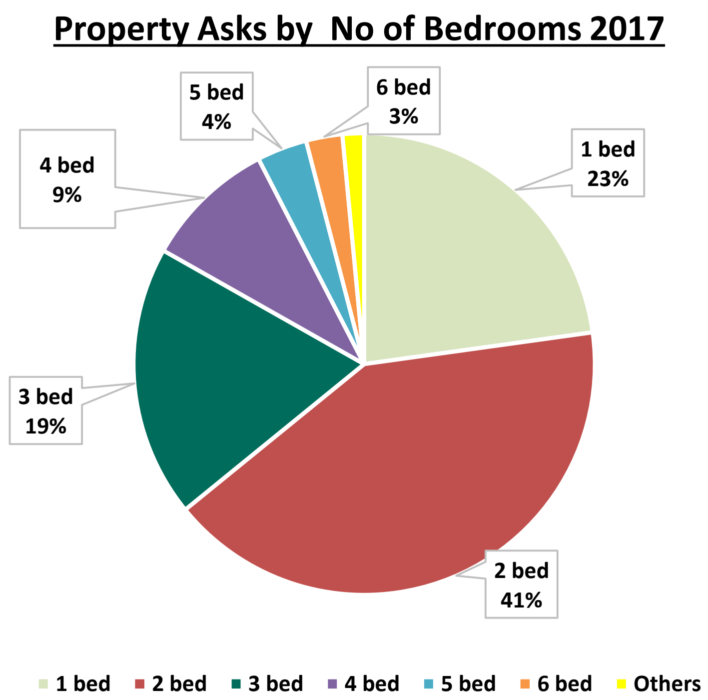
Segment	Number of Units Sampled	Weights	Average of Annual Sales (%)	Annual Unit Sales	Weighted Points	Rank
Mid End Compound Houses	1,359	16.8%	21.9%	297	3.7%	1
Lower Mid End Compound Houses	1,955	24.1%	14.3%	280	3.4%	2
High End Compound Houses	887	10.9%	23.7%	210	2.6%	3
High End Apartments	739	9.1%	28.1%	208	2.6%	4
Mid End Apartments	381	4.7%	54.0%	206	2.5%	5
Lower Mid End Apartments	2,792	34.4%	5.2%	146	1.8%	6

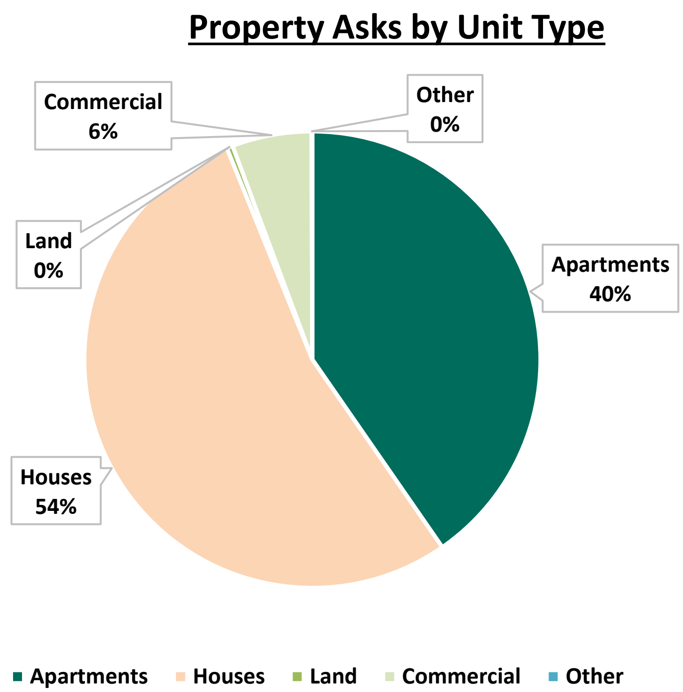
Unit Typology	Number of Units Sampled	Weights	Average of Annual Sales (%)	Annual Unit Sales	Weighted Points	Rank
2 bed apartment	2,189	27.2%	42.8%	936	11.6%	1
1 bed apartment	1,148	14.3%	39.1%	449	5.6%	2
3 bed compound	2,805	34.8%	15.6%	438	5.4%	3
4 bed compound	855	10.6%	26.1%	223	2.8%	4
3 bed apartment	495	6.1%	39.7%	196	2.4%	5
Studio	58	0.7%	65.8%	38	0.5%	6
2 bed compound	478	5.9%	2.9%	14	0.2%	7
4 bed apartment	16	0.2%	40.8%	7	0.1%	8
Penthouse	6	0.1%	50.0%	3	0.0%	9

Source: Cytonn Research 2017

Research Summary: Property Queries

Compound houses have the highest alerts compared to apartments





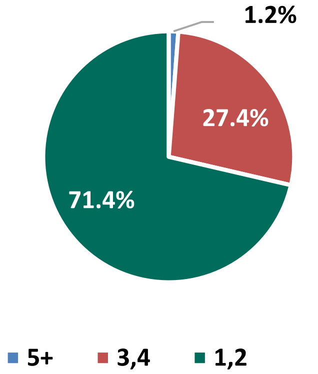
- We obtained information from Meqasa, a leading online property sales/rentals platform in Accra
- According to their data, 1 and 2 bed units receive the most alerts showing high interest
- Houses receive 54% of the alerts compared to apartments at 40%, indicating higher demand for compound houses

Source: Meqasa 2017

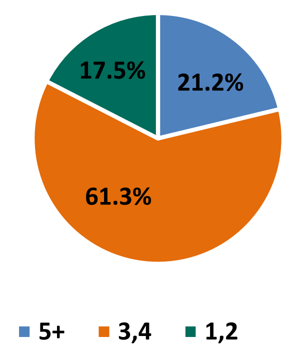
Research Summary: Uptake

3 and 4 bed units had the highest sales for both apartments and compound houses

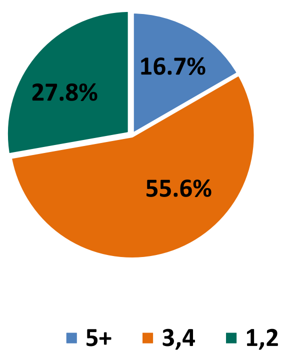
Apartment Rented by Number of Bedrooms 2017



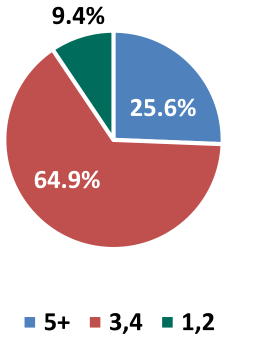
Compound Houses Rented by Number of Bedrooms 2017



Apartment Sales by Number of Bedrooms 2017



Compound House Sales by Number of Bedrooms 2017



Source: Meqasa 2017

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VI. Commercial Research

A. Unserviced Offices

Factors Driving Demand for Commercial Office Sector in Accra

Growth of oil & gas industry has led to demand for office space

Oil & gas discovery

- Demand for office space has been fueled by the influx of foreign investors and the discovery of oil and gas led to growth of multinational firms such as Hollard Insurance, Maersk, Cushman & Wakefield, and Tullow, which created demand for better office stock, hence the continued delivery of grade A & B offices. The fairly nascent industry contributed to sustained demand and thus growth in rental levels especially between 2007 and 2013

Growth of SMEs

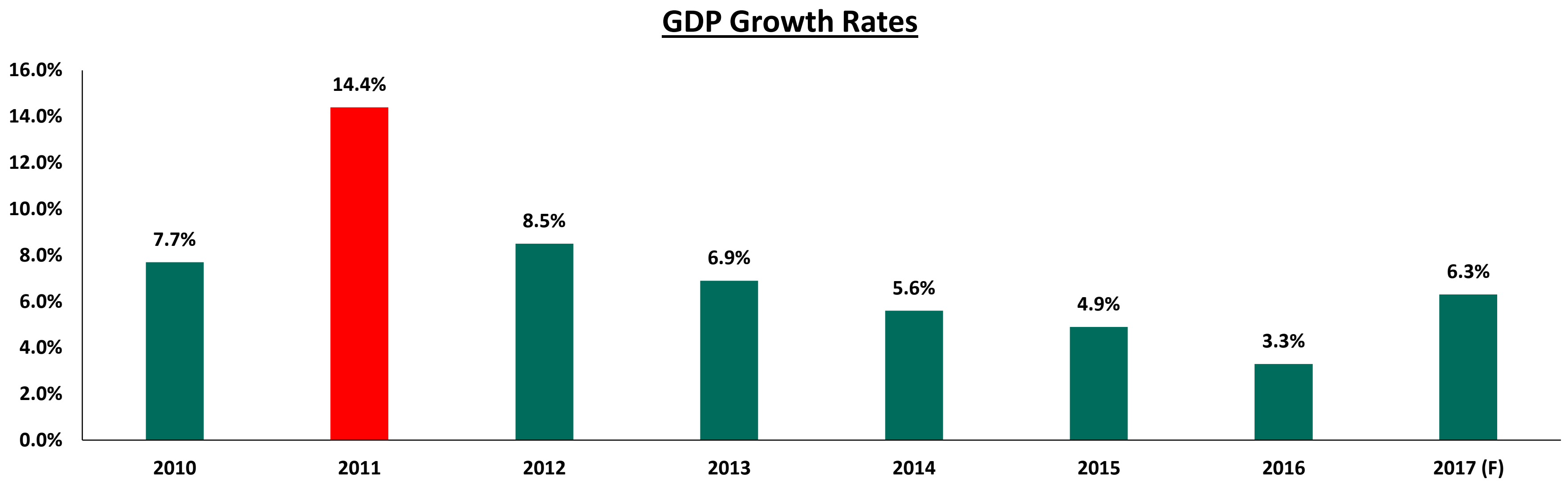
- Increasing number of local companies such as financial institutions, telecommunications as well as healthcare services have created demand for office space. As per the Business & Financial Times Ghana, 92% of the registered businesses are SMEs which as of 2017, contributed 70% of Ghana's GDP. The SMEs are expected to grow even further following creation of the Exim Bank whose aim is to help in sustaining the private sector's productivity through strengthening small and medium enterprises in the country

Accra as an emerging market

- As a result of its growing economy, Ghana has been hailed as one of the emerging markets in Africa. This is partly due to Ghana's stellar political stability and ease of doing business which has led to its recognition as one of the key gateways to the West African market, attracting both local and international investment which ultimately lead to creating of more office space

Challenges Facing the Commercial Office sector

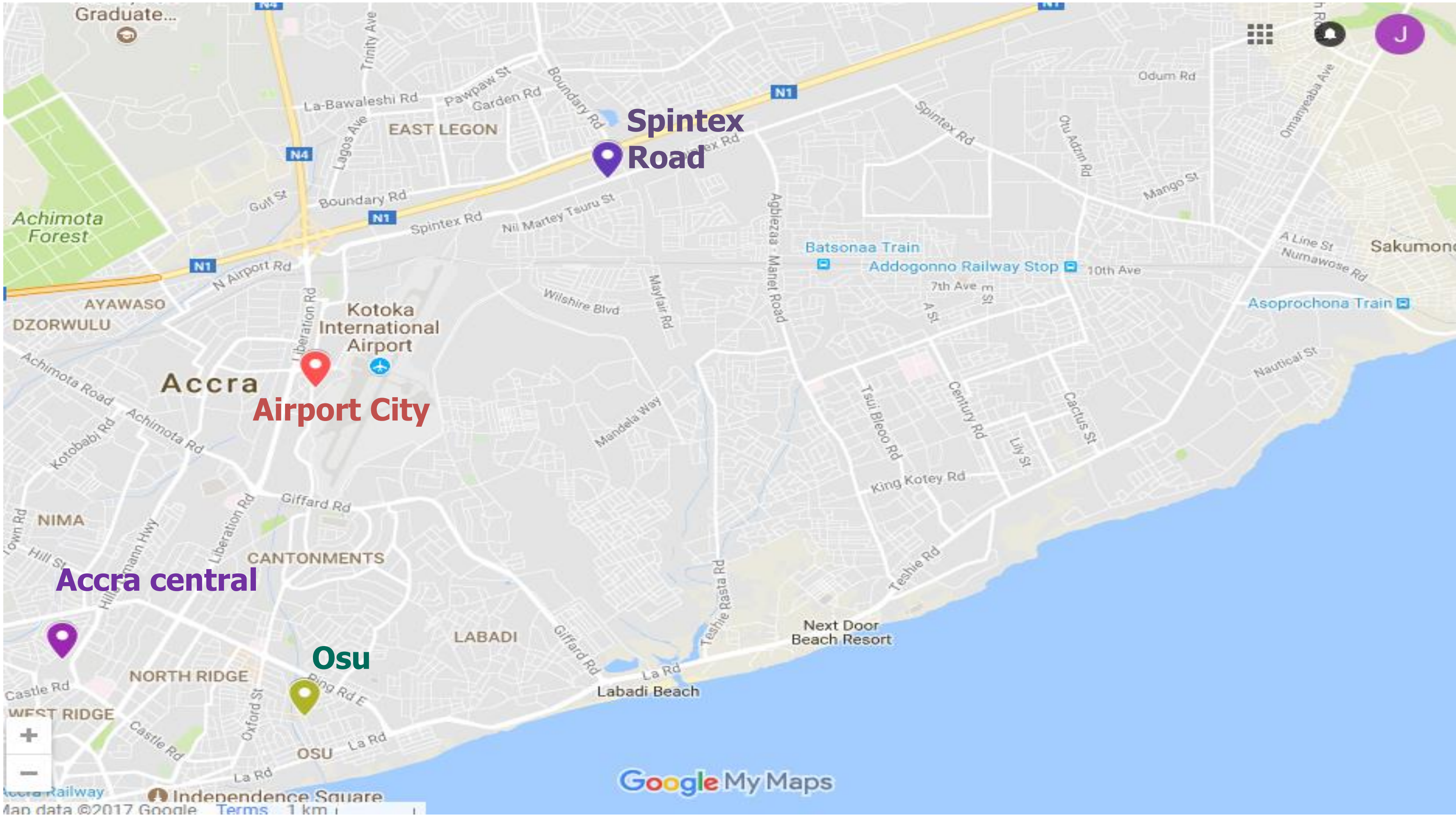
Ghana's GDP growth rate has been forecasted to grow by 6.3% by the government



- Economic slow down in 2014/15 evidenced by a drop down in GDP Rates
- Global recession which has affected commodity prices in Ghana, especially Gold, Cocoa and petroleum, its main exports
- Elongated land tenure process due to the predominant customary laws making land acquisition difficult
- High costs of development due to high financing costs and the cost of building materials as approximately 80% of material is imported

Commercial Office Research: Main Nodes

The key commercial office nodes are Accra Central, Airport City & along Spintex Road



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Commercial Office Research: Main Nodes

Accra Central, Airport City and Spintex Road are the major commercial nodes in Accra

Central Business District/Accra central

- This is considered as the central Business District of Accra.The area hosts most of the government ministries including Communications, Private and Public Sector Development, Interior, et cetera
- The CBD is also the home of most financial institutions, large department stores and corporate head offices. However, the effect of increased traffic congestion in the CBD is compelling many companies to relocate to the periphery of the CBD

Airport City

- Airport City is dubbed so, due to its proximity to the Ghana's international airport, the Kotoka International Airport
- Being considered as a city within the city, Airport City is generally a mixed-use area, compared to other nodes, and holds some of the most spectacular buildings in Accra holding high end office buildings such as One Airport Square, Manet Square, Villaggio Vista (the tallest development in Ghana) as well as malls such as Marina and hotels including Holiday Inn, Mariott hotel among others

Osu

- Generally considered a residential area, Osu is rapidly changing into a leading commercial hub spotting financial institution buildings, serviced apartments and hotels due to its popularity with tourists as well as shopping malls such as the Oxford Shopping mall

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Commercial Office Research: Classification

Grade A offices are in prime locations having good mechanical and electrical installations

No formal rules or regulations exist to classify buildings in Ghana. However, international standards are followed and properties can be informally classified by building quality, facilities and services provided, age as well as electrical and mechanical installations:

A-grade

- These are buildings located in prime locations and have high quality facilities, mechanical and electrical installations i.e. standby generator set, lifts (elevators), air conditioning, CCTV, access control, firefighting equipment and offer services such as landscaping, waste management, cleaning et cetera. These properties also offer ample parking space and good security. As a result, they attract high end clientele resulting in high rental rates

B-grade

- These are properties that have are 10-20 years, have standard finishes, necessary amenities such as security, lifts and good ample parking space. Due to their competitive rents and fairly good conditions, they attract a wide range of clientele

C-grade

- These are offices in less attractive locations and are older than 20 years. They also lack requisite amenities such as ample parking space, CCTV and other services such as landscaping and security. Due to this, they attract the lowest rental rates

Source: Cytonn Research, Broll Ghana

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Commercial Office Research: Performance by Location & Grade

Grade A office stock performs best with the highest average occupancy and rental yield at 84.6% and 10.4%, respectively

Grade A

Location	Monthly Rent Per SQFT (USD)	Monthly Rent Per SQFT (Kshs)	Occupancy Rate	Rental Yield
Accra Central	33	3,416	83.9%	10.2%
Airport City	33	3,416	85.0%	10.6%
Average	**33**	**3,416**	**84.6%**	**10.4%**

Grade B

Location	Monthly Rent Per SQFT (USD)	Monthly Rent Per SQFT (Kshs)	Occupancy Rate	Rental Yield
Accra Central	24	2,525	73.0%	9.9%
Airport City	30	3,105	51.1%	8.0%
Labone	32	3,312	100.0%	12.0%
North Ridge	23	2,381	68.1%	8.5%
Average	**26**	**2,831**	**70.6%**	**9.5%**

Grade C

Location	Monthly Rent Per SQFT (USD)	Monthly Rent Per SQFT (Kshs)	Occupancy Rate	Rental Yield
Airport City	22	2,225	79.9%	9.9%
Osu	20	2,070	75.0%	10.0%
Spintex Rd	22	2,277	63.0%	8.8%
Teshie Rd	12	1,242	66.7%	6.9%
Average	**19**	**1,975**	**79.6%**	**10.3%**
Grand Average	**27**	**2,740**	**78.3%**	**10.1%**

Source: Cytonn Research 2017

Commercial Office Research: Summary

Grade A office stock performs best with the highest average occupancy and rental yield at 84.6% and 10.4%, respectively

Office

Grade	Current Price Per SQFT (USD)	Current price Per SQFT (Kshs)	Monthly Rent Per SQFT (USD)	Monthly Rent Per SQFT (Kshs)	Occupancy Rate	Rental Yield
A	325	33,658	3	348	84.60%	10.40%
B	238	24,613	3	278	70.60%	9.50%
C	165	17,105	2	215	79.60%	10.30%
Average	**243**	**25,159**	**3**	**280**	**78.30%**	**10.10%**

- Grade A offices have the best performance in Accra with average rental yields at 10.4%, 0.3% points higher than the market average of 10.1%. This is attributable to the high occupancy rates at 84.6% which also indicate demand from the high end clientele
- Grade C offices had the second best performance with average yields of 10.3% attributable to their high occupancy rates at 79.6%
- However, Grade B offices indicated low demand as most are located in areas such as Accra Central, an area which has become less popular with clients due to factors such as congestion and old stock

Source: Cytonn Research 2017

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B. Retail

Factors Driving Demand for Retail Market in Accra

Ghana's growing economy has been the driving force behind growth of retail sector

Demographics

- Ghana's has positive demographics with a fast growing and urbanizing population, at 2.2% & 3.1% rates, respectively against global averages at 1.2% and 2.1%, respectively. Consequently, the middle class is expanding with more people living in the urban centres
- More than half of its population was living in urban centres, at 55.0%, compared to Sub-Saharan's 38.0%

Foreign Investment

- Ghana has attracted attention from foreign retailers, both from the western world as well as South African investors. According to Ghana Investment promotion centre, GIPC, 49 new projects with an estimated value of USD 3.0 bn were recorded in Q1'2017, with 43 being wholly-foreign owned
- Foreign retailers such as South Africa's Deacon shops, Levi, Mango, Game and Shoprite among others dominate the market with French Retailer Carrefour also making plans of joining in the market. The major mall owners include Actis, South Africa's RMB Westport, Africa Atterbury

Favorable economic conditions

- Additionally, the country enjoys a good political climate compared to other African countries creating investor confidence. This has attracted global investors, especially South Africa's major retailers whose aim is to increase footprint in the rest of Africa
- In 2011, Ghana recorded a 14.4% GDP growth with the following years registering 8.5% and 6.95%, respectively.
- The country was ranked as a a lower middle class economy in 2010, by the World Bank

Challenges Facing The Retail Sector

High inflation rates negatively affect consumer's purchasing power

Inflation

- Foreign exchange fluctuations and high inflation rates which have averaged at 14.2% for the past 5 years, have negatively affected consumer's purchasing power leading to less consumerism and thus reducing the demand for retail space

Competition

- The formal retails sector in Accra faces stiff competition from the informal markets characterized by small market stalls and street vendors. The informal market stands at 90%, as per The Oxford group
- With the tough economic times, as a result of high inflation rates, most Ghanaians prefer to shop in the informal markets which are considered more affordable

Loss of investor confidence

- The years 2010-2012 saw with the World Bank ranking the Ghana at position 60, 63 and 67, respectively on Ease of Doing Business, out of 190 countries. However, the country has continued to perform dismally, attributed to an over-estimated oil & gas industry revenues, hence dropping down to position 108 in 2017. This has contributed to loss of investor confidence evidenced by the rise in vacancy rates

Retail Research: Sector Overview

Ghana's dominant informal retail stands at 90%

- Formal retail real estate is the newest property sector in Ghana with the first bona fide malls, Accra Mall and A&C being built in 2008 and 2007, respectively
- The formal retail market is fairly nascent in Ghana standing at 5-10% of the retail market share while informal retail takes 90%. This is according to Oxford Business Group. However, it has proven to be both vibrant and fast-growing, mainly due to significant economic growth evidenced by the relatively high yields of 9.5% and average occupancy rates at 94.8%
- Existing malls tend to target high and middle-income Ghanaians as well as expatriates
- Currently, Ghana has a mall space of 1.2 mn SQFT which are all in Accra, with a deal pipeline of 1.2 mn SQFT as a result of upcoming malls in Accra, Mallam Junction, 21,800 SQM; Meridian Mall, 20,000 SQM; The Exchange, 11,000 SQM; Kumasi Mall, 29,000 SQM and Garden city Mall, 22,000 SQM in Kumasi City and Takoradi Mall, 19,000 SQM in Takoradi

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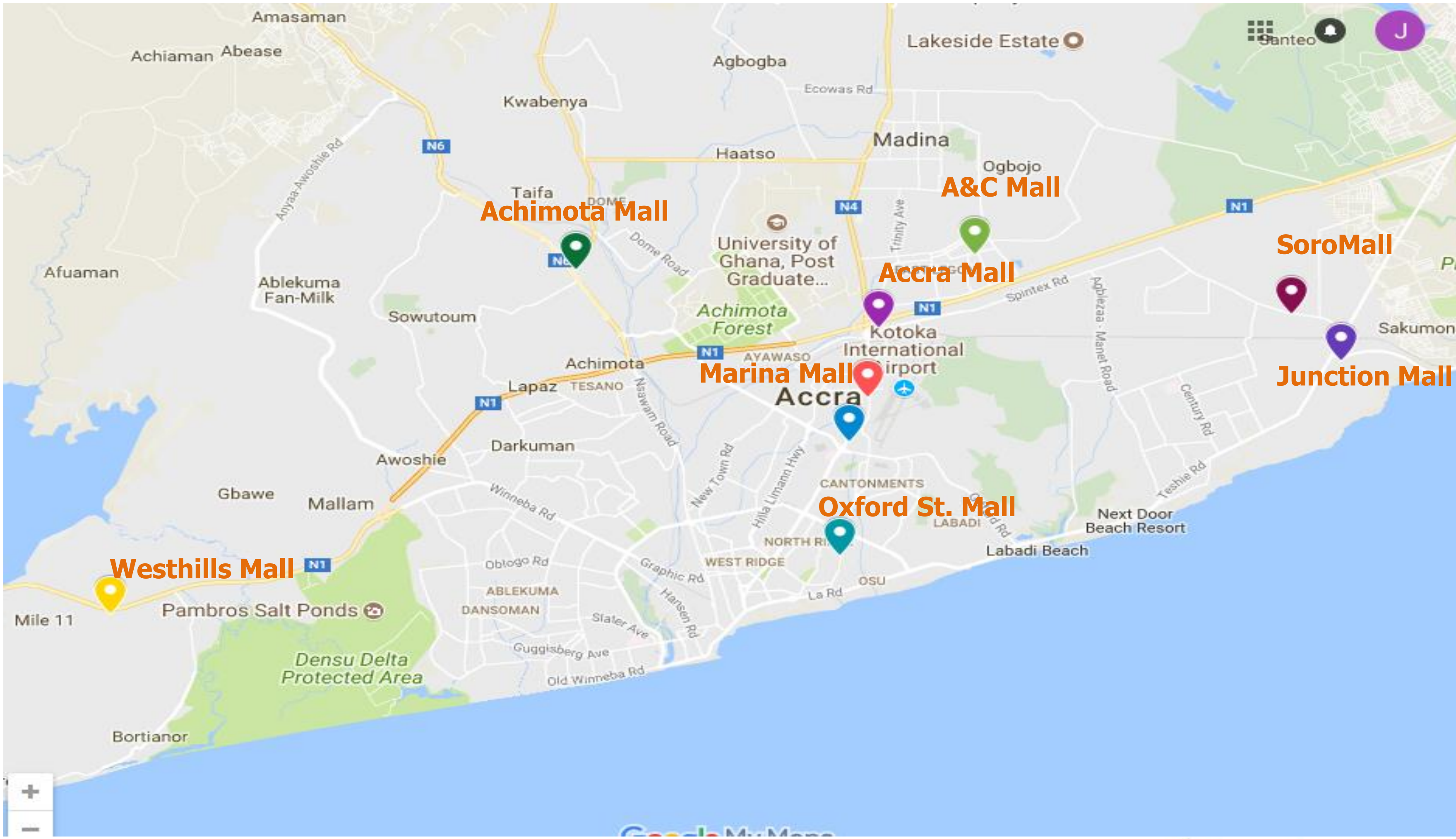
Retail Research: Malls in Greater Accra

Accra has 9 malls spread out across the city



Retail Research: Performance

Community malls perform best with average yields of 10.5%

Retail

Class	Rent Per SQFT (USD)	Rent Per Sqft(Kshs)	Occupancy Rate	Rental Yield
Community	5	468	98.70%	10.50%
Regional	4	437	97.70%	9.80%
Neighborhood	4	399	93.50%	8.60%
Shopping Centre	1	125	79.20%	7.40%
Average	**3**	**403**	**94.70%**	**9.50%**

- Community malls have the best returns at 10.5% and high occupancy rates at 98.7%, attributable to their apt location with malls such as Accra Mall, Achimota and Junction, along major highways which enhances footfall to the malls and thus attracting attractive rents
- Regional malls have high yields as well at 9.8% and 97.7% occupancy rates, compared to the market average of 9.5% and 94.7%, respectively
- Neighborhood malls perform worse with 8.6% yields and 93.5% occupancy rates followed by shopping centres which have average yields at 7.4% and 79.2% occupancy rates. This is attributable to their lower than market average occupancy rates as a result of competition form better located malls

Source: Cytonn Research 2017

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C. Serviced Offices

Serviced Offices Overview

Regus, Horizons and Avery Scott are the main industry players

- The major providers of virtual and serviced offices in Ghana include:
    - Avery Scott- 1 branch
    - Horizons Offices- 1 branch
    - Regus Offices- 4 branches
    - ABP Accra Offices- 1 branch
- Some of the tenants of serviced offices include; LG Electronics, Generic 7 Consult International, Prime Meridian Dock Ghana, Laurus Development Partners, EH Royalty Limited, Baume, Barry and Geller, Continental The West Africa Ltd and Emerge Ghana, SWIFT, Bloomberg, Microsoft
- These are companies in the electronics, oil and gas, transport & logistics and technology industries
- Companies that benefit from services are usually:
    - At early stages of development
    - Require short term office solutions
    - Fast expanding and beyond their current office resources
    - Conducting one-off projects
    - Constantly in transit and need a hustle free administrative centre

Serviced Offices: Sectors Drivers

The oil, logistics, electronics and telecommunications industries create the most demand for serviced offices

Key Drivers	
• **Oil & Gas Industry**	• Production of oil in Ghana started in 2010 after its discovery in 2007 • This created interest from multinational corporations in the Oil and Gas sector fuelling demand for office space including short-term work spaces
• **Logistics Industry**	• Tema, town which is located in the Greater Accra region serves as a harbour as it borders the Atlantic Ocean • It serves as a major transit point for goods for land-locked countries north of Ghana • Multi-national companies have also ventured into service provision in transport and logistics and frequently require office space, thus the need for serviced offices
• **Services Sector**	• The services sector in Ghana has been the highest contributor to GDP with a 56.9% share in 2016 • The sector has attract foreign players in financial services, hospitality, telecommunication, mining and trade sectors and thus creating demand for office spaces

Serviced Offices- Analysis

Main Assumptions on income, costs and the capital investment

- The main assumptions used in serviced offices analysis are;

Income

- Income was calculated per square foot (Monthly Charge divided by room area in square feet)
- Additional income from other sources at 5% of room revenues

Operating Costs

- Operational costs of 40% of the revenues are incurred
- Marketing is charged at 10% of the revenues received

Investment by Purchase/Rent

- Average price per SQFT of kshs 33,000 used in grade A developments
- Average price per SQFT of Kshs 24,000 used in grade B developments
- Average price per SQFT of Kshs 17,000 used in grade C developments
- Average rent per SQFT of 215 and 278 used for Grade C and B , respectively. Actual building rental charge used for the grade A developments
- Additional 20% included to purchase price to cater for the cost of common areas such as corridors, reception and washrooms
- Furnishing costs at 40% of purchase price/ rental lease
- A lease of 6 years was assumed

Serviced Offices- Analysis

The average occupancy for Ghana Stands at 80% with yields of 14.3% to 16.1%

Serviced Offices	Monthly Charge per Workstation (USD)	Room Charge per Sqft	Occupancy	Buying Price per Sqft (USD)	Lease Investment per Sqft	Yield for Bought Office Space	Yield for Leased Office Space
Grade A	1,250	13.5	66.0%	557.9	466.8	9.5%	11.3%
Grade B	705	18.2	79.3%	405.8	357.7	18.9%	21.5%
Grade C	667	6.9	95.0%	287.4	269.1	14.5%	15.5%
Average	**874**	**12.9**	**80.1%**	**417.1**	**364.5**	**14.3%**	**16.1%**

- Grade B serviced offices have the highest yields as an investor who buys office space to service and let can generate a yield of 18.9% compared to the market average of 14.3%. This is because this offices charge relatively low rates per work station at USD 705 per month, and thus have a relatively high occupancy of 79.3%
- Grade C serviced offices, despite having high occupancy of 95.0% on average charge lower rates per square foot of office space and thus have relatively lower yields compared to grade B
- Grade A serviced offices, are the poorest performing as they have a low occupancy 0f 66.0% due to the high rates charged

Source: Cytonn Research 2017

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VII. Land Research

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Site & Service Analysis

The average price per acre in prime Accra is $ 3.1 mn

Unserviced Plots			
Area	**Size (Sqm)**	**Price (USD)**	**Price Per Acre**
Cantonments	1	4,000,000	4,000,000
Cantonments	0.8	2,000,000	2,564,103
Dzorwulu	4.6	4,500,000	984,683
Airport City	1	3,000,000	3,000,000
Average		**3,375,000**	**2,637,196**
			3,050,325
Oyibi	2.5	277,649	112,409
Near Appolonia	2	201,926	100,963
Average		**239,788**	**106,686**

Serviced Plots		
Size of plots	**Current Price**	**Price per acre**
70*50	19,950	228,000
80*50	22,600	226,000
90*60	30,500	225,926
100*80	45,500	227,500
110*90	56,000	226,263
	34,910	**226,738**

- The average price per acre in Accra City centre areas is Kshs 317.2 mn.
- An acre away in the outskirts goes for Kshs 11.1 mn while a serviced acre of land in the same locality goes for an average of Kshs 23.6 mn

Source: Cytonn Research 2017

VIII. Hospitality Research

Hospitality Sectors: Factors Driving the Sector

Business tourism, leisure, domestic tourism and political stability are the main drivers of hospitality

Key Drivers	
• **Business Tourism**	• Business tourism including conferences, business individuals and corporates has grown in Ghana accounting for 31.9% of international tourist arrivals between 2012 and 2014 according to Ghana Tourism Authority(GTA) • This is driven by economic growth and presence of multi-national firms such as Nestle, FAO and WHO • Hospitality in Accra City is mainly driven by business tourism compared to leisure tourism, estimated to account for approximately 60% of the total hotel demand, according to Horwath HTL Group
• **Leisure Travel**	• Leisure travel is related to cultural and historic tourism on World Heritage Sites • While the number of beach travellers in gradually growing, it is important to note that there is only one branded beach hotel- Labadi Beach Hotel in Accra • According to GTA, holiday travellers accounted for 19.0% of international arrivals between 2012 and 2014
• **Domestic Tourism**	• Traditional festivals, food festivals, funerals and other functions have boosted domestic tourism as individuals require accommodation when they travel up-country for such events
• **Promotion in the Western Countries**	• The government of Ghana has made efforts to promote the country in countries such as USA, UK, German, China, Lebanon, India and West Africa • Europe and USA are the dominant guests 33% and 10% of total overnights, respectively
• **Conference Tourism**	• Political stability and economic growth has made Accra a regional player in the MICE industry hosting events such as 2017 World Tourism Forum • The main conference facilities are the National Theatre, Ghana Trade Fair Centre and Accra International Conference Centre. Hotels sometimes lack adequate capacity to hold conferences, showing the demand for space
• **Political Stability**	• The hospitality sector benefits from Ghana's political stability creating confidence from Western travellers

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**Source: Ghana Tourism Authority, PWC Outlook 2017, WTTC, Horwath*

Hospitality Sectors: Challenges Facing the Sector

The main challenges facing hospitality include negative travel advisories, high cost of power and lack of charter flights

Challenges	
• **Negative Travel Advisories Caused by Ebola Pandemic**	• In 2014, negative travel advisories were issued due to the spread of ebola in West Africa • This resulted in a decline in revenues from a 3-year Average REVPar of USD 134.5 between 2011 and 2013 to a REVPar of USD 123.8 in 2014, according to HVS
• **Lack of Charter Flights**	• Ghana lacks Charter flights inhibiting flexibility of air travel • In addition , there is currently no direct flight from Europe making travel expensive and tiresome as travellers have to make stop-overs
• **High cost of Power**	• Hotels incur high costs of power accounting to approximately 32% to 40% of operational costs according to Ghana Tourism Authority • This is due to the need to provide air-conditioning in the warm to hot weather • There are ongoing talks to negotiate for a different tariff for hotels
• **Infrastructure**	• Ghana lacks sufficient infrastructural development, with most being limited to the southern part of the country, limiting access to the norther part of the country

**Source: Ghana Tourism Authority ,HVS, WTTC, Horwath*

Hospitality Sectors: Overview

Some of the key players include Movenpick, Best Western, Kempinski and Golden Tulip

- The hospitality industry in Ghana recorded a 1.8% growth in from 2015 to 2016 and is expected to grow by 1.1% in 2017, 2.1% in 2018 and 2.3% in 2019 according to PWC Hotel Outlook 2017
- There were 2,723 hotels and lodges in Ghana as at May 2017
- 56.0% of hotels in Accra are 4-star, 24.0% 5-star and 13.0% 3-star showing the penetration of quality hotels according to HTI Consulting
- As of 2017, international brand penetration represents 45% of total room capacity
- Some of the key hotel players include;

Hotel	Opening	Rating	Rooms
Golden Tulip	1991 (renovated 2009)	4-Star	238
Movenpick Ambassador	2011	4-Star	260
Accra City Hotel/Novotel	1991 (rebranded 2016)	4-Star	196
Best Western	2010	3-Star	113
Holiday Inn	2008	3-Star	168
Labadi Beach	1991	5-Star	104
Ibis Styles	2016	3-star	192
Kempinski	2015	5-star	269

Serviced Apartments

- Serviced Apartments are at nascent stages in Accra with few being licensed to operate as hotels
- Currently supply of serviced apartments is largely composed of unbranded or locally managed, independent properties
- Furnished Apartments are however common, with investors buying apartments, furnishing them and letting to tenants at a charge of USD 500 above normal rates

**Source: Ghana Tourism Authority, PWC Outlook 2017, WTTC, Horwath*

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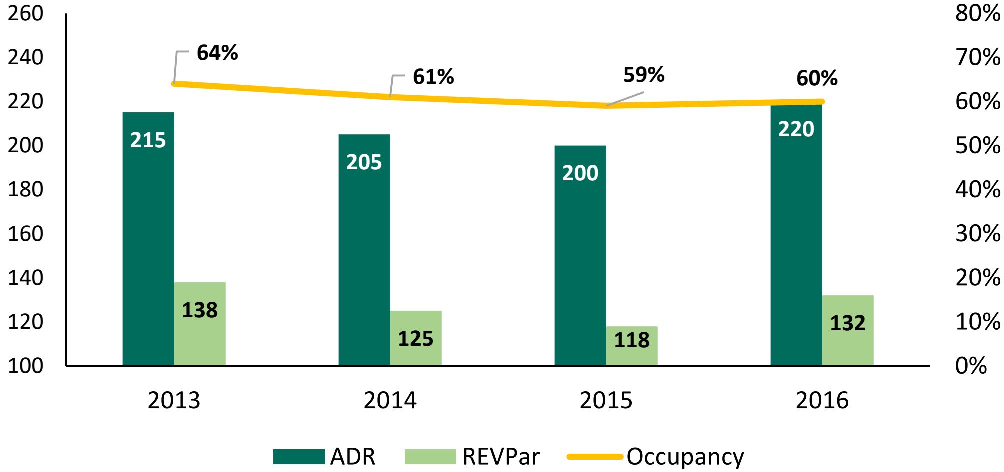
Hospitality Sectors: Hotels

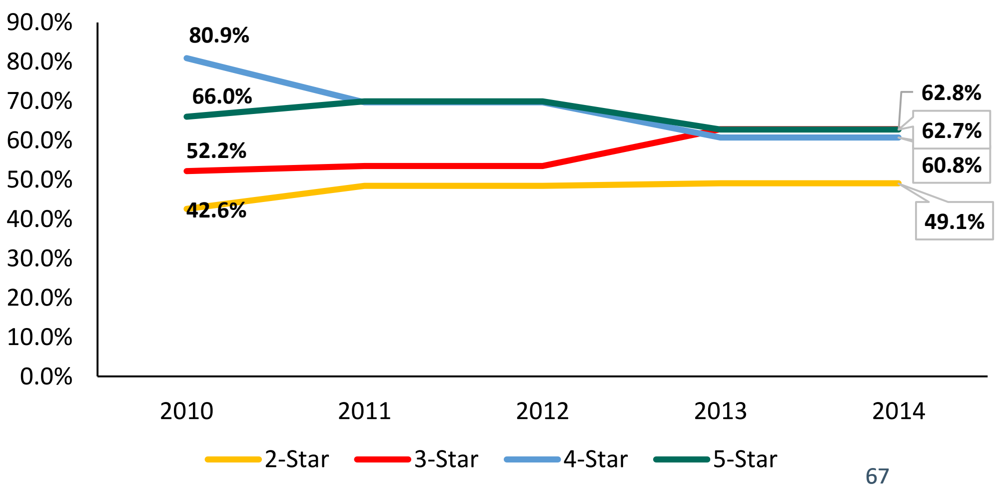
Hotels in Ghana have retained occupancy of above 59% since 2010, showing resilience of the sector

Hotel Market Performance, HTL



- According to Horwath HTL, quality hotels in Ghana have retained occupancy of above 59% between 2013 and 2016 despite the Ebola epidemic, the country's economic slowdown and the impact of additional hotel openings, which highlights the market's resilience

Hotel Occupancy in Ghana 2010 to 2014, GTA



- According to Ghana Tourism Authority, quality hotels in Ghana have retained occupancy of 59.8% between 2010 and 2014. As at 2014, 3-star and 5-star hotels had the highest occupancy at 62.8% and 62.7%, respectively

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Hospitality Sectors: Nairobi versus Accra

Ghana hotels are performing better than Kenya quality hotels

	Nairobi (STR Data)			Ghana		
	Occupancy (%)	ADR	RevPAR	Occupancy	ADR	RevPAR
2013	59%	125	73.4	64%	215	138
2014	53%	123	65.9	61%	205	125
2015	53%	136	72.0	59%	200	118
2016	53%	134	70.6	60%	220	132
Average	**55%**	**130**	**70.5**	**61%**	**210**	**128**

- 3,4 and 5-star hotels in Ghana have been performing better than those in Kenya with an Average Daily Rate of USD 210 between 2013 and 2016 compared to hotels in Kenya at USD 130
- They also have relatively higher occupancy at 61% compared to Kenya at 55% on average between 2013 and 2016, showing Ghana would be a better hotel investment location compared to Kenya

Source: STR Data 2017, HTL

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IX. Summary

Summary

Serviced and unserviced offices have the highest rental yields at 14.3% and 10.1% on average

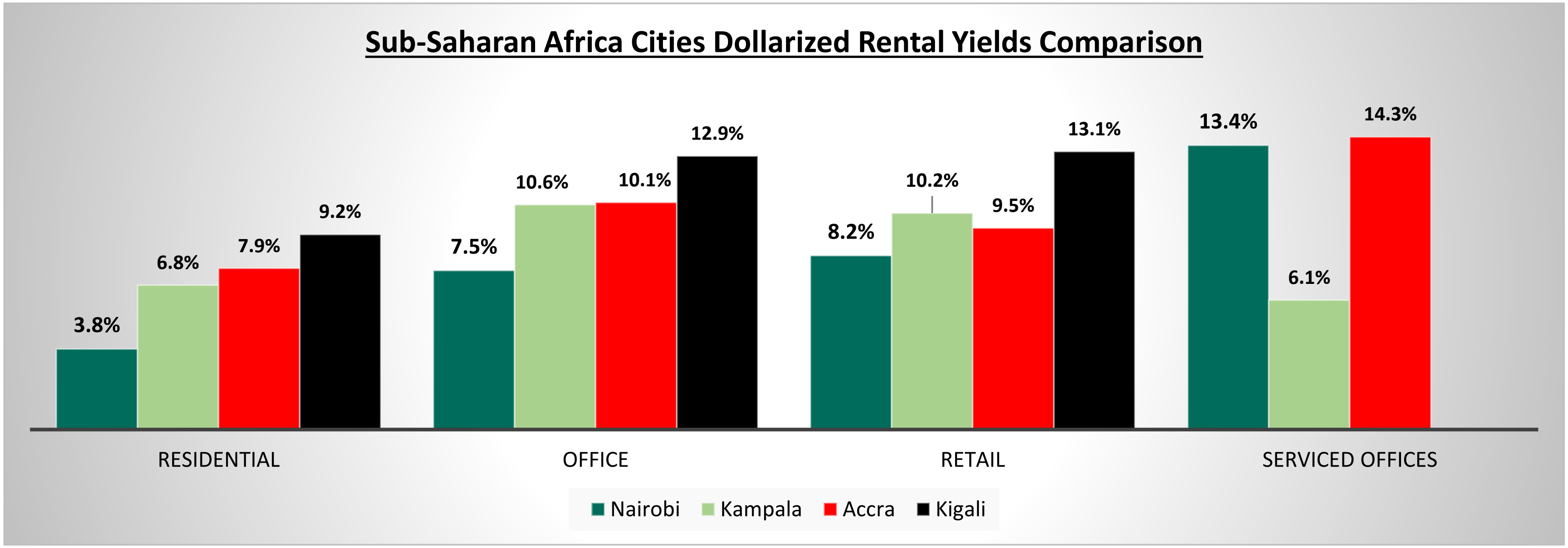
Theme	Occupancy Rates	Rental Yield	Capital Appreciation
Office	78.3%	10.1%	
Retail	94.7%	9.5%	
Serviced Office	80.1%	14.3%	
Site & Service			8.3%
Residential	75.0%	7.9%	6.9%
Average	**81.1%**	**10.4%**	**7.6%**

- Serviced offices have the highest yields at 14.3% due to high occupancy rates at 80.1%
- Office space has high yields but likely to decline as vacancy rates will increase with increasing supply
- The retail sector has the highest occupancy rates with 94.7% indicating high uptake. However, given their current footprint in Accra, retailers are now seeking to venture into other markets such as Takoradi and Kumasi
- Of key to note is that the Accra market is predominantly rental in the office and retail sectors
- Site and service schemes record an annual uptake at at 38.1%, with an annual capital appreciation rate at 8.3% which is low compared to Kenya’s 20.4% in 2017

Source: Cytonn Research 2017

Summary

Accra outperforms Nairobi and Kampala in residential, unserviced and serviced office yields



- In comparison with other cities in Sub-Saharan Africa, Accra has higher dollarized rental yields than Nairobi and Kampala in residential, unserviced and serviced offices with yields of 7.9%, 10.1% and 14.3% respectively in Accra compared to Nairobi with 3.8%, 7.5% and 13.4%, respectively and Kampala with 6.8%, 10.6% and 6.1%, respectively
- Kigali however has the highest yields at 9.2%, 12.9% and 13.1% for residential, office and retail themes, respectively
- The Kigali market is however nascent and small as the City has a population of 1.1mn compared to Accra's 2.4mn, Nairobi's 4.1mn and Kampala's 1.5mn people according to the country's respective statistical bureaus

Source: Cytonn Research 2017

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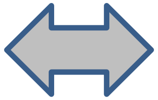
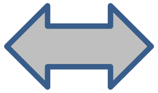
Summary and Recommendation

Invest in 3 and 4-bed compound houses in the mid and lower-end residential segment

Theme	Performance (2017)	Recommendation/Outlook	Area of Focus	Outlook
Residential	The residential sector has total returns of 14.7% on average with rental yield of 7.9% and price appreciation of 6.9%. The market has however been constrained with the declining value of the Ghana Cedi resulting in lower rental yields	Focus on 3 and 4-bed compound houses in the mid and lower end segment of the market. For apartments, focus on 2-bed units in the high and mid-end segments of the market.	• 3 and 4-bed compound houses in areas such as Spintex, East-Legon and Tema • 2-bed apartments in Airport City, Dzorwulu, East Legon and Cantonments	
Commercial Office	The office sector has yields of 10.7% and average occupancy of 78.3%.	The office market is on a declining trend and vacancy rates are likely to increase due to i) increasing supply ii) firms increasingly taking up smaller office spaces iii) high cost of office rental space		
Retail Sector	The retail sector has high occupancy of 94.8% and yields of 9.5% .	The retail sector has a deal pipeline of 1.2mn sqft as a result of upcoming malls in Accra, Kumasi and Takoradi. Demand and supply is on the rise in other urban centres as existing tenants are looking to open new branches away outside the capital	• Urban areas outside Accra such as Kumasi and Takoradi	

Summary and Recommendation

Invest in grade B serviced offices and 3,4 or 5-star business hotels in Accra

Theme	Performance (2017)	Recommendation/Outlook	Area of Focus	Outlook
Serviced Offices	Serviced Offices had a relatively high occupancy at 80.1% resulting in a 14.3% yield for bought office space.	• Given increasing demand for smaller office space set-up and demand from multi-nationals in the oil & gas, logistics and services sectors, this is a go-market with focus on grade B office space in commercial areas	• Grade B serviced office space in Accra City	
Hospitality	The hotel sector had a relatively high occupancy of 60%, ADR of USD 220 and RevPAR of USD 132 driven mainly by business travel in Accra. Serviced Apartments are at nascent stages being mainly composed of unbranded and locally managed facilities	• Focus on business hotels in Accra in the short to mid-term	• 3,4 and 5-star hotels within Accra City	

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Appendix

Key Statistics: Kenya versus Ghana

Ghana has a higher GDP per capita at USD 1,550.2 compared to Kenya at USD 1,304.9

Key Statistics	Kenya	Ghana
GDP Growth (5-year Average)	5.5%	**5.6%**
GDP Growth 2016	**5.8%**	3.6%
Inflation Rate (5-year Average)	7.0%	**14.2%**
Population	48.5Mn	28.2 Mn
Population Growth Rate	**2.6%**	2.2%
GDP per Capita (5-year Average)	1,304.9	**1,550.2**
GDP per Capita Growth 2016	**3.2%**	1.3%
Urban Population	26.5%	**55.3%**
Urbanization Rate	**4.2%**	3.1%
Employed (15 and above)	67.1%	**77.0%**
Employment to Population Ratio	60.9%	**72.1%**
Minimum Daily Wage in Kshs	**269.4**	231.7
Millionaires (USD 1 Mn+)	**9,400.0**	2,900.0
Lending Rates (5-year Average)	17.2%	**27.8%**

	Nairobi	Nairobi Metro	Greater Accra	Accra
GDP per Capita (2016)	1,081	1,253	2,500	
Sq Km	696	32,715	3,245	894
Population	4.1 Mn	9.4 Mn	4.8 Mn	2.4 Mn
Population Growth Rate	3.48%	2.91%	2.50%	1.90%
Persons per SQkm	5,891	287	1,479	2,685

- *Ghana GDP growth has declined from 9.3% in 2012 to 3.6% in 2016 due to due to a decline in industrial growth, following the adverse effects of the energy crises and operational challenges in crude oil production*
- *Kenya lending rates were capped at 14% in September 2016*

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